NOTICE AND AGENDA
OF ANNUAL MEETING OF STOCKHOLDERS

VIVANT CORPORATION
9th Floor, Oakridge IT Center 3,
Oakridge Business Park, A.S. Fortuna Street,
Brgy. Banilad, Mandaue City, Cebu

NOTICE IS HEREBY GIVEN that the Annual Stockholders' Meeting of VIVANT CORPORATION will be held virtually on **June 15, 2023 Thursday at 10:00 in the morning** and will be accessible through this link https://conveneagm.com/ph/vvt2023 (the "VVT Portal").

The Annual Stockholders' Meeting shall have the following Agenda:

1. Call to Order
2. Proof of Notice and Determination of Quorum
3. Reading and Approval of Minutes of the Annual Stockholders' Meeting held on June 16, 2022
4. Annual Report of Officers
5. Approval of the 2022 Annual Report and Financial Statements
6. Appointment of External Auditor for 2023
7. Election of Directors for the year 2023-2024
   Regular Directors
   Independent Directors
8. Ratification of all Acts and Resolutions of the Board of Directors and Management Adopted for Fiscal Year 2022
9. Other Matters that may properly be brought before the meeting
10. Adjournment

Only stockholders of record at the close of business as of May 15, 2023 are entitled to notice and to vote at this meeting.

Stockholders may attend by registering at the VVT Portal beginning 12:00nn on May 19, 2023 until 12:00 noon on June 8, 2023. The meeting will be broadcasted live and stockholders who have successfully registered can participate via remote communication.

Stockholders who have successfully registered through the VVT Portal will receive a confirmation through email of their verified status and may cast votes *in absentia* through the online voting platform, the link of which, as well as the stockholder code to access the said link, will be provided in the confirmation email, or by proxy.

Votes cast until 12:00 noon of June 14, 2023 will be tabulated and presented during the meeting. Stockholders may still vote after the cut-off time, and the final votes received through the VVT Portal after the adjournment of the meeting will be included in the minutes of the meeting.

Stockholders who are unable to attend the virtual meeting, are encouraged to vote by downloading and executing a proxy form in favor of a representative and by following the instructions on the voting instruction form, both of which are found on the VVT Portal and at www.vivant.com.ph. Stockholders may submit the duly accomplished proxy forms through the Vivant Portal or email the same to corporatesecretary@vivant.com.ph and in accordance with the Amended By-Laws of the Company, the hard copy of the proxy form must be submitted for inspection, validation, and recording at least seven (7) days prior to the opening of the Stockholders' Meeting, or on or before 12:00 noon on June 8, 2022 to the Office of the Corporate Secretary at 9th Floor, Oakridge IT Center 3, Oakridge Business Park, A.S. Fortuna Street, Brgy. Banilad, Mandaue City, Cebu.

For any questions regarding the conduct of the Meeting, the Stockholders may submit queries through the VVT Portal or to the Office of the Corporate Secretary at corporatesecretary@vivant.com.ph.

Pursuant to SEC Notice dated March 13, 2023, a copy of the Notice of the meeting, Definitive Information Statement, minutes of the previous meeting of the stockholders, and other documents related to the meeting may be accessed through the VVT Portal, the Company's website at www.vivant.com.ph and through the PSE edge at https://edge.pse.com.ph.

There will be audio and virtual recording of the Annual Stockholders' Meeting a copy of which shall be made available to a stockholder upon request.

Mandaue City, May 12, 2023.

FOR THE BOARD OF DIRECTORS:

JOAN A. GIDUQUIO-BARON
Corporate Secretary

AGENDA
DETAILS AND RATIONALE

1. **Call to Order.** The Chairman of the Board of Directors, Mr. Charles Sylvestre A. Garcia, will call the meeting to order and preside over the same.

2. **Proof of Notice and Determination of Quorum.** The Corporate Secretary, Atty. Jess Anthony N. Garcia, will certify that pursuant to SEC Notice dated March 13 2023, Notice of the meeting was published in the business section of two (2) newspapers of general circulation on May 17, 2023 and May 18, 2023. A copy of the Notice of the meeting, together with the Definitive Information Statement, minutes of the previous meeting of the stockholders, and other documents related to the meeting were made accessible through the Company's website at www.vivant.com.ph and the website of PSE Edge at https://edge.pse.com.ph. The Corporate Secretary will also certify, based on the number of shares owned by Stockholders voting *in absentia,* or by proxy, or participating remotely in the meeting, whether quorum exists for the valid transaction of business at the meeting. Finally, the Corporate Secretary will explain the rules for the orderly conduct of the meeting.

3. **Reading and Approval of Minutes of the Annual Stockholders' Meeting held on June 16, 2022.** A copy of the draft Minutes is attached as Exhibit "A". It is also available for examination during office hours at the Office of the Corporate Secretary and for viewing at the website of Vivant Corporation at https://www.vivant.com.ph/sec-filings/minutes-of-meetings/. Stockholders will be asked to approve the draft Minutes and acknowledge the completeness and accuracy thereof. The text of the proposed resolution is as follows:

   > *"**WHEREAS**,* that the Stockholders of Vivant Corporation (the "Corporation") have reviewed the Minutes of the previous Annual Stockholders' Meeting;
   >
   > ***RESOLVED, AS IT IS HEREBY RESOLVED***, that Stockholders of the Corporation approve the Minutes of the Annual Stockholders' meeting held on June 16, 2022."

4. **Annual Report of Officers.** The CEO, Mr. Arlo Angelo G. Sarmiento, the President and Mr. Emil Andre M. Garcia will present the overview of Vivant Corporation's financial performance in 2022 and the highlights of the Corporation's performance in the first quarter of 2023. They will also present the challenges and highlights of 2022, and the outlook for 2023. Finally, they will provide updates on the new policies of the Corporation and regulatory matters.

5. **Approval of the 2022 Annual Report and Financial Statements.** The Audited Financial Statement (the "AFS") of Vivant Corporation for the fiscal year ended December 31, 2022 contained in the Corporation's 2022 Annual Report and Information Statement, will be presented to the Stockholders for approval. The Chairman, CEO, any member of the Audit Committee, or any representative of the Corporation's external auditors, Sycip Gorres Velayo & Co. will respond to questions submitted by any stockholder regarding the Corporation's AFS for the fiscal year December 31, 2022.

6. **Appointment of External Auditors for 2023.** Stockholders will be asked to approve the appointment of Sycip Gorres Velayo & Co. as Vivant Corporation's external auditors for 2022-2023. The external auditors will be tasked with the preparation of the annual audited statements. The text of the proposed resolution is as follows:

   > *"**WHEREAS,*** the Stockholders of the Corporation have the right to participate in key corporate governance decisions, such as the right to appoint the External Auditors;
   >
   > ***RESOLVED, AS IT IS HEREBY RESOLVED,*** that the Stockholders of the Corporation appoint SyCip Gorres Velayo & Co. as the External Auditors for 2023."

7. **Election of Directors (including Independent Directors).** For 2023, the candidates for the Board of Directors are the following:

   Regular Directors
   MR. CHARLES SYLVESTRE A. GARCIA
   MR. EMIL ANDRE M. GARCIA
   MR. ARLO ANGELO G. SARMIENTO
   MR. RAMONTITO E. GARCIA
   MR. JOSE MARKO G. SARMIENTO
   MS. BRIGETTE CECILE N. GARCIA
   MR. FRANCIS DAMASUS A. GARCIA

   Independent Directors
   MR. CARMELO MARIA LUZA BAUTISTA
   MR. JOSE CARLITOS G. CRUZ
   ATTY. JOSE M. LAYUG, JR.
   ATTY. LAURENCE R. ROGERO

   The profiles of the candidates to the Board are found on pages 14 to 21 of this Information Statement. For further reference and examination of the Stockholders, a summary of the business and professional experience for the past five (5) years of the candidates are also provided in the Information Statement. Stockholders will be given the opportunity to elect the directors for 2023-2024 individually through the cumulative voting process. Stockholders will be asked to cast their votes in absentia through the online voting portal or by proxy.

8. **Ratification of all Acts and Resolutions of the Board of Directors and Management Adopted for Fiscal Year 2022.** The Stockholders will be asked to ratify and confirm all acts, transactions, and resolutions of the Board of Directors and Management in connection with the performance and operations of the Corporation.

9. **Other Matters that may properly be brought before the meeting.** Stockholders may raise other relevant matters not included as an item in the Agenda. If such matters may be properly taken up in the meeting, Stockholders may be requested to consider the same.

10. **Adjournment.** After all business to be conducted at the Meeting has been considered, the Chairman will declare the Meeting concluded.

PROXY FORM

KNOW ALL MEN BY THESE PRESENTS:

I, the undersigned, a stockholder of VIVANT CORPORATION ("Vivant"), a corporation duly organized and existing under and by virtue of the laws of the Republic of the Philippines, do hereby name, constitute, and appoint _____ or, in his absence, the Chairman of the meeting, as *attorney-in-fact* and *proxy*, with power of substitution, to represent and vote all shares registered in the name of the undersigned stockholder, at Vivant's **Annual Stockholders' Meeting** on **June 15, 2023** virtually at **10:00 A.M.** and any adjournment/s thereof.

The above-named proxy is to vote as follows:

1. Approval of the Minutes of the 2022 Annual Stockholders' Meeting held last June 16, 2022
   ◯ Yes ◯ No ◯ Abstain
2. Approval of the 2022 Annual Report and Financial Statements
   ◯ Yes ◯ No ◯ Abstain
3. Appointment of External Auditors for 2023
   ◯ Yes ◯ No ◯ Abstain
4. Election of the Members of the Board of Directors for the year 2023-2024. Vote my shares as follows:

Regular Directors

◯ Equally to all seven (7) nominees for non-independent members of the Board of Directors
◯ Abstain for all seven (7) nominees for non-independent members of the Board of Directors
◯ Distribute or cumulate my shares to the nominees, as follows *(indicate the number of shares to be voted for each nominee*)*:

Charles Sylvestre A. Garcia	_____ Yes	_____ Abstain
Emil Andre M. Garcia	_____ Yes	_____ Abstain
Arlo Angelo G. Sarmiento	_____ Yes	_____ Abstain
Ramontito E. Garcia	_____ Yes	_____ Abstain
Jose Marko Anton G. Sarmiento	_____ Yes	_____ Abstain
Brigette Cecile N. Garcia	_____ Yes	_____ Abstain
Francis Damasus A. Garcia	_____ Yes	_____ Abstain

**Total votes cast should not exceed the number of shares in your name multiplied by the number of board seats (7) for non-independent directors.*

Independent Directors

◯ Equally to all four (4) nominees for independent members of the Board of Directors
◯ Abstain for all four (4) nominees for independent members of the Board of Directors
◯ Distribute or cumulate my shares to the nominees, as follows *(indicate the number of shares to be voted for each nominee*)*:

Carmelo Maria Luza Bautista	_____ Yes	_____ Abstain
Jose Carlitos G. Cruz	_____ Yes	_____ Abstain
Jose M. Layug, Jr.	_____ Yes	_____ Abstain
Laurence R. Rogero	_____ Yes	_____ Abstain

**Total votes cast should not exceed the number of shares in your name multiplied by the number of board seats (4) for independent directors.*

5. Ratification of the acts, resolutions, and proceedings of the Board of Directors, Corporate Officers and Management for fiscal year 2022
   ◯ Yes ◯ No ◯ Abstain
6. Any issue/question that may arise related to any item in the Agenda of the meeting
   ◯ Yes ◯ No ◯ Abstain

This proxy should be received by the Corporate Secretary or Assistant Corporate Secretary on or before 12:00 noon on June 8, 2023. This proxy, when properly executed, will be voted in the manner as directed herein by the stockholder(s). If no direction is made, this proxy will be voted for the election of all nominees and for the approval of the matters stated above and for such other matters as may properly come before the meeting in the manner described in the Information Statement and/or as recommended by management or the Board of Directors.

A stockholder giving a proxy has the power to revoke it at any time before the right granted is exercised. A proxy is also considered revoked if the stockholder attends the meeting in person and expressed his intention to vote in person.

_____ _____
Printed Name and Signature of Stockholder No. of Shares Held

_____ _____
Printed Name and Signature of Authorized Representative of Stockholder Date

Securities & Exchange Commission
SEC Form 20-IS

Information Statement Pursuant to Section 20
of the Securities Regulation Code

1. Check the appropriate box:

Preliminary Information Statement:	(√)
Definitive Information Statement:	( )

2.	Name of Registrant as specified in its charter:	**VIVANT CORPORATION**
3.	Province, country or other jurisdiction of Incorporation or organization:	**Cebu, Philippines**
4.	SEC Registration Number:	**175222**
5.	BIR Tax Identification Code:	**242-603-734-000**
6.	Address of Principal Office:	**9th Floor, Oakridge IT Center 3, Oakridge Business Park, A.S. Fortuna Street, Brgy. Banilad, Mandaue City, Cebu 6014**
7.	Registrant's Telephone Number, including area code:	**+63 32 234-2256** **+63 32 234-2285**
8.	Date, Time, and Place of meeting of the security holders	
	Date:	**June 15, 2023 Thursday**
	Time:	**10:00 A.M.**
	Place:	**Virtually from the 9th Floor, Oakridge IT Center 3, Oakridge Business Park, A.S. Fortuna Street, Brgy. Banilad, Mandaue City, Cebu and broadcasted via livestreaming accessible at www.vivant.com.ph**
9.	Approximate date on which the Information Statement is first to be sent or given to security holders:	**May 17, 2023**

10. Securities registered pursuant to Sections 8 and 12 of the SRC or Sections 4 and 8 of the RSA:

Authorized Capital Stock: **Php 2,000,000,000.00**

Title of Each Class	Par Value	No. of Shares	Authorized Capital Stock
Common	Php 1.00	2,000,000,000	Php 2,000,000,000.00

No. of Shares Outstanding as of March 31, 2023 **1,023,456,698**

11. Are any or all of the Registrant's securities listed in a Stock Exchange? Yes (√) No ( )

The common stock of Vivant is listed at the Philippine Stock Exchange.

INFORMATION REQUIRED IN INFORMATION STATEMENT

A. GENERAL INFORMATION

Item 1. Date, time and place of meeting of security holders.

Date	:	**June 15, 2023 (Thursday)**
Time	:	**10:00 A.M.**
Place	:	**Virtually from the 9th Floor, Oakridge IT Center 3, Oakridge Business Park, A.S. Fortuna Street, Brgy. Banilad, Mandaue City, Cebu and broadcasted via livestreaming accessible at www.vivant.com.ph** **The Chairman of the Board shall call and preside the stockholders' meeting in Mandaue City**
Name, Complete, Address and Contact Numbers of Registrant:		**VIVANT CORPORATION** **9th Floor, Oakridge IT Center 3, Oakridge Business Park, A.S. Fortuna Street, Brgy. Banilad, Mandaue City, Cebu 6014** **+63 32 234-2256** **+63 32 234-2285**
Approximate date when the Information Statement is first to be sent or given to security holders:		**May 17, 2023**

Item 2. Dissenters' Right of Appraisal.

There are no matters or proposed actions included in the Agenda of the Meeting that may give rise to a possible exercise by stockholders of their appraisal rights. Generally, however, the stockholders of Vivant Corporation (hereinafter referred to as "Vivant" or the "Company" or the "Registrant") have the right of appraisal in the following instances: (a) in case any amendment to the Articles of Incorporation has the effect of changing or restricting the rights of any stockholder or class of shares, or of authorizing preferences in any respect superior to those of outstanding shares of any class, or of extending or shortening the term of corporate existence; (b) in case of sale, lease, exchange, transfer, mortgage, pledge, or other disposition of all or substantially all of the corporate property and assets as provided in the Revised Corporation Code; (c) in case of merger or consolidation; and (d) investment of corporate funds in another corporation or business or for any purpose other than the primary purpose for which it was organized (Sections 41 and 80 of the Revised Corporation Code).

With respect to any matter to be acted upon at meetings of stockholders of Vivant which may give rise to the right of appraisal, in order that a dissenting stockholder may exercise his appraisal right, such dissenting stockholder shall, within thirty (30) days after the date of the stockholders' meeting at which such stockholder voted against a corporate action, make a written demand on Vivant for the value of his shares. The procedure to be followed in exercising the appraisal right shall be in accordance with Sections 80 to 85 of Republic Act No. 11232 or the Revised Corporation Code.

The appraisal right may be exercised by any stockholder who shall have voted against the proposed corporate action, where appraisal rights are applicable, by making a written demand on Vivant within thirty (30) days after the date on which the vote was taken, for payment of the fair value of his shares; provided, that failure to make the demand within such period shall be deemed a waiver of the appraisal right. If the proposed corporate action is implemented or effected, Vivant shall pay to such stockholder, upon surrender of the certificate(s) of stock representing his shares, the fair value thereof as of the day prior to the date on which the vote was taken, excluding any appreciation or depreciation in anticipation of such corporate action.

If within a period of sixty (60) days from the date the corporate action was approved by the stockholders, the withdrawing stockholder and Vivant cannot agree on the fair value of the shares, it shall be determined and appraised by three (3) disinterested persons, one (1) of whom shall be named by the stockholder, another by Vivant and the third by the two (2) thus chosen. The findings of the majority of the appraisers shall be final, and their award shall be paid by Vivant within thirty (30) days after such award is made; *provided*, that no payment shall be made to any dissenting stockholder unless Vivant has unrestricted retained earnings in its books to cover such payment; *provided*, further, that upon payment by Vivant of the agreed or awarded price, the stockholder shall forthwith transfer his shares to Vivant.

Item 3. Interest of Certain Persons in or Opposition to Matters to be Acted Upon

(a) None of the directors or officers of Vivant at any time since the beginning of the last fiscal year, or nominee for election as director of Vivant, or any associate of any of the foregoing persons, have any substantial interest, direct or indirect, by security holdings or otherwise, in any matter to be acted upon in the stockholders' meeting, other than the election of the members of the Board of Directors.

(b) No director has informed Vivant in writing that he intends to oppose any action to be taken by Vivant at the meeting.

B. CONTROL AND COMPENSATION INFORMATION

Item 4. Voting Securities and Principal Holders Thereof

(a) Class of Voting Shares as of March 31, 2023:

Class of Voting Shares	No. of Shares Entitled to Vote	
	Filipino	Foreign
Common	1,023,425,779	30.919
TOTAL	1,023,456,698	

Every stockholder shall be entitled to one (1) vote for each share of stock held as of the established record date.

(b) Record Date

All stockholders of record as of May 15, 2023 are entitled to receive notice of and to vote at Vivant's Annual Stockholders' Meeting.

(c) Election of Directors and Cumulative Voting Rights

With respect to the election of directors, a stockholder may vote such number of shares for as many persons as there are directors to be elected in each list. He may also cumulate said shares and give one (1) candidate as many votes as the number of directors to be elected, or distribute the shares on the same principle among as many candidates as he shall see fit, provided, that the total number of votes cast by the stockholder shall not exceed the total number of shares owned by him as shown in the books of Vivant, multiplied by the number of directors to be elected in each list.

Section 7, Article II of the Amended By-Laws of Vivant provides that voting upon all questions at all meetings of the stockholders shall be by shares of stock and not per capita. Likewise, Section 7 of the same Article states that stockholders may vote at all meetings either in person or by proxy duly given in writing and presented to the Corporate Secretary for inspection, validation, and record at least seven (7) days prior to the opening of said meeting.

As condition precedent to the exercise of the cumulative voting rights, no delinquent stock shall be allowed to vote. No discretional authority to cumulate votes is solicited.

(d) No proxy solicitation is being made.

Security Ownership of Certain Record and Beneficial Owners and Management

(1) Security Ownership of Certain Record and Beneficial Owners (more than 5%) as of March 31, 2022

Title of class	Name and address of record owner and relationship with issuer	Name of Beneficial Ownership and Relationship with Record Owner	Citizenship	No. of Shares Held	Percentage
Common Shares	MAI-I Resources Corporation[1] 375-G Acacia St., Lahug, Cebu City Stockholder	MAI-I Resources Corporation	Filipino	464,831,568	45.42%
Common Shares	JEG Development Corporation[2] Room 211 TPE Building, Gov. M. Cuenco Ave. Banilad, Cebu City Stockholder	JEG Development Corporation	Filipino	311,524,642	30.44%
Common Shares	PCD Nominee (Filipino) Participants are stockholders of the Company[3]	Various PCD participants	Filipino	185,681,370	18.14%
Common Shares	All directors (as a group)	All directors	Filipinos	220,405	0.00%

Notes:

1. *Either Mr. Emil Andre M. Garcia or Mr. Charles Sylvestre A. Garcia will vote for the shares of MAI-I Resources Corporation (MRC) in Vivant in accordance with the directive of the MRC Board of Directors.*
2. *Either Mr. Ramontito E. Garcia or Mr. Jose Marko G. Sarmiento, will vote for the shares of JEG Development Corporation ("JDC") in Vivant in accordance with the directive of the JDC Board of Directors.*
3. *Each beneficial owner of shares, through a PCD participant, is the beneficial owner of such number of shares he owns in his account with the PCD participant. Vivant has no record relating to the power to decide how the shares held by PCD are to be voted. As advised to the Company, GT Capital Holdings Inc., one the beneficial owners under a PCD participant, owns 8.88% of Vivant Corporation.*

(2) Security Ownership of Management as of March 31, 2023 (Record and Beneficial)

Title of Class	Name of Beneficial Owners and Position	# of Shares and Nature of Ownership		Citizenship	% Own
Common Shares	Charles Sylvestre A. Garcia Chairman of the Board	Direct	1		
		Indirect	0		
Common Shares	Emil Andre M. Garcia Vice Chairman President	Direct	35,801	Filipino	0.0%
		Indirect	0		0.0%
Common Shares	Arlo Angelo G. Sarmiento Director Chief Executive Officer	Direct	107,100	Filipino	0.0%
		Indirect	0		0.0%
Common Shares	Ramontito E. Garcia Director	Direct	48,501	Filipino	0.0%
		Indirect	0		0.0%
Common Shares	Gil A. Garcia II Director	Direct	1	Filipino	0.0%
		Indirect	0		0.0%
Common Shares	Jose Marko Anton G. Sarmiento Director	Direct	28,501	Filipino	0.0%
		Indirect	0		0.0%
Common Shares	Brigette Cecile N. Garcia Director; Sr. AVP – Corporate Planning	Direct	100	Filpino	0.0%
		Indirect	0		0.0%
Common Shares	Jose Carlitos G. Cruz Lead Independent Director	Direct	100	Filipino	0.0%
		Indirect	0		0.0%
Common Shares	Carmelo Maria L. Bautista Independent Director	Direct	100	Filipino	0.0%
		Indirect	0		0.0%
Common Shares	Jose M. Layug, Jr. Independent Director	Direct	100	Filipino	0.0%
		Indirect	0		0.0%
Common Shares	Joseph Lee Sullivan Independent Director	Direct	100	American	0.0%
		Indirect	0		0.0%
Common Shares	Minuel Carmela N. Franco Treasurer, Executive Vice President, Chief Corporate Officer, Group Chief Finance Officer, Chief Risk Officer, and Compliance Officer	Direct	0	Filipino	0.0%
		Indirect	0		0.0%
Common Shares	Atty. Jess Anthony N. Garcia Sr. VP – Infrastructure Chief Information Officer	Direct	12,200	Filipino	0%
		Indirect	0		0%
Common Shares	Atty. Joan A. Giduquio-Baron Corporate Secretary	Direct	0	Filipino	0%
		Indirect	0		0%
Common Shares	Mark D. Habana Vice President	Direct	0	Filipino	0%
		Indirect	0		0%
Common Shares	Al Douglas Villaos Vice President	Direct	0	Filipino	0%
		Indirect	0		0%
Common Shares	Maila G. De Castro[1] VP – Legal	Direct	0	Filipino	0%
		Indirect	0		0%
Common Shares	Shem Jose W. Garcia Sr. AVP – Corporate Communications	Direct	0	Filipino	0%
		Indirect	0		0%
Common Shares	Atty. Catherine S. Bringas Assistant Corporate Secretary, Sr. AVP – Legal and Compliance, and Data Protection Officer	Direct	0	Filipino	0%
		Indirect	0		0%
Common Shares	Ronnel Vergel E. De Leon AVP – Treasury	Direct	0	Filipino	0%
		Indirect	0		0%
Common Shares	Carlos F. Bargamento, Jr. AVP – Internal Audit and Chief Audit Executive	Direct	5,030	Filipino	0%
		Indirect	0		0%

Title of Class	Name of Beneficial Owners and Position	# of Shares and Nature of Ownership		Citizenship	% Own
Common Shares	Dyan Ramona S. Olegario AVP – Accounting	Direct	0	Filipino	0%
		Indirect	0		0%
Common Shares	Denise Mae D. Blanco AVP – Human Resources	Direct	2,700	Filipino	0%
		Indirect	0		0%
Common Shares	Nilo M. Arribas, Jr. AVP – Information Technology	Direct	0	Filipino	0%
		Indirect	0		0%
TOTAL		**Direct**	**240,335**		**0%**
		Indirect	**0**		**0%**

Notes:

1. *Ms. Maila G. De Castro was appointed as VP – Legal effective February 20, 2023.*

(3) Voting Trust Holders of 5% or more of Equity

No person holds more than 5% of Vivant's common equity under a voting trust or similar agreement.

(4) Changes in Control

There are no arrangements that had resulted in a change in control of Vivant during the period covered by this report.

Item 5. Directors and Executive Officers

(1) (a) Directors for –2023 - 2024

Below is a list of Vivant's nominee-directors for 2023 - 2024 with their corresponding ages, citizenship, positions, periods of service, and offices held for the past five (5) years. The directors will assume their directorship during Vivant's Annual Stockholders' Meeting in 2023, for a term of one (1) year.

CHARLES SYLVESTRE A. GARCIA *62 years old, Filipino* *Years served (end of 2022): 18* Director Chairman Chairman – Executive Committee Member – Audit Committee Member – Finance Committee Member – Related Party Transaction Committee	Mr. Garcia is a Director of the Company and Member of the Company's Executive Committee since September 30, 2004. He assumed the role of the Chairman of the Company on June 16, 2022. Prior to this, Mr. Garcia was a director of Visayan Electric Company, Inc. from 2007 to 2020 and Vice Chairman of the Company from June 17, 2021 until October 8, 2021. Other positions currently held are as follows: Director of Vivant Energy Corporation and Mai-I Resources Corporation. He is not connected with any Philippine government agency or its instrumentalities.
RAMONTITO E. GARCIA *66 years old, Filipino* *Years served (end of 2022): 20* Director Member – Executive Committee	Mr. Garcia has been a Director and member of the Executive Committee of the Company since December 20, 2002. He assumed the role of the Chairman and CEO of the Company on April 6, 2020 until his resignation on February 7, 2022. Prior to this, he held the position of President of the Company from September 2003 to April 2020. For Vivant Energy Corporation, he was the Chairman from April 2022 to May 2022, CEO from April 2022 to February 2022, President from May 2012 to May 2014 and Chief Operating Officer from May 2008 to May 2014. He was the Chairman of Minergy Power Corporation from 2014 to June 2022 and of Vivant Foundation, Inc. from April 2022 to September 2022. Mr. Garcia was also a Director of Vivant Infracore Holdings Inc., Vivant Hydrocore Holdings Inc. and Vivant Transcore Holdings Inc. from 2019 to 2021, Vivant Malogo Hydropower Inc. from 2012 to 2021, and Isla Mactan-Cordova Corporation from 2020 to 2021. Other positions currently held are as follows: Chairman - JEG Development Corporation; President - JEGVEG Realty, Inc., JDC Tomodachi, Inc. and JDC One Acacia Corporation. He is not connected with any Philippine government agency or its instrumentalities.

EMIL ANDRE M. GARCIA *45 years old, Filipino* *Years Served (End Of 2022): 13* Director Vice Chairman Vice Chairman – Executive Committee President	Mr. Garcia has been a Director of the Company since June 18, 2009. He assumed the role of the Vice Chairman of the Company in October 8, 2021. He has been the Senior Vice President – Power since July 2020 until he assumed the role as President in February 7, 2022. Prior to this, he held the Assistant Vice President position for Corporate Planning and Development of the Company from February 2011 to December 2011. He was the Vice President for Operations from December 2012 to February 2019 before transferring to Vivant Energy Corporation as its Executive Vice President and Chief Operation Officer. Other positions currently held are as follows: President and COO - Vivant Energy Corporation; Vice President, Treasurer and Director of Visayan Electric Company, Inc. since 2010; Chairman - Calamian Islands Power Corporation, Delta P, Inc., 1590 Energy Corp., La Pampanga Energy Corporation, Vivant Solar Corporation, Corenergy Solar Solutions Corporation, Amberdust Holding Corporation, Isla Norte Power Corporation, Vivant Integrated Generation Corporation, Vivant Integrated Diesel Corporation, Vivant Renewable Energy Corporation, Delta P Hybrid (formerly Vivant Isla Inc.), Southern Powercore Holding Corporation, Vivant Geo Power Corporation, San Ildefonso Alternative Energy Corp., Culna Renewables Energy Corp. and Minergy Power Corporation; Vice Chairman - Cebu Private Power Corporation; Director, President and Chief Executive Officer – Vivant-Malogo Hydropower Inc., Lihangin Wind Energy Corporation; Director and Vice Chairman - Global Luzon Energy Development Corporation and Lunar Powercore Inc.; Director and Chief Finance Officer of EMAG Resources and Development Corporation; Director and Vice President - Abovant Holdings, Inc.; Board of Trustee and Vice President of Vivant Foundation Inc.; and Director - Vivant Infracore Holdings Inc., Vivant Hydrocore Holdings Inc., Vivant Transcore Holdings Inc., , Hijos de F. Escaño, Inc. Cebu Energy Development Corporation, Therma Visayas, Inc., North BukidnonPower Corporation, and BukidnonPower Corporation. He was also the President of Christ Company in 2009 to 2011. Mr. Garcia graduated from Velez College in 1998 with the degree in Bachelor of Science in Medical Technology. He is not connected with any Philippine government agency or its instrumentalities.

ARLO ANGELO G. SARMIENTO *47 years old, Filipino* *Years Served (End Of 2022): 5* Director Chief Executive Officer Member – Executive Committee	Mr. Sarmiento has been a Director and member of the Executive Committee of the Company since June 15, 2017. He assumed the role of CEO of the Company and Chairman of the Board and CEO of Vivant Energy Corporation on February 7, 2022. Prior to this, he held the positions of the President from April 6, 2020 to February 7, 2022 and Executive Vice President from 2003 to April 2020. He concurrently holds the following positions: Chairman & CEO of Vivant Energy Corporation; Chairman - Visayan Electric Company, Inc., Hijos De F. Escano Inc., Lihangin Wind Energy Corporation, Vivant Foundation Inc.,, Vivant Infracore Holdings, Inc., Vivant Hydrocore Holdings, Inc., Vivant Transcore Holdings, Inc., Isla Mactan-Cordova Corporation, Northern Metro Cebu Water Corporation and and Watermatic Philippines Corporation; ; Director and Chief Executive Officer - JEG Development Corporation; Director and Treasurer - JEGVEG Realty, Inc.; and Director - Minergy Power Corporation, La Pampanga Energy Corp., North BukidnonPower Corporation, BukidnonPower Corporation, Faith Lived Out Visions 2 Ventures Holdings, Inc., and Puerto Princesa Water Reclamation and Learning Center Inc.; Mr. Sarmiento holds a degree in Bachelor of Arts in Social Sciences from the Ateneo de Manila University. He is not connected with any Philippine government agency or its instrumentalities.
JOSE MARKO ANTON G. SARMIENTO *44 years old, Filipino* *Years served (end of 2022): 14* Director Member – Executive Committee Member – Finance Committee Member – Audit Committee Member – Risk and Sustainability Committee	Mr. Sarmiento has been a Director and Member of the Executive Committee of the Company since 2008. He has been a Director of JEG Development Corporation since 2005 (since 2009) and of JEGVEG Realty, Inc. He was the Chief Operating Officer of JEG Development Corporation since 2009 until he assumed the role of the President in 2022. Prior to this, he was the Treasury Manager of JEG Development Corporation from 2006 to 2010. and was the Vice President for Manufacturing at Detalia Aurora, Inc. from 1999 to 2010. Other positions currently held are as follows: Director - JEG Development Corporation (since 2005); JEGVEG Realty, Inc. and Vivant Infracore Holdings, Inc. Mr. Sarmiento holds a degree in Bachelor of Science in Business Administration from Methodist University in North Carolina, USA. He obtained his Advanced Professional Training in Innovation Management in Product Development from Inwent - Capacity Building International in Bonn, Germany in 2004. He is not connected with any Philippine government agency or its instrumentalities.

BRIGETTE CECILE N. GARCIA *35 years old, Filipino* *Years Served (End Of 2022): Less than 1 Year* Director Member – Executive Committee	Ms. Garcia is a first-time Director to the Vivant Board and member of the Executive Committee. In November 2020, she assumed the position of Senior Assistant Vice President for Corporate Planning of the Company. Prior to this, she was the Assistant Vice President for Corporate Planning from February 2018 to October 2020, and the Corporate Planning Senior Manager of the Company from 2016 to 2017. She concurrently holds the following positions: Director - Southern Grove Properties and Development Corporation; Vivant Corporate Center, Inc., Vivant Realty Ventures Corporation, Vivant Hydrocore Holdings Inc. and Vivant Transcore Holdings, Inc. Before joining Vivant, she worked for a year as a Management Trainee for Utility Economics at Visayan Electric Company, Inc. and for three (3) years as an Investment Consultant for Family Offices Private Banking at Credit Suisse AG in Singapore. Ms. Garcia graduated from Singapore Management University (SMU) with a double degree (Summa Cum Laude) in Bachelor of Science in Economics and Bachelor of Business Management in 2009. She was also the school Salutatorian and recipient of the Top Student of the School of Economics Award and the Monetary Authority of Singapore Academic Excellence Award. She obtained a Master's of Science degree in Accounting and Finance from London School of Economics (LSE) in 2013. She is not connected with any Philippine government agency or its instrumentalities.
FRANCIS DAMASUS A. GARCIA *64 years old, Filipino* *Years Served (End Of 2022): None*	Mr. Garcia is a first-time nominee to the Vivant Board. Currently, he is a Director of Mai-I Resources Corporation and Vivant's wholly-owned subsidiary, Vivant Energy Corporation. Prior to this, he was President and owner of Associated Computer Specialists, Inc. in Washington State for 34 years until 2019. He is not connected with any Philippine government agency or its instrumentalities.

CARMELO MARIA L. BAUTISTA *64 years old, Filipino* *Years served (end of 2022): 5* Independent Director Member – Finance Committee Directorship in other listed companies: GT Capital Holdings Incorporated	Mr. Bautista has been an Independent Director of the Company since June 15, 2017. He assumed the role of Director and President of GT Capital Holdings Incorporated in 2011. Prior to his election, Mr. Bautista joined FMIC in April of 2008 as Executive Director and was appointed as Chairman of the Risk Management Committee. He later assumed the position of Head of its Investment Banking Group in 2009. Mr. Bautista has been in the Banking and Financial Services sector for 39 years. Some highlights of his previous scope of responsibilities over this period include: Program Director at Citibank Asia Pacific Banking Institute; Vice President and Head of the Local Corporate and Public Sector Groups Citibank-Manila; Vice President-Real Estate Finance Group, Citibank N.A.-Singapore branch; Vice President-Structured Finance, Citibank N.A.-Singapore Regional Office; Country Manager, ABN AMRO Bank-Philippines; and President and CEO, Philippine Bank of Communications. Mr. Bautista has a Master's Degree in Business Management from the Asian Institute of Management where he graduated in the Dean's Citation List. He also has a Bachelor's degree, Major in Economics, from the Ateneo de Manila University. Mr. Bautista has no directorships in other listed companies aside from GT Capital. He is currently serving as Chairman of Toyota Financial Services Philippines Corporation; Director of Federal Land Inc., Toyota Motor Philippines Corporation, AXA Philippines, GT Capital Auto and Mobility Holdings, Inc., Toyota Subic, Inc., Toyota Manila Bay Corporation and GT Mobility Ventures Inc. He is also an Adviser to the Board of Trustees of GT Foundation, Inc. He is not connected with any Philippine government agency or its instrumentalities.

JOSE CARLITOS G. CRUZ *62 years old, Filipino* *Years served (end of 2022): 1.5* Lead Independent Director Chairman – Board Risk Oversight Committee Chairman – Related Party Transaction Committee Member – Audit Committee Member – Corporate Governance Committee Independent Directorship in other listed companies: Federal Land, Inc. SM Prime Holdings, Inc.	Mr. Cruz has been an Independent Director of the Company since June 17, 2021. Prior to this, he was the Chairman and Managing Partner of Sycip Gorres Velayo & Co. from 2017 to 2019; Vice Chairman and Deputy Managing Partner from 2013 to 2016; Deputy Managing Partner and Head of Assurance from 2010 to 2012; and Head of Assurance from 2007 to 2009. He is currently serving as Independent Director and Chairman of the Audit Committee of Federal Land, Inc., Independent Director and Co-Chairman of Risk and Compliance Committee of Transnational Diversified Ventures, Inc., Independent Director and a member of the Audit and Risk Oversight Committee of MarCoPay Inc. and Independent Director of Solar Philippines Project Holdings, Inc., MPIC Beneficial Trust Fund, SM Prime Holdings, Inc., Asialink Finance Corporation, Global Dominion Financing Incorporated, South Asialink Finance Corporation, MCP Finance, Inc., MCP Insurance Management and Agency, Inc.; Lead Independent Director of Solar Philippines New Energy Corporation. He is also currently a Board Trustee of the Makati Business Club and a member of the Management Association of the Philippines, Association of CPAs in Public Practice and the Philippine Institute of Certified Public Accountants; and Co-Chairman of the Philippines-Thailand Business Council. Mr. Cruz completed the Advanced Management Program at the Harvard Business School in Boston in 2007 and Advanced International Program in Oil and Gas Management at the University of Texas at Dallas in 1994. He graduated from the University of Santo Tomas in 1981 with a Bachelor of Science in Commerce degree, Major in Accounting, in 1981, and passed the licensure examination for Certified Public Accountants in 1982. He is not connected with any Philippine government agency or its instrumentalities.

JOSE M. LAYUG, JR. *51 years old, Filipino* *Years served (end of 2022): less than 1 year* Independent Director Member – Risk and Sustainability Committee Member – Corporate Governance Committee Member – Audit Committee	Atty. Layug has been an Independent Director of the Company since March 18, 2022. Currently, he is a Senior Partner at Divina Law Office and serves as the Dean of the University of Makati School of Law. He is also a professor of law at the University of the Philippines College of Law, teaching Philippine Project Development and Finance, Banking, Property, Administrative Law, Local Government and Sales since 2002. Atty. Layug has published works and is a contributor to the following publications: (a) Capital Asia, published in Hongkong by ISI Publications Ltd. and (b) In-House Briefing, Asia-Pacific, published in Hongkong by Pacific Business Press. Previously, he served as Chairman of the National Renewable Energy Board from 2016-2018. Prior to this, he was the Undersecretary of the Philippine Department of Energy (DOE) from 2010-2012 and headed the Renewable Energy Management Bureau, Energy Resources Development Bureau, Energy Utilization Management Bureau, Oil Industry Management Bureau and Legal Services. He was primarily responsible for the revival of various sectors in the Philippine energy sector with the successful launching of the National Renewable Energy Program, the Philippine Energy Contracting Rounds for Petroleum and Coal and the Public Transport Assistance Program of Pantawid Pasada. Prior to his DOE position, he was a Senior Counsel for the Negotiations and Legal Department of the Australian Strategic Business Unit of Chevron Corporation and served as the Malampaya Legal Manager of Chevron Malampaya LLC located in Manila, Philippines from 2007-2010. As Chevron counsel, he received the first ever William T. Coleman Award in 2008 – the highest recognition given by Chevron Corporation to a Chevron in-house counsel worldwide – besting all other Chevron lawyers worldwide. Before joining Chevron, Atty. Layug acted as international legal consultant of the Asian Development Bank and was a Senior Associate at SyCip Salazar Hernandez & Gatmaitan handling banking and finance, project development and financing relating to mining, energy, power and transportation industries. From 2000- 2002, he practiced law in New York and worked as a Foreign Lawyer at Sullivan & Cromwell in New York. Atty. Layug obtained his Bachelor of Science in Business Economics with cum laude honours in 1992 and his Bachelor of Laws (1996) from the University of the Philippines. He finished his Master of Laws degree with honors in 2000 (fall semester) from Cornell Law School in New York, USA. He is licensed to practice law both in the Philippines (since 1997) and in New York (since 2000). A copy of his Authority to Practice is attached as Exhibit "B".

LAURENCE R. ROGERO *51 years old, Filipino* *Years served (end of 2022): None*	Atty. Rogero was previously elected as Independent Director of Vivant for 2021-2022. He was President (2015-2018) and Director (2015-2021) of MetroPac Water Investments Corporation. Atty. Rogero has a background in infrastructure finance and law, and has advised Philippine and foreign sponsors, lenders, and construction and other project contractors of local and international projects. After working with the Quisumbing Torres, and the Romulo Mabanta Law Offices, he took on various executive and consulting positions. Some highlights of his other work experience include: Vice-President and Head - General Counsel, Strategic Planning and M&A Groups of Mirant Philippines Corporation (now Team Energy Corp.); Consultant - the Asian Development Bank, the World Bank, Cagayan Electric Power and Light Company, Mindanao Energy Systems, and Phoenix Petroleum; President and Director - Metro Iloilo Bulk Water Supply Corporation and Metropac Cagayan de Oro Water Supply Corporation; Vice-President and Director - PT Acuatico Air Indonesia; Commissioner - PT Aetra Air Jakarta (Eastern Jakarta water concessionaire); Director - Acuatico Services Vietnam; General Counsel - Acuatico Pte. Ltd. Singapore; Supervisory Board - VIWASUPCO Vietnam, among others. Atty. Rogero has a Bachelor of Science in Business Economics degree (magna cum laude) from the UP School of Economics. He completed his Bachelor of Laws degree (Academic Excellence Medal) from the UP College of Law, and as vice-chairman of the Philippine Law Journal. He has a Master of Laws (with Distinction) from Georgetown University, attending as a Fulbright Scholar. He has also taken the Global Strategic Leadership Program of the Wharton School of the University of Pennsylvania. He is not connected with any Philippine government agency or its instrumentalities.

Nominees for Election as Directors

The following are nominees for election as Directors for 2023 - 2024:

Regular Directors

1. Charles Sylvestre A. Garcia
2. Emil Andre M. Garcia
3. Arlo Angelo G. Sarmiento
4. Ramontito E. Garcia
5. Jose Marko Anton G. Sarmiento
6. Brigette Cecile N. Garcia
7. Francis Damasus A. Garcia

Independent Directors

1. Carmelo Maria Luza Bautista
2. Jose Carlitos G. Cruz
3. Atty. Jose M. Layug, Jr.
4. Atty. Laurence R. Rogero

Mr. Joseph Lee Sullivan[1] is the Chairman of the Corporate Governance Committee.

Compliance with SRC Rule 38 (Guidelines on the Nomination and Election of Independent Directors)

The procedure for the nomination and election of the independent directors is in accordance with Rule 38 of the Securities Regulation Code (SRC Rule 38) and the Nomination and Election Policy of the Company. The By-Laws of Vivant have not been amended to incorporate the requirements of SRC Rule 38. The Corporate Governance Committee conducted a nomination of independent directors. It has pre-screened the qualifications of all nominated candidates, resulting in the following final list of candidates with their respective nominating stockholders and all pertinent information, who have been nominated by Messrs. Emil Andre M. Garcia and Arlo Angelo G. Sarmiento. Messrs. Emil Andre M. Garcia and Arlo Angelo G. Sarmiento have no relationship to their nominees.

No nominations for independent director shall be accepted at the floor during the stockholders' meeting at which such nominee is to be elected. However, independent directors shall be elected in the stockholders' meeting during which other members of the Board are to be elected. Mr. Carmelo Maria Luza Bautista, Mr. Jose Carlitos G. Cruz, Atty. Jose M. Layug, Jr., and Atty. Laurence R. Rogero are the nominees for Independent Directors of Vivant. They are neither officers nor employees of the Company or any of its affiliates, and do not have any relationship with the Company which would interfere with the exercise of independent judgment in carrying out the responsibilities of an independent director. Attached as Exhibits "C-1", "C-2", "C-3", and "C-4" are the sworn Certifications of Qualifications of Mr. Carmelo Maria Luza Bautista, Mr. Jose Carlitos G. Cruz, Atty. Jose M. Layug, Jr. and Atty. Laurence R. Rogero.

To the knowledge and/or information of Vivant the above-named nominees have not been involved in criminal, bankruptcy, or insolvency investigations or proceedings for the past five (5) years up to the latest date that are material to evaluation.

[1] Mr. Joseph Lee Sullivan was elected as Chairman of the Corporate Governance Committee on June 16, 2022.

To the knowledge and/or information of Vivant the said persons have not been convicted by final judgment or any offense punishable by the laws of the Republic of the Philippines or of the laws of any other nation/country, including being subject to any order, judgment, or decree, not subsequently reversed, suspended, or vacated, of any court of competent jurisdiction, domestic, or foreign, permanently or temporarily enjoining, barring, suspending, or otherwise limiting his involvement in any type of business, securities, commodities, or banking activities for the past five (5) years up to the latest date.

To the knowledge and/or information of Vivant said persons have not been found by a domestic or foreign court of competent jurisdiction (in a civil action), the SEC or comparable foreign body, or a domestic or foreign Exchange or other organized trading market or self-regulatory organization, to have violated a securities or commodities law or regulation for the past five (5) years up to the latest date.

The shareholdings of the above-nominees for independent directors of Vivant are merely qualifying shares and, individually or added together, does not exceed five percent (5%) of Vivant's outstanding shares. Vivant does not have any commitment to the nominees with respect to the issuance of the new common shares of Vivant.

Attendance of Directors in Board Meetings in 2022

For the year 2022, Vivant held eight (8) regular meetings of the Board, specifically, on February 9, 2022, March 18, 2022, April 22, 2022, May 13, 2022, June 16, 2022, July 15, 2022, September 16, 2022 and November 11, 2022. The Board was also convened for two (2) special meetings on August 24, 2022 and December 22, 2022.

The following summarizes the attendance of the Board of Directors (2022-2023) as of December 31, 2022:

Director	Designation[1]	Board Meetings	Annual Stockholders' Meeting
Charles Sylvestre A. Garcia	Chairman of the Board;	10	Y
Emil Andre M. Garcia	Vice Chairman and President;	10	Y
Arlo A. G. Sarmiento	Chief Executive Officer	10	Y
Ramontito E. Garcia	Director	9	Y
Gil A. Garcia II	Director	10	Y
Jose Marko Anton G. Sarmiento	Director	10	Y
Brigette Cecile N. Garcia	Director	5[1]	N
Jose Carlitos G. Cruz	Lead Independent Director	10	Y
Carmelo Maria L. Bautista	Independent Director	10	Y
Jose M. Layug, Jr.	Independent Director	5[2]	N
Joseph Lee Sullivan[2]	Independent Director	5[3]	N

Notes:

1. *Reckoned from the June 16, 2022 Annual Stockholders' Meeting of the Company.*
2. *Ms. Brigette Cecil N. Garcia was elected as Director in the June 16, 2022 Annual Stockholders' Meeting of the Company.*
3. *In a disclosure dated March 18, 2022, the Company informed the PSE and SEC that Atty. Jose M. Layug, Jr. was elected as Independent Director to serve the remaining portion of the term of Atty. Laurence R. Rogero who resigned effective February 28, 2022.*
4. *Mr. Joseph Lee Sullivan was elected as Independent Director in the June 16, 2022 Annual Stockholders' Meeting of the Company.*

Attendance of Directors in Board Committee Meetings in 2022

Executive Committee

For the year 2022, Vivant held ten (10) regular meetings of the Executive Committee.

Members	Designation	Meetings Attended
Charles Sylvestre A. Garcia	Chairman	10 of 10
Emil Andre M. Garcia	Vice Chairman	10 of 10
Arlo Aneglo G. Sarmiento	Member	10 of 10
Ramontito E. Garcia	Member	10 of 10
Gil A. Garcia II	Member	10 of 10
Jose Marko Anton G. Sarmiento	Member	9 of 10
Brigette Cecile N. Garcia[1]	Member	5 of 10

Note:

1. *Elected as Director on June 16, 2022.*

Audit Committee

For the year 2022, Vivant held five (5) regular meetings of the Audit Committee.

Members	Designation	Meetings Attended
Jose Carlitos G. Cruz	Chairman – *Lead Independent Director*	5 of 5
Charles Sylvestre A. Garcia	Member	5 of 5
Jose Marko Anton G. Sarmiento[1]	Member	1 of 5
Jose M. Layug, Jr.	Member- *Independent Director*	4 of 5
Joseph Lee Sullivan[2]	Member- *Independent Director*	2 of 5

Notes:

1. *Appointed as member on June 16, 2022.*
2. *Appointed as member on June 16, 2022.*

Finance Committee

For the year 2022, Vivant held six (6) regular meetings of the Finance Committee and one (1) joint meeting with the other committees

Members	Designation	Meetings Attended
Jose Carlitos G. Cruz[1]	Chairman – *Lead Independent Director*	4 of 7
Jose Marko Anton G. Sarmiento	Member	7 of 7
Charles Sylvestre A. Garcia	Member	7 of 7
Carmelo Maria L. Bautista	Member – *Independent Director*	6 of 7

Note:

1. *Appointed as Member and Chairman on June 16, 2022.*

Corporate Governance Committee

For the year 2022, Vivant held two (2) regular meetings of the Corporate Governance Committee.

Members	Designation	Meetings Attended
Joseph L. Sullivan[1]	Chairman – *Independent Director*	0 of 2
Jose Carlitos G. Cruz	Member – *Independent Director*	2 of 2
Jose M. Layug, Jr.[2]	Member – *Independent Director*	1 of 2

Notes:

1. *Elected as an Independent Director and appointed as Member and Chairman in the June 16, 2022. The committee meetings in 2022 were conducted before the OBM.*
2. *Appointed as member in March 2022 and was reappointed as member on June 16, 2022.*

Related Party Transaction Committee

For the year 2022, Vivant had no dealings which required Related Party Transaction Committee.

Members	Designation
Joseph Lee Sullivan	Chairman – *Independent Director*
Charles A. Garcia	Member
Jose Carlitos G. Cruz	Member

Risk and Sustainability Committee

For the year 2022, Vivant held four (4) regular meetings of the Board Risk and Sustainability Committee and one (1) joint meeting with the other committees.

Members	Designation	Meetings Attended
Jose M. Layug, Jr.	Chairman – *Independent Director*	5 of 5
Gil A. Garcia II	Member	5 of 5
Jose Marko Anton G. Sarmiento[1]	Member	1 of 5
Joseph L. Sullivan[2]	Member – *Independent Director*	3 of 5

Note:

1. *Appointed as member on June 16, 2022.*
2. *Appointed as member on June 16, 2022.*

(1) (b) Officers for 2022-2023

Below is a list of Vivant officers for 2023 - 2024 with their corresponding positions and offices held for the past five (5) years. Unless otherwise indicated hereunder, the officers will assume their positions during Vivant's annual organizational meeting in 2023 for a term of one (1) year.

CHARLES SYLVESTRE A. GARCIA *62 years old, Filipino* Director Chairman Chairman – Executive Committee Member – Audit Committee Member – Finance Committee Member – Related Party Transaction Committee	Mr. Garcia is a Director of the Company and Member of the Company's Executive Committee since September 30, 2004. He assumed the role of the Chairman of the Company on June 16, 2022. Prior to this, Mr. Garcia was a director of Visayan Electric Company, Inc. from 2007 to 2020 and Vice Chairman of the Company from June 17, 2021 until October 8, 2021. Other positions currently held are as follows: Director of Vivant Energy Corporation and Mai-I Resources Corporation. He is not connected with any Philippine government agency or its instrumentalities.
ARLO ANGELO G. SARMIENTO *47 years old, Filipino* Director Chief Executive Officer Member – Executive Committee	Mr. Sarmiento has been a Director and member of the Executive Committee of the Company since June 15, 2017. He assumed the role of CEO of the Company and Chairman of the Board and CEO of Vivant Energy Corporation on February 7, 2022. Prior to this, he held the positions of the President from April 6, 2020 to February 7, 2022 and Executive Vice President from 2003 to April 2020. He concurrently holds the following positions: Chairman & CEO of Vivant Energy Corporation; Chairman - Visayan Electric Company, Inc., Hijos De F. Escano Inc., Lihangin Wind Energy Corporation, Vivant Foundation Inc., Vivant Infracore Holdings, Inc., Vivant Hydrocore Holdings, Inc., Vivant Transcore Holdings, Inc., Isla Mactan-Cordova Corporation, Northern Metro Cebu Water Corporation and Watermatic Philippines Corporation; Director and Chief Executive Officer - JEG Development Corporation; Director and Treasurer - JEGVEG Realty, Inc.; and Director - Minergy Power Corporation, La Pampanga Energy Corp., North BukidnonPower Corporation, BukidnonPower Corporation, Faith Lived Out Visions 2 Ventures Holdings, Inc., and Puerto Princesa Water Reclamation and Learning Center Inc.; Mr. Sarmiento holds a degree in Bachelor of Arts in Social Sciences from the Ateneo de Manila University. He is not connected with any Philippine government agency or its instrumentalities.

EMIL ANDRE M. GARCIA *45 years old, Filipino* *years* Director Vice Chairman Vice Chairman – Executive Committee President	Mr. Garcia has been a Director of the Company since June 18, 2009. He assumed the role of the Vice Chairman of the Company in October 8, 2021. He has been the Senior Vice President – Power since July 2020 until he assumed the role as President in February 7, 2022. Prior to this, he held the Assistant Vice President position for Corporate Planning and Development of the Company from February 2011 to December 2011. He was the Vice President for Operations from December 2012 to February 2019 before transferring to Vivant Energy Corporation as its Executive Vice President and Chief Operation Officer.Other positions currently held are as follows: President and COO – Vivant Energy Corporation; Vice President, Treasurer and Director of Visayan Electric Company, Inc. since 2010; Chairman - Calamian Islands Power Corporation, Delta P, Inc., 1590 Energy Corp., La Pampanga Energy Corporation, Vivant Solar Corporation, Corenergy Solar Solutions Corporation, Amberdust Holding Corporation, Isla Norte Power Corporation, Vivant Integrated Generation Corporation, Vivant Integrated Diesel Corporation, Vivant Renewable Energy Corporation, Delta P Hybrid *(formerly Vivant Isla Inc.),* Southern Powercore Holding Corporation, Vivant Geo Power Corporation, San Ildefonso Alternative Energy Corp., Culna Renewables Energy Corp. and Minergy Power Corporation; Vice Chairman – Cebu Private Power Corporation; Director, President and Chief Executive Officer – Vivant-Malogo Hydropower Inc., Lihangin Wind Energy Corporation; Director and Vice Chairman - Global Luzon Energy Development Corporation and Lunar Powercore Inc.; Director and Chief Finance Officer of EMAG Resources and Development Corporation; and Director – Vivant Infracore Holdings Inc., Vivant Hydrocore Holdings Inc., Vivant Transcore Holdings Inc., Hijos de F. Escaño, Inc. Cebu Energy Development Corporation, Therma Visayas, Inc., North BukidnonPower Corporation, and BukidnonPower Corporation; Director and Vice President - Abovant Holdings, Inc.; Board of Trustee and Vice President of Vivant Foundation Inc. He was also the President of Christ Company in 2009 to 2011. Mr. Garcia graduated from Velez College in 1998 with the degree in Bachelor of Science in Medical Technology. He is not connected with any Philippine government agency or its instrumentalities.

MINUEL CARMELA N. FRANCO *51 years old, Filipino* Treasurer Executive Vice President Chief Corporate Officer Group Chief Finance Officer Compliance Officer Chief Risk Officer	Ms. Franco has been the Executive Vice President & Chief Corporate Officer since June 2022 and concurrently the Treasurer, Group Chief Finance Officer, Chief Risk Officer and Compliance Officer of the Company. Prior to this, she held the position of Senior Vice President for Corporate and Shared Services from 2019 to 2022, and Vice President for Finance position of the Company from 2013 to 2018. Ms. Franco also currently holds the following positions: Director, President and CEO –– Southern Grove Properties and Development Corporation, Vivant Corporate Center, Inc., and Vivant Realty Ventures Corporation; Treasurer –– Vivant Energy Corporation and Watermatic Philippines Corporation; Director - Southern Powercore Holding Corporation, Vivant Geo Power Corporation, , Isla Mactan-Cordova Corporation, Northern Metro Cebu Water Corporation, Amberdust Holding Corporation, Vivant Integrated Diesel Corporation, Vivant Renewable Energy Corporation, Corenergy Inc., Vivant Integrated Generation Corporation and Delta P Hybrid Inc.; Treasurer & Chief Finance Officer - Vivant Infracore Holdings Inc.; Director and Treasurer & Chief Finance Officer – Vivant Hydrocore Holdings Inc., , and Vivant Transcore Holdings, Inc.; Board of Trustee and Treasurer – Vivant Foundation, Inc.; Treasurer and CFO –– Faith Lived Out Visions 2 Ventures Holdings, Inc., Puerto Princesa Water Reclamation and Learning Center Inc. and Lunar Power Core Inc.; Treasurer –– Culna Renewable Energy Corp; and Member - Provincial Board of Cebu (4th District). Past positions held are as follows: Trader, Associate and Credit Analyst at Multinational Investment Bancorporation and Capital One Equities Corporation from 1992 to 1994; Investment Analyst at Kim Eng Securities Inc. and ING Barings (Phils.), Inc. from 1994 to 1997; Investment Officer at Standard Chartered Bank's Investment Services Group from 1998 to 2000; Project Analyst at Newgate Management, Inc. from 2000 to August 2002, Investor Relations Officer and Senior Project Analyst (Corporate Planning Group) at San Miguel Corporation from September 2002 to June 2007; Head of Investor Relations at Aboitiz Equity Ventures, Inc. and Aboitiz Power Corporation from July 2007 to December 2012. Ms. Franco holds a degree in Bachelor of Science in Business Economics (Cum Laude) from the University of the Philippines. A copy of her Authority to Practice is attached as Exhibit “D”.

JESS ANTHONY N. GARCIA 49 years old, Filipino Sr. VP – Infrastructure Chief Information Officer	Atty. Garcia has been the Senior Vice President - Infrastructure since 2019. Prior to this, he held the position of Corporate Secretary of the Company from 2003 to 2022 and Vice President for Legal from 2015 to 2018. Atty. Garcia concurrently acts as the Corporate Secretary of Vivant Foundation, Inc. and SunStar Publishing, Inc. Other positions currently held are as follows: Director, President and Chief Executive Officer – Watermatic Philippines Corporation, Vivant Hydrocore Holdings Inc., Vivant Transcore Holdings Inc., Isla Mactan-Cordova Corporation, and Northern Metro Cebu Water Corporation; Director, President and COO – Vivant Infracore Holdings Inc. He obtained his Juris Doctor degree from the Ateneo de Manila University School of Law and has been a member of the California Bar since 2002 and of the Philippine Bar since 1998. He is not connected with any Philippine government agency or its instrumentalities.

JOAN A. GIDUQUIO-BARON *50 years old, Filipino* Corporate Secretary	Atty. Baron was appointed as the Corporate Secretary of the Company in June 2022. Prior to this, she held the position of Assistant Corporate Secretary from 2003 to 2022. Ms. Baron also holds other positions: Acting Corporate Secretary of Visayan Electric Company, Inc; Director and Assistant Corporate Secretary - Southern Grove Properties and Development Corporation; Assistant Corporate Secretary of Vivant Energy Corporation, 1590 Energy Corporation, Abovant Holdings, Inc., Amberdust Holding Corporation, Corenergy, Inc., Hijos de F. Escaño, Inc., Vivant Solar Corporation, Isla Norte Corporation, Southern Powercore Holding Corporation, Vivant Corporate Center, Inc., Vivant Geo Power Corporation, Vivant Infracore Holdings Inc., Vivant Hydrocore Holdings Inc., Vivant Transcore Holdings Inc., Northern Metro Cebu Water Corporation, Isla Mactan-Cordova Corporation, Vivant Integrated Diesel Corporation, Vivant Realty Ventures Corporation, Vivant Renewable Energy Corporation, Vivant Isla Inc., Delta P Hybrid Inc., Vivant Integrated Generation Corporation, Vivant-Malogo Hydropower, Inc., BukidnonPower Corporation, North BukidnonPower Corporation, San Ildefonso Alternative Energy Corporation and Sun Star Publishing, Inc.; Corporate Secretary - JEGVEG Realty, Inc., JEG Development Corporation, JDC Tomodachi, Inc. and Watermatic Philippines Corporation. She obtained her Juris Doctor from the Ateneo de Manila University School of Law in 1996 and her Master in Management degree from the Asian Institute of Management in 2001. Ms. Baron has been a member of the Philippine Bar since 1997 and a Director of the Alumni Association of the Asian Institute of Management-Cebu Chapter. She is a Partner at J.P. Garcia and Associates. Prior to this, she was an Associate Attorney at Puno and Puno Law Offices from 1997 until 2001. She is not connected with any Philippine government agency or its instrumentalities.

CATHERINE S. BRINGAS *39 years old, Filipino* Assistant Corporate Secretary SAVP – Legal and Compliance Data Protection Officer	Atty. Bringas has been the Senior Assistant Vice President for Legal and Compliance since April 2022. Ins June 2022, she was appointed as Assistant Corporate Secretary and Data Protection Officer of the Company. Prior to this, she was the Assistant Vice President for Legal from January 2017 to April 2022 and Legal Senior Manager of the Company from January 2013 to December 2016. Concurrently, Atty. Bringas holds the following positions: Director and Corporate Secretary - Southern Grove Properties and Development Corporation and Vivant Corporate Center Inc.; Corporate Secretary - Vivant Energy Corporation, Amberdust Holding Corporation, Corenergy Solar Solutions Corporation, Corenergy Inc., 1590 Energy Corporation, Calamian Islands Power Corporation, Delta P, Inc., Delta P Hybrid Inc., Isla Norte Energy Corporation, La Pampanga Energy Corporation, Southern Powercore Holding Corp., Vivant Realty Ventures Corporation, Vivant Solar Corporation, Vivant Infracore Holdings Inc., Vivant Geo Power Corp., Vivant Hydrocore Holdings Inc., Vivant Transcore Holdings Inc., Vivant Integrated Diesel Corporation, Vivant Integrated Generation Corporation, Vivant-Malogo Hydropower, Inc., Vivant Renewable Energy Corporation, Minergy Power Corporation, BukidnonPower Corporation, North BukidnonPower Corporation, San Ildefonso Alternative Energy Corp., Isla Mactan-Cordova Corporation, Northern Metro Cebu Water Corporation and Visayan Electric Company, Inc.; and Assistant Corporate Secretary - Abovant Holdings, Inc., and Hijos de F. Escaño, Inc.. Prior to joining Vivant, Ms. Bringas worked at the Power Sector Assets and Liabilities Management Corporation as a Corporate Attorney under the Office of the President and CEO. She holds a degree in Legal Management from De La Salle University and obtained her Juris Doctor from the Ateneo de Manila University School of Law in 2008. She has been a member of the Philippine Bar since 2009. She is not connected with any Philippine government agency or its instrumentalities.

MARK D. HABANA *46 years old, Filipino* Vice President	Mr. Habana assumed the position of Vice President of Vivant in March 2021. Mr. Habana first joint Vivant as the Vice President for Commercial Affairs of Vivant in April 17, 2017. In 2019, Mr. Habana moved to Vivant Energy Corporation as its VP – Subsidiary Operations and Chief Risk Officer, before moving back to Vivant in 2021. He currently holds the following position: Vice President of Vivant Corporation; Director, President and CEO - 1590 Energy Corporation, Vivant Integrated Diesel Inc., Vivant Integrated Generation Corporation, Delta P Hybrid, Inc., Amberdust Holding Corp., Isla Norte Power Corporation, Vivant Renewable Energy Corporation and San Ildefonso Alternative Energy Corporation; Director - Calamian Islands Power Corporation, Delta P., Inc. Southern Powercore Holding Corp., La Pampanga Energy Corp., Corenergy Solar Solutions Corp., Vivant Solar Corporation,, Minergy Power Corporation, and Vivant Malogo Hydropower Inc.; Director and President of BukidnonPower Corporation and North BukidnonPower Corporation; Director and Chief Operating Officer of Vivant Solar Corp. and Core Solar Solutions Corporation; Director and VP – External Relation and Monitoring of Visayan Electric Company, Inc.; and Director and President of Cebu Private Power Corporation. Before joining the Company, he was AVP at Energy Development Corporation (EDC) since May 2014. He ran Operations of the BacMan Geothermal Business Unit and led EDC's Technology Innovation efforts. Prior to this, he was in the oil & gas industry from March 2007 to April 2014 as Manager of Business Development for Occidental Petroleum and Venoco Inc.; both in Denver, Colorado. From September 2002 to March 2007, he took on risk management and deal structuring roles at energy trading firms: Sempra Energy Solutions in California and Constellation Energy in Maryland. He graduated from the University of the Philippines with a Bachelor of Science degree in Mechanical Engineering (Cum Laude). In June 2002, Mr. Habana earned his Master of Science in Petroleum Engineering from Stanford University in California, and, in January 2009, he completed the Executive Management Program from the Harvard Business School in Massachusetts. He is not connected with any Philippine government agency or its instrumentalities.

AL DOUGLAS VILLAOS *45 years old, Filipino* Vice President	Mr. Villaos assumed the position of Vice President of Vivant in December 15, 2021. He concurrently holds the position of President of Corenergy Inc.; and Director – Vivant Solar Corporation and Corenergy Solar Solutions Corporation. Prior to joining Vivant, he worked as Associate Director – Investments and Deal Sourcing Manager with IDI Infrastructures, Inc. Philippines Representative Office from May 2018 to July 2021. IDI is an energy sector fund manager majority-owned by Daiwa Securities Group of Japan. He was a member of the investment team in Southeast Asia managing ASEAN-focused US$ funds until IDI infrastructures exited from Southeast Asia. Prior to IDI infrastructures, Mr. Villaos was a consultant to Philippines and European companies. He supported these companies on business and project development, and on financing activities in Indonesia and the Philippines. From 2007 to 2012, before venturing into the energy and infrastructure sector, Mr. Villaos was a coverage banker with Citibank N.A. Philippines (2007-2008), Mizuho Corporate Bank – Manila Branch (2008-2009), and Australia and New Zealand Banking Group – Philippines (2009-2012). Mr. Villaos supported leading Philippine energy and infrastructure sector companies through advisory and debt financing engagements such as project financing and syndications. He helped achieve financial close on approximately USD1.95 billion of energy and infrastructure debt financing. In 2005, Mr. Villaos earned his MBA with a Concentration in Finance from Asian Institute of Management (Dean's List) and attended Copenhagen Business School's International Study Program as a grant recipient of the European Union's Asia-Link Programme, in the same year. He obtained his bachelor's degree in 1998 from Ateneo de Manila University with an AB in Political Science, where he also completed units in MA in Economics. He is not connected with any Philippine government agency or its instrumentalities.

MAILA G. DE CASTRO *47 years old, Filipino* VP – Legal	Atty. De Castro assumed the position of VP-Legal of Vivant in February 2023. Before joining Vivant, she was the Vice President and Head of Legal for Marcventures Holdings,Inc. and its Subsidiaries and Affiliates, with oversight functions over IT and Human Resources, and likewise served as Co-Compliance and Data Privacy Officer, from August 2019 to January 2023. She held similar positions in BrightKindle Resources and Investments, Inc. during the same period and was Corporate Secretary for Prime Media, Inc. from August 2019 to December 2021. She started her legal and corporate career as Legal Associate and Special Projects Counsel at Belo Gozon Elma Parel Law Offices, with secondment to GMA Network, Inc. and Subsidiaries reporting directly to the President, Chief Executive Officer, and the Board. After 6 years with the company, she fulfilled the roles of Corporate Counsel and Vice President/Head of Legal and Corporate Planning of UNITEL Productions, Inc. and Subsidiaries for 7 years. She then acted as an independent consultant for various companies in the Content, Entertainment, and Technology sectors while concurrently heading the Rules Change Committee of the Philippine Electricity Market Corporation (PEMC) for the Wholesale Electricity Spot Market, as its Chairperson until the end of her term in the 3rd quarter of 2021. She was subsequently appointed as Chairperson for the PEMC Audit Committee up until her joining the Vivant Group. Atty. de Castro earned her Master's Degree in Business Administration from the Asian Institute of Management (AIM) in 2006 and her Juris Doctor from the Ateneo de Manila School of Law in 2000 and was admitted to the Integrated Bar of the Philippine in year 2001. She completed her Bachelor of Arts in Mass Communications Major in Film and Audio-Visual Communications from the University of the Philippines in 1996. She is not connected with any Philippine government agency or its instrumentalities.

BRIGETTE CECILE N. GARCIA *35 years old, Filipino* Sr. AVP – Corporate Planning	Ms. Garcia is a first-time Director to the Vivant Board and member of the Executive Committee. In November 2020, she assumed the position of Senior Assistant Vice President for Corporate Planning of the Company. Prior to this, she was the Assistant Vice President for Corporate Planning from February 2018 to October 2020, and the Corporate Planning Senior Manager of the Company from 2016 to 2017. She concurrently holds the following positions: Director – Southern Grove Properties and Development Corporation; Vivant Corporate Center, Inc., Vivant Realty Ventures Corporation, Vivant Hydrocore Holdings Inc. and Vivant Transcore Holdings, Inc. Before joining Vivant, she worked for a year as a Management Trainee for Utility Economics at Visayan Electric Company, Inc. and for three (3) years as an Investment Consultant for Family Offices Private Banking at Credit Suisse AG in Singapore. Ms. Garcia graduated from Singapore Management University (SMU) with a double degree (Summa Cum Laude) in Bachelor of Science in Economics and Bachelor of Business Management in 2009. She was also the school Salutatorian and recipient of the Top Student of the School of Economics Award and the Monetary Authority of Singapore Academic Excellence Award. She obtained a Master's of Science degree in Accounting and Finance from London School of Economics (LSE) in 2013. She is not connected with any Philippine government agency or its instrumentalities.
SHEM JOSE W. GARCIA *41 years old, Filipino* Sr. AVP – Corporate Communications	Mr. Garcia assumed the position of Senior Assistant Vice President for Corporate Communications in April 2021. Prior to this, he was the Assistant Vice President for Corporate Communications from February 2018 to April 2021. He also serves as the Executive Director of the Vivant Foundation, Inc. He previously served as a Director of Vivant Corporation from 2005-2008. He joined as a full-time employee of Vivant as the Senior Manager for Corporate Social Responsibility in 2014. He has a Bachelor's Degree with Honors from the London College of Communications, University of the Arts London. He previously served as the Business Development Officer for JEG Development Corporation, where he currently serves in the Board of Advisors. He also serves as the President of the Board of Trustees for the Dominus Pascit Me Foundation and Corporate Secretary for Mon Y Liza Holdings. He is not connected with any Philippine government agency or its instrumentalities.

RONNEL VERGEL E. DE LEON *33 years old, Filipino* AVP – Treasury	Mr. De Leon has been the Assistant Vice President for Treasury since February 2020. He concurrently holds the following positions: Treasurer and CFO of Corenergy Inc., Isla Mactan-Cordova Corporation and Northern Metro Cebu Water Corporation. Before joining Vivant, Mr. De Leon was with Manila Water Company, Inc.'s Treasury Department from October 2011 to January 2020, where he held the Treasury Head position for two (2) years. Prior to this, he worked as Research Associate and Management Trainee at the Philippine Dealing System from 2007 to 2009. Mr. De Leon obtained his bachelor's degree in Economics (Magna Cum Laude) from the University of the Philippines-Diliman in 2007 under the Philippine Geothermal Inc scholarship for UP students. In 2011, he earned his master's degree in European Finance and Banking from the University of Warsaw in Poland under the European Commission's Erasmus Mundus scholarship. Mr. De Leon is a Certified Treasury Professional by the Ateneo-BAP Institute of Banking. He is not connected with any Philippine government agency or its instrumentalities.
CARLOS F. BARGAMENTO, JR. *39 years old, Filipino* AVP – Internal Audit Chief Audit Executive	Mr. Bargamento has been the Assistant Vice President for Internal Audit since April 2020. In June 2022, he was appointed as the Chief Audit Executive of the Company. Prior to this, he was the Internal Audit Senior Manager from 2013 to 2020. He joined the company in 2004 as an Accounting Assistant and became a Finance Manager in 2008. He concurrently holds the following positions: Director and President – Hijos de F. Escaño, Inc.; and Internal Auditor – Vivant Foundation, Inc. Mr. Bargamento obtained his degree in Bachelor of Science in Accountancy (Cum Laude) and Bachelor of Laws in University of San Jose-Recoletos. He is a Certified Public Accountant and also holds certification as a Certified Forensic Accountant (CrFA) and a Certified Internal Control Auditor (CICA). He is not connected with any Philippine government agency or its instrumentalities.

DYAN RAMONA S. OLEGARIO *37 years old, Filipino* AVP - Accounting	Ms. Olegario has been the Assistant Vice President for Accounting since April 2020. Prior to this, she was the Accounting Senior Manager of the Company from October 2013 to 2020 and Treasury Manager from March to October 2013. She concurrently holds the following positions: Treasurer and CFO of Southern Grove Properties and Development Corp., Vivant Corporate Center Inc., and Vivant Realty Ventures Corp. Prior to joining Vivant, Ms. Olegario held the following positions: Business Development Manager in 2012 at Aboitizland Inc., Accounting Head at Taft Property Ventures Development Corporation from 2010 to 2012 and Senior Associate for Tax Services at SGV & Co from 2007 to 2010. Ms. Olegario is a Certified Public Accountant. She holds a degree in Bachelor of Science in Accountancy (Magna Cum Laude and recipient of the Most Outstanding Graduate Award) from the University of San Jose-Recoletos in 2005. In 2016, Ms. Olegario earned a certificate in Management Program from the Asian Institute of Management. She is not connected with any Philippine government agency or its instrumentalities.
DENISE MAE B. BLANCO *43 years old, Filipino* AVP – Human Resources	Ms. Blanco assumed the position of Assistant Vice President for Human Resources since April 2021. Prior to this, she was the HR Senior Manager of the Company from September 2015 to April 2021. Before joining Vivant, Ms. Blanco held the following positions: Senior HR Business Partner at Convergys Singapore Holding, Inc. – ROHQ from 2011 to 2015, HR Manager at Convergys Philippines Services from 2009 to 2011, and various Human Resources roles at Convergys Philippines Services from 2006 to 2009. Ms. Blanco is a Certified Associate Fellow in People Management (AFPM) by the People Society of Fellows, People Managers Association of the Philippines (PMAP) – National, Certified Leadership Development & Succession Strategist by the Human Capital Institute, Board of Director of St. Theresa's College Alumni Association, former Vice-Chair for Membership & Retention Committee PMAP Cebu Chapter, The Outstanding Cebuano Youth Leaders (TOCYL) Awardee of 1998 given by the Cebu City Youth Development Commission. She holds a degree in Bachelor of Arts in Psychology (recipient of the Campus Leadership Award) from St. Theresa's College in 1999, and a Juris Doctor degree from the University of San Carlos in 2004. She is not connected with any Philippine government agency or its instrumentalities.

NILO M. ARRIBAS, JR. *51 years old, Filipino* AVP – Information Technology	Mr. Arribas assumed the position of Assistant Vice President for Information Technology in June 2022. Before joining the company, he was an independent consultant providing professional services in information technology and management from 2020 to 2022. Prior to this, he was in the real estate industry from 2014 to 2019 as Director for IT shared services of Oakridge Realty Development Corporation catering to corporate headquarters, real estate, subsidiaries in printing, events and food businesses. He assumed an additional role as Director for Operations with responsibilities over the Oakridge Business Park, property management of industrial facilities and construction of technology enabled mixed-use buildings from 2016 to 2019. Mr. Arribas was an information technology and management consultant from 2008 to 2014 proving services to clients in manufacturing, business process outsourcing, insurance, services, and education industries including non-profit organizations. He also held the position Information Asset Manager at a US-based Publishing and Print-on-Demand company, Xlibris, for 3 years. From 1999 to 2004, he was Assistant Director of the Management Information Systems (MIS) office or a tertiary educational institution, Lyceum of the Philippines in Manila. Earlier in his career, from 1995 to 1999, he was systems administrator and technical specialist of the Naval Intelligence, a Division of the Philippine Navy. He graduated from De La Salle University – College of Saint Benilde in 1999 with a Bachelor of Science in Commerce major in Business Management (Dean's List). In 2000, he completed Network and Internet Systems Development Course in the Center of the International Cooperation for Computerization (CICC) in Tokyo, Japan as a scholar of Hitachi, Ltd. And the Ministry of International Trade and Industry of Japan. Mr. Arribas completed the IT Project Management under the Executive Development Program of the Asian Institute of Management in 2003. He is not connected with any Philippine government agency or its instrumentalities.

Period in which the Directors and Executive Officers Should Serve

The directors and executive officers should serve for a period of one (1) year.

Term of Office of a Director

Pursuant to Vivant's Amended By-laws, the directors are elected at each annual stockholder's meeting by stockholders entitled to vote. Each director holds office until the next annual election for a term of one (1) year and until his successor is duly elected unless he resigns, dies, or is removed prior to such election.

Any vacancy in the Board of Directors other than by removal or expiration of term may be filled by a majority vote of the remaining members thereof at a meeting called for that purpose, if they still constitute a quorum. The director so chosen shall serve for the unexpired term of his predecessor in office.

(2) Significant Employees

The Company considers its entire work force as significant employees. Everyone is expected to work together as a team to achieve the Company's goals and objectives.

(3) Family Relationships

Messrs. Francis Damasus A. Garcia and Charles Sylvestre A. Garcia are brothers, or related within the second civil degree of consanguinity.

Mr. Ramontito E. Garcia is related within the fourth civil degree of consanguinity (cousin) to Messrs. Francis Damasus A. Garcia and Charles Sylvestre A. Garcia.

Mr. Emil Andre M. Garcia is related within the third civil degree of consanguinity to Messrs. Francis Damasus A. Garcia and Charles Sylvestre A. Garcia; and related within the fourth civil degree of consanguinity (cousin) to Ms. Brigette Cecile N. Garcia. He is also related within the fifth civil degree of consanguinity to Mr. Ramontito E. Garcia; and related within the sixth civil degree of consanguinity to Mr. Arlo Angelo G. Sarmiento, Jose Marko Anton G. Sarmiento and Mr. Shem Jose W. Garcia.

Mr. Arlo Angelo G. Sarmiento is related within the third civil degree of consanguinity (nephew) to Mr. Ramontito E. Garcia. He is also related within the fifth civil degree of consanguinity to Mssrs. Francis Damasus A. Garcia and Charles Sylvestre A. Garcia. He is also related within the fourth civil degree of consanguinity to Mr. Shem Jose W. Garcia; and related within the sixth civil degree of consanguinity to Mr. Emil Andre M. Garcia and Ms. Brigette Cecile N. Garcia.

Mr. Jose Marko Anton G. Sarmiento is the brother of Mr. Arlo A. G. Sarmiento; thus, they are related within the second civil degree of consanguinity. He is related within the third civil degree of consanguinity (nephew) to Mr. Ramontito E. Garcia and is related within the fourth civil degree of consanguinity Mr. Shem Jose W. Garcia. He is also related within the fifth civil degree of consanguinity to Mssrs. Francis Damasus A. Garcia and Charles Sylvestre A. Garcia. He is also related within the sixth civil degree of consanguinity to Mr. Emil Andre M. Garcia and Ms. Brigette Cecile N. Garcia.

Mr. Shem Jose W. Garcia is the son of Mr. Ramontito E. Garcia and is related within the fourth civil degree of consanguinity (cousin) to Messrs. Arlo Angelo G. Sarmiento and Jose Marko Anton G. Sarmiento. He is also related within the fifth civil degree of consanguinity to Mssrs. Francis Damasus A. Garcia and Charles Sylvestre A. Garcia; and related within the sixth civil degree of consanguinity to Mr. Emil Andre M. Garcia and to Ms. Brigette Cecile N. Garcia.

Ms. Brigette Cecile N. Garcia is related within the third civil degree of consanguinity (niece) to Messrs. Francis Damasus A. Garcia and Charles Sylvestre A. Garcia; and is related within the fourth civil degree of consanguinity (cousin) to Mr. Emil Andre M. Garcia. She is also related within the sixth civil degree of consanguinity to Messrs. Arlo Angelo G. Sarmiento, Jose Marko Anton G. Sarmiento, and Shem Jose W. Garcia

Other than the foregoing, there are no other family relationships (of consanguinity or affinity) known to Vivant.

(4) Involvement in Certain Legal Proceedings

To the knowledge and/or information of Vivant, none of its nominees for election as directors, its present members of the Board of Directors or its executive officers, is presently or during the last five (5) years, been involved in any legal proceeding or bankruptcy petition, or has been convicted by final judgment, or being subject to any order, judgment, or decree, or violated the securities or commodities law in any court or government agency in the Philippines or elsewhere for the past five (5) years and the preceding years until March 31, 2023 which would put to question their ability and integrity to serve Vivant and its stockholders.

To the knowledge and/or information of Vivant, the above-said persons have not been convicted by final judgment of any offense punishable by the laws of the Republic of the Philippines or by the laws of any other nation or country.

To the knowledge and/or information of Vivant, the said persons have not been found by a domestic or foreign court of competent jurisdiction (in a civil action), the SEC or comparable foreign body, or a domestic or foreign Exchange, or other organized trading market or self-regulatory organization, to have violated a securities or commodities law or regulation for the preceding years until March 31, 2023.

(5) Certain Relationships and Related Transactions

During the last two (2) years there was no transaction with or involving the Company or any of its subsidiaries in which a director, executive officer, or stockholder owns ten percent (10%) or more of total outstanding shares and members of their immediate family had or is to have a direct or indirect material interest.

In the normal course of business, Vivant transacts with companies who are considered related parties under PAS 24, *Related Party Disclosures*. As parent company, Vivant provides two (2) types of professional services: (1) strategic and technical and (2) corporate center services. These transactions were made at an arm's length basis. Third party rates are used as reference and benchmark to ensure competitive pricing and consistency to current industry standards.

Functions covered would include corporate finance, legal, human resources, and information technology, among others. These services are rendered by Vivant to allow efficient transfer of business and technical expertise, thus improving cost efficiencies and synergies. Vivant houses a pool of highly qualified professionals with business expertise relating to the business of the Vivant Group. Service Level Agreements are in place to ensure the quality of service and competitive pricing.

Aside from the abovementioned, below are other services provided to and/or transactions entered into by Vivant with related parties in 2022.

- Vivant, on behalf of a subsidiary, applied for the issuance of a domestic stand-by letter of credit (SBLC) to comply with the bid security requirement of a water distribution utility.

- Vivant, on behalf of a subsidiary, applied for the issuance of a domestic SBLC to comply with the bid security requirement for a potential joint venture project.

- Vivant, on behalf of a subsidiary, applied for the issuance of a domestic SBLC to comply with the performance requirement relating to a joint venture project.

- Vivant entered into agreements with Mai-I Resources Corporation (MRC) and JEG Development Corporation (JDC), its stockholders, to perform consultancy services for the companies.

- Vivant has an outstanding lease agreement with a certain subsidiary involving rental of its commercial office space.

- Vivant has an outstanding interim loan facility to an associate for the development of a combined sewerage and septage facility serving the City of Puerto Princesa.

- Vivant has an outstanding a short-term loan to a subsidiary for the latter's working capital requirements.

The detailed discussion of the Related Party Transactions of the Company is found in Note 16 of its Consolidated Financial Statement for 2022.

(6) Resignation or Refusal to Stand for Re-election by Members of the Board of Directors

No director has resigned or declined to stand for re-election to the board of directors because of a disagreement with Vivant on any matter relating to the Registrant's operations, policies, or practices.

Item 6. Compensation of Directors and Executive Officers

(1) Summary of Compensation of Executive Officers

Information as to the aggregate compensation paid or accrued to Vivant's Chief Executive Officer and other highly compensated executive officers, as well as other officers and directors during the last two (2) completed fiscal years and the ensuing fiscal year, is as follows:

Name and Principal Position	Year	Salary	Bonus	Other Compensation
Top Five Highly Compensated Executives 1. Ramontito E. Garcia[1] – Chairman & CEO 2. Arlo A.G. Sarmiento – Chief Executive Officer 3. Emil Andre M. Garcia[2] – Vice Chairman and President 4. Minuel Carmela N. Franco – Treasurer, Executive Vice President, Chief Corporate Officer, Group Chief Finance Officer, Chief Risk Officer, Compliance Officer 5. Jess Anthony N. Garcia – SVP- Infrastructure, Chief Information Officer 6. Maria Victoria E. Sembrano – VP Controllership 7. Mark D. Habana[2] – Vice President				
All above-named officers as a group	2023 (est.)	Php 46.7mn	Php 32.2mn	-
	2022	Php 61.9Mn	Php29.1 mn	-
	2021	Php 41.5 mn	Php 32.9 mn	-
	2020	Php 36.9 mn	Php 40.4 mn	-
All other directors and officers as a group unnamed	2023 (est.)	Php 31.3mn	Php 9.8mn	Php 2.3mn
	2022	Php33.0Mn	Php 10.0 mn	Php 4.9 mn
	2021	Php 38.2 mn	Php 9.0 mn	Php 5.1 mn
	2020	Php 17.7 mn	Php 8.1 mn	Php 2.7 mn

Note:

1. *Mr. Ramontito E. Garcia is part of the 2022 Top 5 Summary Compensation Table until his retirement in February 2022.*
2. *Mr. Emil Andre M. Garcia was not part of the 2020 top 5 executive compensation in the table above. In 2020, the top 5 table included Maria Victoria E. Sembrano, VP-Controllership.*
3. *Mr. Mark D. Habana is part of the 2022 Top 5 Summary Compensation Table beginning February 2022.*

(2) Compensation of Directors

(i) Standard Arrangements

Only non-executive Directors and Independent Directors are eligible to receive a per diem for every meeting and Learning and Development session conducted by the Company. The current remuneration scheme involves a fixed meeting fee. Any special or follow-up meeting will use the same rate, but adjusted accordingly based on the duration of the session. Upon review of the remuneration of directors of comparable companies, the Board's per diem was updated in June 2022.
:

Type of Meeting	Directors	Chairman of the Board or Committee
Board Meeting	Php 100,000.00	Php 150,000.00
Committee Meeting	Php 50,000.00	Php 75,000.00
In-house Trainings or workshops	Php 50,000.00	Php 75,000.00
Strategic Planning Sessions	Php 100,000.00	Php 150,000.00

(ii) Other Arrangements

Other than honoraria for meetings attended, there are no standard arrangements pursuant to which directors of the Company are compensated, or are to be compensated, directly or indirectly, for any services provided as a director, including any additional amounts payable for committee participation or special assignments for the last completed fiscal year and the ensuing year.

There are no arrangements, including consulting contracts, pursuant to which any director of the registrant was compensated, or is to be compensated, directly or indirectly, during the Company's last completed fiscal year, and the ensuing year, for any service provided by such director.

(3) Employment Contracts, Termination of Employment, and Change-in-Control Arrangements

In compliance with applicable labor laws and regulations, Vivant has employment contracts with its officers which state their specific job functionalities. The salaries and bonuses of the named officers and other directors and officers as a group are included in the compensation table above.

Vivant has no existing compensatory plan or arrangement with any of its executives in case of resignation or any other termination of an officer's employment with the Company or its subsidiaries or from a change in the management control of the Company, or a change in an executive officer's responsibilities following a change in control.

(4) Warrants and Options Outstanding

There are no outstanding warrants or options held by the named executive officers, and all officers and directors as a group, as identified in Item 6 (1). Moreover, at no time during the last completed fiscal year did Vivant adjust or amend the exercise price of stock warrants or options previously awarded to the aforementioned officers and directors.

Item 7. Independent Public Accountants

For the fiscal year 2022, the auditing firm of Sycip Gorres Velayo & Co. (SGV) was the Independent Public Accountant of Vivant. Ms. Margem Amor-Tagalog is the audit partner of Vivant for 2022 and the recommended partner-in-charge. SGV rendered the same services for Vivant during fiscal years 2021 and 2020, where Ms. Margem Amor-Tagalog was designated as the partner-in-charge, and in 2019, where Ms. Ma. Genalin Q. Arevalo was designated as the partner-in-charge.

The Corporation is in compliance with SEC Memorandum Circular No. 08-03 (Rotation of External Auditors) in relation to paragraph 3 (b)(ix) of Rule 68 of the Implementing Rules and Regulations of the Securities Regulation Code, and the two (2)-year cooling-off period was observed in the re-engagement of the same signing partner or individual auditor.

Representatives of SGV will be present during the Annual Stockholders' Meeting and will be given the opportunity to make a statement if they so desire. They are also expected to respond to appropriate questions if needed.

There was no event in the past three (3) fiscal years where Vivant and SGV, or the handling partner, had any disagreement with regard to any matter relating to accounting principles or practices, financial statement disclosure, or auditing scope or procedure.

Vivant's management has decided on the required non-audit engagements with SGV and thereafter conducted review of non-audit fees and scope of work in relation to their significance to the Company's overall professional expenses. None of the non-audit engagements during the past three (3) fiscal years covered recording financial transactions and preparing financial statements for management. Vivant's management also informed and secure pre-concurrence from the Audit Committee for these non-audit engagements.

Vivant's Audit Committee is responsible for the review and evaluation of the performance of the external auditors, and for recommending to the Board the appointment of external auditors. The Audit Committee performs oversight functions over Vivant's internal and external auditors and approves their engagement, scope of work, and fees during Audit committee meetings. It ensures that the internal and external auditors maintain independence and work independently of each other, and are given unrestricted access to all records to enable them to perform their audit functions. The Audit Committee is informed by management of the required non-audit engagements and its approval is secured prior to entering into agreements with SGV. It does not allow any non-audit engagements that will conflict its duties as an external auditor or may pose threat to their independence.

After evaluating and finding the performance of SGV in 2022 satisfactory, the Audit Committee, in its meeting on March 10, 2023 resolved to recommend to the Board of Directors of Vivant the re-appointment of SGV as the Independent Public Accountant of Vivant for 2023.

In its regular meeting on March 16, 2023, the Board of Directors of Vivant discussed the recommendation of the Audit Committee to appoint SGV as Vivant's external auditors for 2023. After discussion and upon motion duly made and seconded, the Board of Directors approved to endorse to the shareholders the appointment of SGV as Vivant's external auditors for 2023.

The Board Audit Committee is composed of: Jose Carlitos G. Cruz (Lead Independent Director) as Chairman, and Messrs. Charles A. Garcia, Jose Marko Anton G. Sarmiento, Mr. Joseph Lee Sullivan (Independent Director), and Atty. Jose M. Layug, Jr. (Independent Director) as members.

External Audit Fees and Services

The table below sets forth the aggregate fees billed to the Company for professional services rendered by SGV in fiscal year 2022.

Fee Type	2022	2021
Audit Fees	630,000.00	610,000.00
Tax Fees[1]	240,000.00	240,000.00
Transfer Pricing Study	507,500.00	0.00
All Other Fees[2]	75,732.00	71,943.00
Total	1,453,232.00	921,943.00

Notes:

1. *Tax consultancy services.*
2. *Out-of-pocket expenses related to the abovementioned services.*

Both management and the Audit Committee evaluated the audit fee of SGV. This was recommended to and approved by the Board of Directors. The Audit Committee also reviewed the extent and nature of these audit and non-audit services to ensure that the independence of the external auditor is preserved. None of the non-audit engagements during the past three (3) fiscal years covered recording financial transactions and preparing financial statements for management. The Audit Committee does not allow any non-audit engagements that will conflict its duties as an external auditor or may pose threat to their independence.

The Audit Committee also performs oversight function on internal audit to ensure that a system of internal controls and an audit process are in place, and that the internal auditors perform independently from SGV, the external auditor.

Item 8. Compensation Plans

There is no action to be taken by Vivant at the Annual Stockholders' Meeting with respect to any plan pursuant to which cash or non-cash compensation may be paid or distributed.

C. ISSUANCE AND EXCHANGE OF SECURITIES

Item 9. Authorization or Issuance of Securities Other than for Exchange

There is no action to be taken with respect to the authorization or issuance of any security.

Item 10. Modification or Exchange of Securities

There is no action to be taken with respect to the modification of any class of securities of the Registrant, or the issuance or authorization for issuance of one class of securities of the Registrant in exchange for outstanding securities of another class.

Item 11. Financial and Other Information

There is no action to be taken with respect to the authorization or issuance of any security, or with respect to the modification of any class of securities of the Registrant, or the issuance or authorization for issuance of one class of securities of the Registrant in exchange for outstanding securities of another class.

Item 12. Mergers, Consolidations, Acquisitions and Similar Matters

No action is to be taken with respect to any transaction involving any merger, consolidation, acquisition, sale, or transfer of all or any substantial part of the assets, or liquidation or dissolution of Vivant.

Item 13. Acquisition or Disposition of Property

No action to be taken during the Annual Stockholders' Meeting with respect to any acquisition or disposition of any property of material significance.

Item 14. Restatement of Accounts

No action to be taken during the Annual Stockholders' Meeting with regard to restatement of accounts.

Restatement of the financial statements as at and for the year ended December 31, 2021 are discussed in Notes 3 and 13 of the audited consolidated financial statements.

D. OTHER MATTERS

Item 15. Action with Respect to Reports

(1) Approval of the Minutes of the June 16, 2022 Annual Meeting of Stockholders

A copy of the Minutes of the June 16, 2022 Annual Stockholders Minutes is attached as Exhibit "A". The following is a summary of the items in the Agenda of which action was taken during the 2022 Annual Stockholders' Meeting:

I. Approval and adoption of the minutes of the June 17, 2021 Annual Stockholders' Meeting
II. Annual Report of Officers
III. Approval of the 2021 Annual Report and Financial Statements
IV. Appointment of External Auditor for 2022
V. Election of Directors for the year 2022 - 2023

Regular Directors

MR. RAMONTITO E. GARCIA
MR. EMIL ANDRE M. GARCIA
MR. GIL A. GARCIA II
MR. CHARLES SYLVESTRE A. GARCIA
MR. ARLO ANGELO G. SARMIENTO
MR. JOSE MARKO G. SARMIENTO
MS. BRIGETTE CECILE N. GARCIA

Independent Director

MR. CARMELO MARIA LUZA BAUTISTA
MR. JOSE CARLITOS G. CRUZ
ATTY. JOSE M. LAYUG, JR.
MR. JOSEPH LEE SULLIVAN

VI. Ratification of all acts and resolutions of the Board of Directors and Management adopted for Fiscal Year 2021

Other than the foregoing, no matter was submitted to a vote of security holders.

The results of the foregoing meeting were timely disclosed to the PSE and SEC in SEC Form 17-C report.

Item 16. Matters Not Required to be Submitted

There is no action to be taken with respect to any matter that is not required to be submitted to a vote of security holders.

Item 17. Amendment of Charter, By-laws or Other Documents

No amendment to the Articles of Incorporation or By-Laws will be submitted for approval.

Item 18. Other Proposed Actions

For the 2023 Annual Stockholders' Meeting, a proposal for SGV to act as the external auditor of Vivant will be presented by the Board of Directors. Ms. Margem Amor-Tagalog will be the recommended partner-in-charge.

Item 19. Voting Procedures

Pursuant to the Revised Corporation Code, every stockholder entitled to vote shall have the right to vote in person, *in absentia* through the online voting portal, or by proxy the number of shares of stock standing, as of the record date, in his own name in the stock and transfer book of Vivant.

For voting *in absentia*, stockholders who successfully registered will receive a confirmation through email of their verified status and may cast votes *in absentia* through the Vivant Portal, the link of which as well as the stockholder code to access the said link will be provided in the confirmation email.

Approval and Ratification

The approvals to be obtained, as aforementioned, will require the affirmative vote by stockholders representing at least a majority of the Vivant's outstanding common stock voting *in absentia* or by proxy. Abstentions, with respect to any matter, are treated as shares present and represented and entitled to vote for the purpose of determining whether the stockholders have approved that matter; thus, abstentions have the same effect as negative votes. Shares as to which proxy authority has not been presented are not deemed to be present or represented for purposes of determining whether stockholder approval of that matter has been obtained.

Voting shall be *in absentia* or by proxy and the Corporate Secretary, Atty. Joan A. Giduquio-Baron and the Assistant Corporate Secretary, Atty. Catherine S. Bringas, shall validate the votes cast.

Voting for Directors

In the election of directors, the top seven (7) nominees for non-independent directors and the top four (4) nominees for independent directors with the greatest number of votes shall be declared elected. If the number of nominees does not exceed the number of directors to be elected, all votes received *in absentia* or by proxy shall be cast in favor of the nominees.
In the election of directors, the stockholder may choose to do any of the following:

(i) Vote such number of shares for as many person(s) as there are directors to be elected;
(ii) Cumulate such shares and give one (1) candidate as many votes as the number of directors to be elected multiplied by the number of his shares; or
(iii) Distribute his shares on the same principle as option (ii) among as many candidates as he shall see fit, provided, that the total number of votes cast by him shall not exceed the number of shares owned by him multiplied by the whole number of directors to be elected.

The method of counting the votes shall be in accordance with the general provisions of the Revised Corporation Code of the Philippines. The counting of votes shall be done by representatives of the Office of the Corporate Secretary, who shall serve as members of the Election Committee.

Other than the nominees' election as directors, no director, executive officer, nominee, or associate of the nominees has any substantial interest, direct or indirect by security holdings or otherwise, in any way of the matters to be taken up during the meeting. Vivant has not received any information that an officer, director, or stockholder intends to oppose any action to be taken at the Annual Stockholders' Meeting.

This Information Statement in SEC Form 20-IS is given free of charge to the stockholders prior to the Annual Stockholders' Meeting of the Company. Vivant stockholders may likewise request for a copy of the Annual Report in SEC Form 17-A which will be given free of charge upon written request. Please write to:

Office of the Corporate Secretary
9th Floor, Oakridge IT Center 3,
Oakridge Business Park, A.S. Fortuna Street,
Brgy. Banilad, Mandaue City, Cebu

SIGNATURE

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete, and correct. This report is signed at the City of Mandaue on May 12, 2023.

VIVANT CORPORATION
Issuer
By:

JOAN A. GIDUQUID-BARON
Corporate Secretary

PART I - BUSINESS AND GENERAL INFORMATION

Item 1. Business

1. Business Development

Vivant Corporation (Vivant or the Company) is a publicly listed holding company that, through its subsidiaries and affiliates, has interests in various companies engaged in the electric power generation (renewable and non-renewable energy), electric power distribution, and retail electricity business. The Garcia-Escaño family of Cebu (the Family) collectively owns approximately 76% of the outstanding capital stock of Vivant as of December 31, 2022.

Vivant's history can be traced back to Viuda y Hijos de F. Escaño Incorporada, the successor of the enterprise that Don Fernando Escaño founded in 1879, which came to be known as Hijos de F. Escaño Inc. (HDFE). The entry into the power industry dates back to the early 1900s when the Family diversified its business interests (mainly shipping and trade) to include electricity power distribution when it took over the operations of the Visayan Electric Company, Inc. (VECO). VECO was the power distribution utility serving the electricity requirements of the City of Cebu and its surrounding municipalities.

The Second World War caused significant damage to the facilities of VECO. It was during the close of the war in 1945 that initiatives of VECO, alongside with the US Army, allowed the resumption of its operations to its pre-war levels. Staff levels were increased up, while investments in new machineries and equipment poured in. Currently, VECO stands as the second largest privately-owned electric power distribution utility in the Philippines in terms of annual gigawatt-hour (GWh) sales. As of end-2022, Vivant has an effective equity interest of approximately 35% in VECO.

In 2002, the Family acquired 99% of Philstar.com, a company listed in the Philippine Stock Exchange (PSE). Subsequently, the Family's holdings in HDFE and VECO were infused to this company. Philstar.com was eventually renamed Vivant Corporation.

Starting in 2007, Vivant, through its subsidiaries and affiliates, started its foray into the power generation business via equity investments in the following generation companies:

- Cebu Private Power Corporation (CPPC), owner and operator of a 70 megawatts (MW) diesel-fired power plant located in the island of Cebu;
- Delta P, Inc. (DPI), owner and operator of a 16 MW diesel-fired power plant in Palawan; and
- Cebu Energy Development Corporation (CEDC), a project company that owns and operates a 246 MW coal-fired power plant in Toledo City, Cebu.

The Company likewise participated in the government's privatization efforts conducted by the Power Sector Assets and Liabilities Management (PSALM):

- Acquisition of the 0.8 MW Amlan Hydroelectric Power Plant in Negros Island in 2009; and
- Appointment as the Independent Power Producer (IPP) Administrator of the 70 MW Bakun Hydroelectric Power Plant in Alilem, Ilocos Sur in 2009

In 2010, Vivant, through one of its subsidiaries, 1590 Energy Corp. (1590 EC) entered into an agreement with the Provincial Government of La Union (PGLU) for the management and operation of the 225 MW Bauang diesel-fired power plant (Bauang Plant). On April 1, 2022, 1590 EC submitted its bid proposal to PGLU during its Public Auction Sale for the power plant. On April 19, 2022, after evaluation and verification of the bid proposal of 1590 EC and payment in full of the purchase price in the winning bid proposal, a Deed of Transfer and Conveyance was executed between 1590 EC and PGLU over the Bauang Plant and the land where it is located.

In December 2012, Corenergy Inc. (Corenergy), through wholly-owned subsidiary Vivant Energy Corporation (Vivant Energy), was incorporated as the Retail Electricity Supply (RES) company of Vivant.

In April 2013, the Company, through one of its associates, broke ground for the construction of the 8 MW bunker- and 750 kW diesel-fired power plants in the municipalities of Coron and Busuanga, respectively. The plants commenced commercial operations in the last quarter of 2014 and have serviced the power requirements of the local distribution utility via a Power Supply Agreement (PSA).

In November 2013, Vivant, through wholly-owned subsidiary Vivant Energy, participated in the public bidding process conducted by PSALM for the selection and appointment of the IPP Administrator for the Strips of Energy of the Unified Leyte Geothermal Power Plants (ULGPP) located at Tongonan, Leyte. On January 29, 2014, PSALM declared and selected Vivant Energy as the Winning Bidder for Seventeen (17) Strips of Energy of the ULGPP. This allowed Vivant Energy to sell 17 MW of geothermal power from ULGPP beginning January 1, 2015. In October 2019, the Administration Agreement for the Selection and Appointment of IPP Administrators for the Strips of Energy of the ULGPP between Vivant Energy and PSALM was terminated.

In January 2014, Vivant signed a Notes Facility Agreement (NFA) to issue Php 3 billion (bn) in Fixed Rate Corporate Notes (FRCN). The offering was fully subscribed by a consortium of local banks. Proceeds of the issue, which were in 2 tranches, were earmarked to partly fund the Company's and its subsidiaries' capital projects.

In February 2014, a Memorandum of Understanding was executed by wholly-owned subsidiary Vivant Integrated Generation Corporation (VIGC) and Mindanao Energy Systems, Inc. (Minergy) that involved the possible equity investments by VIGC in Minergy's future power generation projects. Subsequent to this, a Subscription Agreement between VIGC and Minergy Coal Corporation (MCC) was executed, which allowed VIGC to subscribe to 40% of all issued capital and shares of MCC. MCC is the project company that was set up by Minergy to build, own and operate a 3x55 MW coal-fired power plant in Balingasag, Misamis Oriental. Construction commenced in the first quarter of 2014. In 2015, MCC changed its corporate name to Minergy Power Corporation (MPC). The power generation facility started to feed into the franchise area of Cagayan de Oro Electric Power and Light Corporation (CEPALCO), which covers the City of Cagayan de Oro and adjoining towns, in September 2017.

On August 27, 2014, a shareholders' agreement between VIGC and Therma Power, Inc. (TPI) was signed. This agreement involved the investment by VIGC in Therma Visayas, Inc. (TVI), the project proponent for the construction and operation of a 2x170 MW coal-fired power generation facility in Toledo City, Cebu. The agreement involved the entry of VIGC into TVI for a 20% equity stake. Construction commenced in the first quarter of 2015. Commercial operations for Unit 1 and Unit 2 commenced within the first half of 2019.

In December 2015, after the successful conduct of a Competitive Selection Process (CSP) by the Palawan Electric Cooperative (PALECO), DPI was declared as the winning proponent and awardee of the 15–year PSA for a 26.65 MW Gross Dependable Capacity. Consequently, DPI embarked on an expansion program in 2016 involving the construction of a 30 MW diesel-fired power plant. The power plant facility started to feed into the PALECO service area in the second quarter of 2017.

In September 2016, Corenergy obtained its 5-year RES license from the Energy Regulatory Commission (ERC) and started supplying to retail customers in Luzon starting in 2018. It secured its 5-year RES license renewal in September 2021.

In January 2017, 1590 EC signed a 5-year Ancillary Service Procurement Agreement (ASPA) with the National Grid Corporation of the Philippines (NGCP). This involved the provision of Dispatchable Reserve on a non-firm basis. The ASPA became effective in May 2017, after obtaining Provisional Approval from the ERC.

In May 2017, Vivant entered into a joint venture with ET Energy Pilipinas Holding Corporation (ET-Pilipinas). The joint venture was established for the purpose of exploring opportunities in the solar rooftop space. Through 100%-owned Vivant Energy and Vivant Renewables Energy Corporation (VREC), the Company initially had 60% ownership in the joint venture company, Vivant Solar Corporation (Vivant Solar). In November 2019, Vivant Energy and VREC bought out ET-Pilipinas, making Vivant Solar a wholly-owned subsidiary of Vivant.

Also in May 2017, a Commencement/Stay Order was issued by the Cebu City Regional Trial Court (RTC) Branch 11 in favor of 48%-owned Vivant-Sta. Clara Northern Renewables Generation Corporation (NR) pursuant to a Petition for Corporate Rehabilitation. NR was the IPP Administrator of the 70MW capacity of the Bakun Hydroelectric Power Plant. In October 2018, North Renewable Energy Corporation acquired all of Vivant Energy's and VREC's shareholdings in NR.

In December 2017, Vivant, through wholly-owned subsidiary VIGC, and Global Business Power Corporation (GBPC) signed a Pre-Development Agreement to jointly participate in a project that involved the construction and operation of a 2x335 MW power plant in La Union. This project will be undertaken through Global Luzon Energy Development Corporation, a special purpose vehicle that was set up where Vivant has an effective ownership of 42.5%.

Also, in December 2017, Vivant Energy and ICS Renewables Holdings, Inc. (ICS Renewables) executed a Deed of Sale with Assignment of Subscription Rights, which effectively transferred Vivant's ownership in Amlan Hydroelectric Power Corporation (AHPC) to ICS Renewables by year-end. A Deed of Sale with Assignment of Subscription Rights was likewise executed by Vivant Energy and ICS Renewables, which effectively transferred ICS Renewables' shares in 1590 EC to Vivant Energy. As of year-end 2017, Vivant Energy increased its equity stake in 1590 EC from 52.7% to 55.2%.

In May 2018, Sabang Renewable Energy Corporation (SREC) broke ground for the construction of a hybrid power generation facility in Bgy. Cabayugan, an unelectrified area in Puerto Princesa. The project is composed of a 1.4 MW solar power generation plant, a 2.3 MWh storage facility and a 1.28 MW diesel-fired power generation unit. SREC will be the first to operate a smart hybrid power plant facility in an off-grid area. In addition to generating power, SREC will also be responsible for distributing the electricity produced by the power plant to its consumers through its 14 km line under a Qualified Third-Party (QTP) Subsidy and Service Agreement with the National Power Corporation (NPC) and the Department of Energy (DOE). In November 2021, the Company sold its 30% equity in SREC to Maharlika Clean Power Holding Corp.

In June 2018, Vivant Solar purchased the shares of ET-Pilipinas in special purpose vehicle Corenergy Solar Solution Corp. (CSSC), the special purpose vehicle where all rooftop solar projects of Vivant are currently housed. In November 2019, CSSC declared commerciality for a 1.35MWp Solar Photovoltaic Plant in Mandaue City, Cebu. In the same month, Vivant Energy and VREC bought out ET-Pilipinas, making CSSC a wholly-owned subsidiary of Vivant.

In December 2018, the Company established Vivant Infracore Holdings Inc (VIHI), the holding company that Vivant will use to house its business interests across different segments in infrastructure.

In May 2019, Vivant Hydrocore Holdings Inc. (VHHI) was incorporated as Vivant's water-industry arm, which will invest in and manage a diversified water portfolio in the areas of bulk water supply, wastewater treatment and water distribution.

In June 2019, Vivant, through wholly-owned subsidiary VHHI, entered into an agreement with an Israeli firm, Watermatic International Ltd. (WMI), for the creation of a joint venture company Watermatic Philippines Corporation (WMP). This was part of Vivant's endeavors to diversify its investment portfolio to include infrastructure. WMP was envisioned to engage in the design, supply, installation, commissioning, operation, and maintenance of water treatment and waste water treatment plants. Vivant initially owned 50% of WMP. In November 2019, Vivant increased its stake in WMP to 60% through additional subscription of shares.

In November 2019, the Bantayan Island Electric Cooperative, Inc. (BANELCO) concluded a successful CSP by awarding a 15-year contract to supply 15 MW of the island's energy requirements to the joint venture of Vivant Integrated Diesel Corporation (VIDC), a wholly-owned subsidiary of Vivant Energy, and Gigawatt Power Inc. (GPI). In February 2020, INEC and BANELCO signed the PSA. Vivant owns 65% equity in INEC through wholly-owned subsidiaries. Pending the approval of INEC's PSA application, the ERC issued a directive to BANELCO to "source out power from any supplier which it deems fit, to ensure the continuous and unhampered supply of power within its franchise area". Thus, in November 2021, INEC and BANELCO signed an Interim Power Supply Agreement (IPSA). With the incorporation of the SPV, Isla Norte Power Corporation (Isla Norte), the PSA with BANELCO was assigned to Isla Norte. Thereafter, as the new SPV and party to the PSA, on May 5, 2022 the ERC issued a provisional authority in favor of Isla Norte to implement the PSA. The provisional authority became effective upon the expiration of the IPSA. The new 23.3 MW power plant has started commercial operations on May 26, 2022.

In February 2020, VHHI acquired a 45% equity stake in Faith Lived Out Visions 2 Ventures Holdings, Inc. (FLOWS), which owns the Puerto Princesa Water Reclamation and Learning Center Inc (PPWRLC) in partnership with the Puerto Princesa City Government. The acquisition resulted in VHHI ultimately owning 40% in PPWRLC. PPWRLC is the owner and operator of a wastewater treatment facility to help rehabilitate the Puerto Princesa Bay.

In November 27, 2020, Pampanga II Electric Cooperative Inc. (PELCO II) awarded a 15-Year PSA for the Supply of 15 MW Peaking Requirement through a Build-Own-Operate Scheme to the consortium of Vivant Energy and GPI. This was a result of a successful CSP that was conducted by the Third-Party Bids and Awards Committee of PELCO II. The consortium invested into La Pampanga Energy Corporation (LPEC) to implement the rights and obligations of the PSA. The PSA was signed between LPEC and PELCO II on June 10, 2021 and is now awaiting approval by the ERC. Pre-development activities are ongoing with the intention to commence construction of the power plant by the last quarter of 2023.

In December 2020, Vivant signed a NFA to issue Php 3 billion (bn) in FRCN with tenors of 2 years and 5 years. The offering was fully subscribed by a consortium of local banks. Proceeds of the issue will be used to finance capital expenditures for existing assets and investments in power generation and/or water infrastructure projects and partly to refinance the existing 7-year FRCN that matured in February 2021. The outstanding Notes amount to PHP2,950,000,000 after a Php50 million (mn) token amortization paid in January 2022.

In February 2021, Vivant Energy, together with Amberdust Holdings Corp. (AHC) signed a Share Sale Purchase Agreement to acquire 90% of the outstanding shares of Bukidnon Power Corp. (BPC) and Northern Bukidnon Power Corp. (NBPC) from its existing shareholders. BPC owns two diesel-fired power plants with a total installed capacity of 7.3 MW which are contracted to supply the energy requirements

of First Bukidnon Electric Cooperative, Inc. (FIBECO). NBPC on the other hand, has a diesel-fired power plant with an installed capacity of 6.56 MW. This capacity is contracted to supply the peaking requirements of Bukidnon Second Electric Cooperative, Inc. (BUSECO).

In March 2021, a Shareholders' Agreement was signed by VREC which will result to its acquisition of up to 34.85% of the total equity in Buskowitz Finance Inc. (BFI). BFI is a solar engineering, procurement and construction company and is considered as one of the biggest players in the rooftop solar installation market in the Philippines.

In June 2021, VHHI was awarded by the Metropolitan Cebu Water District (MCWD) with a 25-year Joint Venture Agreement after a successful conduct of a solicited bidding for the Cordova Bulk Water Supply Project. VHHI will build a utility-scale desalination plant that will augment the bulk water supply of MCWD by twenty thousand cubic meters per day of treated and potable water.

2. Business of Issuer

Through its equity interests in its subsidiaries and associates, Vivant is in the business of electric power generation, electric power distribution, retail electricity supply and water infrastructure in the Philippines. (Please see Exhibit "E" for Vivant's Corporate Structure).

(i) Principal Products

POWER GENERATION

As of end-2022, Vivant Energy holds all of Vivant's interests in the electric power generation business. To date, the Company has built a portfolio comprised of conventional power generation plants with total attributable capacity of approximately 377MW. As of December 31, 2022, approximately 64% of Vivant's net income from business segments was accounted for by its power generation business.

The table below summarizes the operating results of the generation companies as of December 31, 2022.

Generation Companies	Energy Sold[1] (in GWh)			Revenue[2] (in Php million)		
COAL	2020	2021	2022	2020	2021	2022
CEDC[3]	1,787.0	1,794.7	1,793.0	7,718.7	8,984.2	14,458.3
MPC	943.2	835.3	664.2	5,613.0	5,652.6	7,447.5
TVI	1,901.1	2,219.7	2,127.2	8,490.2	10,686.0	15,048.9
DIESEL						
1590 EC	57.1	129.3	174.5	1,702.1	2,559.3	2,820.8
CPPC	27.5	80.5	93.3	997.7	1,275.3	1,060.2
Delta P[4]	72.6	68.2	91.3	905.6	947.8	1,391.7
CIPC	30.2	26.6	35.1	423.3	428.4	644.4
INEC [5]	0.9	10.0	53.6	27.9	92.9	753.8
BPC/NBPC[6]	-	0.2	1.5	154.7	154.7	169.5

Notes:

1. *Figures are at 100%.*
2. *Figures are at 100%.*
3. *Includes billed minimum contracted energy.*
4. *DPI's contract for its old facility expired in April 2020.*
5. *INEC entered into an interim supply agreement with BANELCO and sold power through leased generation units starting August 2020. Long-Term Power Supply Agreement (LTPSA) with BANELCO commenced in May of 2022. INEC was merged into Isla Norte Power Corporation (INPC) last December 2022.*
6. *Investment in BPC/NBPC started in March 2021.*

Cebu Private Power Corporation (CPPC)

Incorporated on July 13, 1994, CPPC owns and operates one of the largest diesel power plants in the island of Cebu – the 10 Caterpillar-MaK-powered 70 MW Bunker C-fired power plant situated on a 1.8-hectare site in the old VECO compound at Brgy. Ermita, Cebu City.

Commissioned in 1998, the CPPC plant was constructed pursuant to a build-operate-transfer (BOT) contract to supply 62 MW of power to VECO.

On April 20, 2007, Vivant acquired from East Asia Utilities Corporation 40% of the outstanding common shares of CPPC. The remaining 60% of the outstanding common shares was acquired by AboitizPower Corporation (AP).

In December 2010, CPPC started selling its excess capacity to the Wholesale Electricity Spot Market (WESM). In July 2013, CPPC and VECO filed an application for a new 10-year PSA with the ERC. Upon approval and implementation, the new agreement will redound to a slightly lower electricity rate for VECO. In August 2021, the CPPC PSA with VECO was terminated.

Delta P, Inc. (DPI)

Established in 1997, DPI is an independent power producer in Palawan operating a 16 MW bunker-fired power plant with 4 units of 4 MW generator sets. In March 2007, GPI acquired the 100% interest of Wärtsilä Technology Oy Ab in DPI. In June 2007, GPI divested and sold a 20% equity stake in DPI to Vivant. Through wholly-owned subsidiary Vivant Energy, Vivant's equity stake increased to 35% in October 2007 through an additional share acquisition from GPI.

The power plant facility of DPI is located on a 25,981 sq.m. parcel of land leased from the City Government of Puerto Princesa at Kilometer 13, North National Highway, Barangay Santa Lourdes, Puerto Princesa, Palawan. Commercial operations started in May 1997 by virtue of a Lease Agreement with NPC, which expired in April 2009. The power generated by the plant served a portion of the electricity requirements of PALECO.

On February 6, 2009, DPI and PALECO signed a PSA for DPI to directly supply PALECO'S power requirements for the next 10 years. DPI and PALECO filed a joint petition with the ERC for the approval of the PSA, which the latter granted on November 9, 2009.

In May 2015, a Share Purchase Agreement was executed between Vivant Energy and GPI, which resulted to a 50:50 equity ownership between the companies.

In December 2015, after the successful conduct of a CSP by PALECO, DPI was declared as the winning proponent and awardee of the 15–year PSA for a 26.65 MW Gross Dependable Capacity. Consequently, DPI embarked on an expansion program in 2016 involving the construction of a 30 MW diesel-fired power plant. In April 2016, DPI and PALECO filed a Joint Application with the ERC for the approval of the PSA. A public hearing was held on February 17, 2017. The power plant facility started to feed into the PALECO service area in the second quarter of 2017.

On February 6, 2019, a fire broke out in the old power plant of DPI which damaged 1 (out of 4) of the engines and the surrounding areas of the older facility. After the rehabilitation was done, 2 engines went back online within 17 days from the incident, and the 3rd engine was running by April 2019.

After successfully supplying PALECO's power requirements for the past 10 years, the PSA of the old plant expired in April 2020. In 2022, DPI started the decommissioning of the old plant. The generating units were completely decommissioned in the same year, while the removal of its auxiliaries were still ongoing as of December 2022.

Abovant Holdings, Inc. (AHI) and Cebu Energy Development Corporation (CEDC)

AHI was established in 2007 as a joint venture between Vivant and AP. The company's main purpose was to invest in a new power plant to be built in Barangay Daanlungsod, Toledo City, Cebu. AHI is 40% owned by Vivant (currently through wholly-owned VIGC) and 60% owned by AP (currently through wholly-owned TPI).

AHI and Global Formosa Holdings, Inc. (Global Formosa), a joint venture between GBPC then of the Metrobank Group and Formosa Heavy Industries, Inc., formed CEDC in December 2008 to build, own and operate a $450 million (mn) 3 x 82 MW coal-fired power plant located in Toledo, Cebu utilizing the latest Circulating Fluidized Bed technology. Commercial operations commenced in 2011. With AHI's 44% stake in CEDC (Global Formosa owns the remaining 56%), Vivant's effective interest in CEDC is at 17.6%.

In October 2009, CEDC signed an Energy Power Purchase Agreement (EPPA) with VECO for the supply of 105 MW of electricity for 25 years. The application for approval was filed with the ERC in the same year and was approved in February 2010. To date, CEDC has signed other EPPAs with electric cooperatives and distribution utilities in Cebu and Bohol. The company's EPPAs will provide contracted minimum energy offtake with fuel cost as a pass-through.

1590 Energy Corporation (1590 EC)

In March 2010, a Memorandum of Agreement (MOA) was entered into between the PGLU, Vivant Energy and GPI wherein the parties agreed to enter into a Sale and Purchase Agreement (SPA) giving Vivant Energy and GPI exclusive right to purchase the Bauang Plant owned by the PGLU until July 25, 2010.

On July 22, 2010, the MOA was amended granting Vivant Energy and GPI the right to an interim management and operation of the Bauang Plant and an extension of the SPA for 6 months or until January 26, 2011. Hence, Vivant Energy and GPI incorporated 1590 EC in July 2010 to undertake all the rights, interests and obligations under the Interim Agreement. On September 10, 2010, Vivant Energy and GPI with the conformity of PGLU transferred all their rights, interests and obligations under the Interim Agreement to 1590 EC.

In December 2010, 1590 EC formally signified its intent to purchase the diesel power plant, thus, a Contract to Sell (CTS) was executed between 1590 EC and the PGLU, the closing of which was subject to certain conditions. In May 2012, a Mutual Rescission Agreement (MRA) was entered into by 1590 EC and the PGLU, thus terminating the CTS. Simultaneously, a MOA was executed by both parties giving 1590 EC the right to preserve, maintain and operate, including the right to use and sell the power generated by the Bauang Plant for a period of one year. In 2013, 1590 EC and the PGLU entered into an agreement to extend the term of the MOA up to end-2015. In February 2015, the parties executed a Second Amendment to the MOA extending the term of the MOA up to end-2018.

In January 2017, 1590 EC signed a 5-year ASPA with NGCP. This involved the provision of Dispatchable Reserve on a non-firm basis. Effectivity of the contract will be upon receipt of a Provisional Approval by the ERC, which was obtained in May 2017.

In December 2017, Vivant Energy and ICS Renewables executed a Deed of Sale with Assignment of Subscription Rights, which effectively transferred ICS Renewables' shares in 1590 EC to Vivant Energy. As of year-end 2017, Vivant Energy increased its equity stake in 1590 EC from 52.7% to 55.2%.

In January 2018, through a bidding conducted by the PGLU, 1590EC was awarded the right to operate and maintain the Bauang Plant through a 5-year lease, which commenced in January 2019.

On April 1, 2022, 1590 EC submitted its bid proposal to PGLU during its Public Auction Sale for the Bauang Plant. On April 19, 2022, after evaluation and verification of the bid proposal of 1590 EC and payment in full of the purchase price in the winning bid proposal, a Deed of Transfer and Conveyance was executed between 1590 EC and PGLU over the Bauang Plant and the land where it is located. Thereafter, 1590EC took control over the land and power assets of the Bauang Plant, as well as the operations and generation output of the plant.

Vivant-Malogo Hydropower, Inc. (VMHI)

VMHI was incorporated in June 2012 as the project company to implement a greenfield power plant project, which will involve the construction and operation of a series of run-of-river hydropower facility in Barangay Kapitan Ramon in Silay City, located in the northwestern section of the Negros Island. VMHI will implement the project in phases, where Phase 1 will involve the construction and operation of a 6 MW power plant facility along the Malogo river. The company has finalized the detailed engineering plans of the facility. Construction of the plant is estimated to be completed after a period of 22 to 24 months. Vivant, however, has decided to put the project on hold given the prevailing transmission constraint in the Negros grid, which is expected to be resolved upon the completion of the Cebu-Negros-Panay 230kV backbone project of NGCP.

Vivant Energy holds an effective equity stake of 67% in VMHI.

Calamian Islands Power Corporation (CIPC)

CIPC was established in October 2010 as the project company to undertake the construction and operation of the 8 MW bunker- and 750 kW diesel-fired power plants in the municipalities of Coron and Busuanga, respectively. In August 2011, CIPC entered into a 15-year PSA with Busuanga Island Electric Cooperative covering the total capacity of the project. CIPC broke ground in April 2013. The Busuanga power station started feeding into the island's grid in the fourth quarter of 2013, while the Coron power station commenced power generation in August 2014.

Vivant Energy has an equity stake of 50% in CIPC.

Minergy Power Corporation (MPC)

MPC, formerly known as MCC, is the project company that was set up by Minergy to build, own and operate a 3x55 MW coal-fired power plant in Balingasag, Misamis Oriental. In May 2014, a Subscription Agreement between VIGC and MCC was executed which allows VIGC to subscribe to 40% of all issued capital and shares of MPC.

Construction commenced in the first quarter of 2014. The plant started to feed into the franchise area of CEPALCO, which covers the City of Cagayan de Oro and adjoining towns, in September 2017.

Therma Visayas, Inc. (TVI)

TVI is the project company that owns and operates the 2x170 MW coal-fired power plant in Barangay Bato, Toledo City, Cebu. The project is intended to address the increasing power demand of the Visayas grid. The plant design includes provisions for the addition of a third generating unit.

In May 2014, TVI signed an Engineering, Procurement, and Construction (EPC) contract with Hyundai Engineering Co., Ltd. and Galing Power Energy Co., Inc.

An agreement was executed in August 2014 between VIGC and TPI, which allowed VIGC to acquire a 20% equity stake in TVI. TPI, a wholly-owned subsidiary of AP, is the parent company of TVI.

Commercial operations for Unit 1 commenced in April 2019 and Unit 2 commenced commercial operations in August 2019.

Culna Renewable Energy Corporation (CREC)

CREC is the project proponent for the construction and operation of hybrid facilities to supply Culion Island with a guaranteed dependable capacity of 1.96 MW and to supply Linapacan Island with guaranteed dependable capacity of 0.358 MW. The Culion Power Station will have a configuration of 2.42 MW Diesel Genset, 2.80 MWp Solar PV and a battery storage system while the Linapacan Power Station's installed capacity will be composed of 540 kW Diesel Gensets and 325 kWp Solar PV. A Joint Application for the approval of the PSA was filed by CREC and Busuanga Island Electric Cooperative, Inc. (BISELCO) with the ERC on July 17, 2017, which is pending resolution. The Company has an effective ownership of 50% in CREC after acquiring a portion of the shares of WEnergy Global PTE, LTD in CREC.

Isla Norte Energy Corporation (INEC)

INEC is the project company that was set up to develop and operate a 23 MW bunker-fired power plant in the island of Bantayan.

In February 2020, INEC entered into a 15-year PSA with BANELCO for the entire capacity of the plant. A Joint Application for the approval of the PSA was filed by INEC and BANELCO with the ERC on October 12, 2020. The power station is composed of 2 x 7.496 MW diesel engines and 3 x 2.773 MW diesel engines.

Pending the commercial operations of the power station, in April 2020, BANELCO signed an Interim Power Supply Agreement with INEC to augment the power requirements of the island of Bantayan through leased containerized diesel generating sets with a total capacity of 3 MW.

The ERC gave its provisional authority for the applied PSA effective May 6, 2022.

Isla Norte Power Corporation (Isla Norte)

Isla Norte is the new special purpose vehicle (SPV) formed by VIDC and GPI to be the intended assignee of the PSA with BANELCO. On December 29, 2022, the Articles of Merger of INEC and Isla Norte were approved by the Securities and Exchange Commission (SEC), with Isla Norte as the surviving entity that will own the assets and liabilities of INEC.

La Pampanga Energy Corporation (La Pampanga)

La Pampanga is the first on-grid joint-venture between Vivant Energy and GPI to construct and operate an embedded 15MW bunker-fired power plant in Porac, Pampanga. The capacity of the embedded plant will supply the peaking power and ancillary requirements of PELCO II pursuant to the 15-year PSA awarded to Vivant Energy and GPI after a successful conduct of CSP by PELCO II in 2020. Construction of the power plant is targeted to commence by the last quarter of 2023.

Bukidnon Power Corporation (BPC)

BPC is the project company that owns and operates a 2 x 2.4 MW fuel-fired power plant in Pangantucan, Bukidnon and a 2.5 MW fuel-fired power plant in San Fernando, Bukidnon, which are currently contracted to supply the energy requirements of FIBECO.

North BukidnonPower Corporation (NBPC)

NBPC is the project company that owns and operates a 2 x 3.1 MW fuel-fired power plant in Lantapan, Bukidnon. NBPC supplies 5MW of the peaking power requirement in the franchise area of BUSECO.

Expecting the WESM Mindanao to commence operations in January 2023, NBPC is already registered and compliant with the requirements needed to participate in the Mindanao spot market.

ELECTRIC POWER DISTRIBUTION

In addition to investments in the power generation sector, the Company has investments in VECO, the second largest privately-owned distribution utility in the Philippines in terms of customers and annual GWh sales. As of end-2022, Vivant has a beneficial ownership in VECO of roughly 35%.

Visayan Electric Company (VECO)

VECO, through its predecessor, has been in the distribution business since the early 1900s. It is an electric distribution utility engaged in the conveyance, distribution and sale of electric power pursuant to its legislative franchise, Republic Act No. 9339, and serves the electrical needs of four cities (Cebu, Mandaue, Talisay and Naga), and four municipalities (Consolacion, Liloan, Minglanilla, and San Fernando), all located in the Province of Cebu. Its franchise was granted by the Congress of the Philippines and is due to expire in 2030. VECO's service coverage is about 672 square kilometers serving 486,414 customers with a peak demand of 588 MW and electricity sales of 3,145 GWh in 2022.

The table below summarizes the key operating statistics of VECO for 2021 and the past 2 years.

	Electricity Sold (MWh)	Peak Demand (MW)	# of Customers
2020	3,119,850	521	462,699
2021	3,144,768	554	477,732
2022	3,175,656	588	486,414

VECO is among the distribution utilities included in the third group (Group C) of private utilities to shift to Performance Based Regulation (PBR). The ERC issued in May 2010 its final determination on VECO's application for approval of its annual revenue requirements and performance incentive scheme under the PBR for the regulatory period July 1, 2010 to June 30, 2014.

VECO was scheduled to undergo the PBR reset process in the first quarter of 2014. However, the company was not able to do so given that the ERC has since put on hold all PBR reset processes. As such,

VECO has continued to apply the rates approved for the last year of the first regulatory period until such time it is able to undergo the ERC-mandated reset process.

The ERC has started another round of reset process and the Regulatory Period for Group C will be from July 1, 2024 to June 30, 2028. However, this might also be delayed by 1 year because of the delay in the reset process of Group B.

RETAIL ELECTRICITY

With the thrust of providing sustainable solutions to meet the changing needs of its customers, the Company, through wholly-owned subsidiary Vivant Energy, expanded its retail electricity business to include three lines of businesses. These are Retail Electricity Supply, Solar Rooftop and Engineering Services.

Retail Electricity Supply

One of the objectives of the Republic Act No. 9136 otherwise known as the "Electric Power Industry Reform Act of 2001" (EPIRA) is to ensure the competitive supply of electricity at the retail level. With the implementation of the Retail Competition and Open Access (RCOA), large-scale customers will be allowed to source electricity from Retail Electricity Suppliers (RES) licensed by the ERC. As of December 2021, regulations have allowed electricity consumers with an average peak demand of 500kW and up, and as identified by the ERC, to join the competitive market.

Vivant has prepared its organization for the RCOA with the establishment of 2 RES companies.

Prism Energy, Inc. (Prism Energy)

Prism Energy was incorporated in March 2009, as a joint venture between Vivant (40%) and AP (60%). The company obtained its five-year RES license in May 2012 which it subsequently renewed and it set to expire in November 2023. Prism Energy is seen to service the requirements of the contestable customers in the Visayas region.

As of year-end 2022, Prism Energy was serving 29 customers with a total average consumption of 15,644,302 kWh per month. The total electricity delivered to its customer base amounted to 187,731,622 kWh in 2022.

Corenergy, Inc. (Corenergy)

Corenergy was incorporated in December 2012 as a wholly-owned subsidiary of Vivant, through Vivant Energy. The company obtained its 5-year RES license renewal in September 2021 and is eyeing contestable customers in Luzon and Visayas regions.

As of yearend 2022, Corenergy served nineteen (19) customers with a total average consumption of 6,979,669 kWh per month. The total electricity delivered to its customers amounted to83,756,031 kWh in 2022.

Solar Rooftop

Vivant Energy, through its subsidiary, started to offer customizable rooftop solar energy solutions, mostly to commercial and industrial customers.

Vivant Solar Corporation[2] (Vivant Solar)

As part of its venture into the retail business, Vivant, through wholly owned subsidiaries Vivant Energy and VREC, entered into a joint venture with ET-Pilipinas to construct and operate solar rooftop generation facilities. In March 22, 2018, Vivant Solar was incorporated with Vivant having a 60% equity stake therein. In November 2019, Vivant Energy and VREC bought out ET-Pilipinas, making Vivant Solar a wholly-owned subsidiary of Vivant.

As of December 2022, Corenergy Solar Solutions Corporation (CSSC), Vivant Solar's wholly owned special purpose vehicle, completed a total of 1.62 MW solar rooftop facilities for industrial customers in Visayas and 2.55 MW solar rooftop facilities in Luzon. 0.86 MW of solar rooftop facilities for commercial and industrial customers in Luzon and Visayas are currently under construction.

Buskowitz Finance Inc. (BFI)

BFI was incorporated on December 10, 2015. to engage in the sale, financing and engineering, procurement and construction (EPC) of rooftop-type solar power systems and is considered as one of the biggest players in the country's rooftop solar installation market.

In March 2021, a Shareholders' Agreement was signed by VREC which will result to its acquisition of up to 34.85% of the total equity in Buskowitz Finance Inc.

As of December 2022, BFI completed a total of 9.23 MW for its Build-Operate-Lease-Transfer (BOLT) solar projects for commercial and industrial customers.

Engineering Solutions

Corenergy

In May 2019, Corenergy added to its primary purpose the provision of engineering solutions as an ancillary service to both RES and Solar Rooftop customers. Utilizing its team of experts with decades-long experience in various segments of the power value chain, Corenergy has offered engineering services intended to optimize electricity supply, improve the reliability of equipment and overall safety of workplaces.

[2] On November 9, 2020, the Securities and Exchange Commission issued a Certificate of Filing of Amended Articles of Incorporation approving the change of name of the corporation from ET-Vivant Solar Corporation to Vivant Solar Corporation.

WATER INFRASTRUCTURE

Vivant continues to grow beyond the power business as it supports industries that improve everyday living. Through its wholly owned subsidiary VHHI, Vivant is on the look-out for opportunities in water infrastructure which relates to the provision of water and wastewater engineering and technological solutions bulk water supply, water distribution and wastewater treatment services.

Water Solutions

As a new entrant with limited knowledge of the industry, Vivant saw the need to enter into a partnership with an entity that has the technical know-how and capability in engineering, design and construction phases.

Watermatic Philippines Corporation (WMP)

WMP was established in July 2019 as the joint venture company of Vivant, through VHHI, and its Israeli partner WMI. Vivant's 60%-owned subsidiary specializes in providing solutions for water treatment for a variety of needs including for industry, drinking water, and agriculture. WMP's services include the design, engineering, construction, installation and operations and maintenance of water and wastewater treatment systems. It also assists clients in the project pre-development stage by providing the necessary technical studies and assessment and designing systems that are tailor-fit to the client's specific needs.

Wastewater Treatment

Faith Lived Out Visions 2 Ventures Holdings, Inc. (FLOWS) and Puerto Princesa Water Reclamation and Learning Center, Inc. (PPWLRC)

FLOWS was formed by its original owners to own the PPWRLC in partnership with the Puerto Princesa City Government. In February 2020, VHHI acquired a 45% equity stake in FLOWS, which resulted in VHHI ultimately owning 40% in PPWRLC.

PPWRLC is is the owner and operator an innovative wastewater treatment facility to rehabilitate the Puerto Princesa Bay. It is the Joint Venture Company between the Private Sector Proponent, FLOWS, and the Local Government of Puerto Princesa City.

The facility is located at the City Baywalk in Barangay Matahimik where current outfalls directly discharge untreated sewage into the bay. In addition to treating wastewater, the project also aims to produce treated water for reuse, therefore, addressing the City's water supply requirements.

In January 2020, the project broke ground. Construction was suspended in March 2020 as a result of the restrictions brought about by the pandemic. In October 2020, the works resumed with a catch-up plan to address the delay. After successful testing and commissioning, the facility started commercial operations in March 2022.

Bulk Water Treatment

Isla Mactan-Cordova Corporation

To alleviate the increasing water supply-demand gap in the Metropolitan Cebu, VHHI has partnered with the Local Government of the Municipality of Cordova (Cordova LGU) through a contractual Joint Venture for the development, construction and operations of a seawater reverse osmosis desalination plant to treat and produce potable water.

Under the Joint Venture Agreement between VHHI and the Cordova LGU, the former will incorporate and register with the Securities and Exchange Commission (SEC) a SPV which will undertake and implement the proposed seawater desalination project in Cordova, Cebu and sell bulk water to its intended offtaker, the MCWD. The SPV, Isla Mactan Cordova Corporation(IMCC), was incorporated with the SEC on August 14, 2020.

In June 2021, VHHI was awarded by MCWD with a 25-year Joint Venture Agreement after a successful conduct of a solicited bidding for the Cordova Bulk Water Supply Project. VHHI will build a utility-scale desalination plant that will augment the bulk water supply of MCWD by twenty thousand cubic meters per day of treated and potable water. Development activities for the plant commenced in 2022.

The plant will be located in Barangays Buagsong and Catarman, Cordova, Cebu.

(ii) Sales

The table below sets forth comparative figures for revenue, profitability and assets.

(in Php mn)	2020	2021	2022
Gross Income	3,843.4	5,059.3	6,518.9
Operating Income	2,120.9	2,431.2	1,917.1
Total Assets	20,922.4	23,427.8	26,440.0

The operations of Vivant, its subsidiaries and associates are based only in the Philippines.

Revenue contribution by business grouping is as follows:

	2020		2021		2022	
	Php mn	%-tot	Php mn	Php mn	Php mn	%-tot
Power Generation	2,882.8	75	3, 849.4	76	5,004.7	77
Power Distribution	651.1	16	814.1[1]	16	755.3	11
Retail Electricity	150.2	4	335.7	7	692.4	11
Water Infrastructure	97.0	3	37.1	1	6.4	0
Others	62.2	2	23.0	0	60.1	1
Total	3,843.4	100	5,059.3[2]	100	6,518.9	100

Note:

1. *The financial statements as of and for the years ended December 31, 2021 and 2020 were restated to account for (1) the change in accounting policy in applying the equity method with respect to an associate's power distribution utility assets, i.e., from revaluation model to the cost model. This is in compliance to Philippine Accounting Standards (PAS) 8, Accounting Policies, Changes in Accounting Estimates and Errors, wherein the change in accounting policy is accounted for retrospectively; and (2) the finalization of the purchase price allocation for the acquisition, in compliance to the Philippine Financial Reporting Standards (PFRS) 3, Business Combination, of two subsidiaries in 2021 resulted in a fair value adjustment to Property, Plant and Equipment, and the recognition of intangible assets representing the acquirees' power supply agreements with customer electric cooperatives.*

(iii) Distribution Methods of Products and Services

Power Generation

The generation companies sell their electricity either through the WESM or through bilateral PSAs with private distribution utilities, cooperatives, RES and other large end-users.

Most of the generation companies have transmission service agreements with the NGCP for the transmission of electricity to the designated delivery points of their customers. Some have built their own transmission lines to directly connect to their customers.

Electric Power Distribution

The distribution company has an exclusive distribution franchise in the area where it operates. It has its own distribution network consisting of an extensive network of predominantly overhead lines and substations. An agreement with NGCP is likewise entered into to facilitate the use of NGCP's transmission facilities to receive power from its IPPs, NPC and/or PSALM for distribution to its respective customers.

Retail Electricity

Retail Electricity Supply

The RES companies entered into supply contracts with its existing customers. As of year-end, Prism Energy was serving 53 customers with a total average consumption of 15,098,985kWh per month. The total electricity delivered to its customer base amounted to 181,187,826 kWh in 2021. Corenergy on the other hand served 19 customers during the year with a total average consumption of 6,979,669 kWh per month. The total electricity delivered to its customer base amounted to 83,756,031 kWh in 2022.

Solar Rooftop

Vivant Solar, CSSC and Corenergy entered into contracts with various industrial and commercial customers in Luzon and Visayas for the construction and installation of rooftop solar facilities and supply of solar power.

Engineering Solutions

Corenergy entered into services contracts with customers to provide tailored engineering solutions for the individual facilities of the customers.

Water Infrastructure

Water Solutions

WMP entered into agreements with water and wastewater private developers, and other offtakers such as water districts and Local Government Unit (LGU)-run water entities. The agreements with the customers of WMP included full (ii) engineering and design, procurement, and construction, and (ii) water process design, installations and commissioning, for both water and wastewater treatment.

In August and September 2021, WMP was awarded an A Accreditation License by the Philippine Contractors Accreditation Board (PCAB) and ISO 9001:2015 Certification on Quality Management System, respectively.

Wastewater Treatment

The National Program on Sewerage and Septage Management is founded under Republic Act No. 9275, otherwise known as the "Philippine Clean Water Act of 2004". Under the said law, water districts were required to provide sewerage or septage management services and LGUs were mandated to share with the local water utilities the responsibility in the management and improvement of water quality within their territorial jurisdictions.

LGUs such as the City of Puerto Princesa in the Province of Palawan have established ordinance on proper sewage and septage management system in their jurisdictions with user fees and funding provisions.

Through the Joint Venture and Service Agreement with the City of Puerto Princesa, PPWRLC will rehabilitate the Puerto Princesa Bay from wastewater contamination. At the same time, it will provide septage services to the residents of Puerto Princesa City in partnership with the Puerto Princesa City Water District. It will also have a learning center as a venue for environmental advocacy and education on wastewater treatment process.

Bulk Water Treatment

Public-Private Partnership (PPP) initiatives have been implemented by the local government units and water districts through various PPP modalities and legal framework such as joint venture to ensure the availability of safe water for consumers and meet future demand requirements.

To address Metropolitan Cebu's water supply needs, VHHI has partnered with the Cordova LGU through an unincorporated joint venture for the development of a seawater desalination plant that will supply treated and potable water to MCWD.

In June 2021, VHHI was awarded by MCWD with a 25-year Joint Venture Agreement after a successful conduct of a solicited bidding for the Cordova Bulk Water Supply Project. VHHI will build a utility-scale desalination plant that will augment the bulk water supply of MCWD by twenty thousand cubic meters per day of treated and potable water.

(iv) New Products and Services

Neither Vivant, nor its subsidiaries and associates, have any publicly-announced new product or service to date, apart from the ongoing greenfield, rehabilitation or expansion projects being undertaken.

(v) Competition

Power Generation

Vivant, through the facilities of its power generation subsidiaries and associates located in Luzon, Visayas and Mindanao, faces competition from other power generation plants that supply electricity to these island grids. Given the privatization of NPC-owned power generation facilities, the Company has to contend with local and multinational IPPs for signing PSAs and offering power supply through the WESM (where applicable).

The retail competition has further intensified the competition landscape for securing bilateral contracts. Generation companies have set up their RES operations to tap contestable customers, which are currently large end-users with a monthly peak average demand of at least 100 kW for the preceding 12 months. Further competition is brought about by entities that establish RES operations to aggregate demand. This results to customers migrating to the RES which result to the reduction in existing supply contracts of power generation companies with distribution utilities and electric cooperatives. Negotiations for new contracts could result to less favorable terms given the current scenario.

Competition in the development of new power generation facilities, the acquisition of existing power plants and financing these undertakings is expected. Given the robust performance of the industry in the recent years, many investors have been attracted to participate and explore opportunities in the development of electric power generation projects, both in the renewable and non-renewable energy spectrum.

Vivant, through its subsidiaries and affiliates, is looking at expanding its capacity by acquiring existing projects and partnering with local and foreign partners to develop power projects in strategic locations within the country. On its own, Vivant is also developing a pipeline of RE projects for its medium- and long-term growth in capacity.

Electric Power Distribution

VECO has an exclusive franchise to distribute electricity in the area covered by its franchise.

Under Philippine law, the franchise of any distribution utility may be renewed by the Congress of the Philippines, provided that requirements relating to the rendering of public services are met. VECO intends to apply for the extension of its franchise upon its expiry. Competition or opposition from third parties may arise while the application for the extension of its franchise is underway. However, under Philippine law, a party wishing to secure a franchise to distribute electricity must first obtain from the ERC a Certificate of Public Convenience and Necessity and shall prove that such party has the technical and financial capability to operate a distribution franchise. Ultimately, it is the Philippine Congress that has absolute discretion in determining whether to issue new franchises or renew existing franchises.

Customer migration has transpired as contestable customers opted to source their electricity requirements via Retail Supply Contracts with licensed RES operators. As of date, the current threshold for voluntary participation of a contestable customer is monthly peak average demand of at least 500 kW for the preceding 12 months. The reduction from 1 MW to 750 kW and 500 kW was implemented through DOE Department Circular No. DC2017-12-0013. In the same circular, the DOE also provided for voluntary demand aggregation of electricity end-users within a contiguous area whose aggregate average peak demand in not less than 500 kW for the preceding 12 months.

Retail Electricity

Retail Electricity Supply

Vivant participates in the retail electricity market through Corenergy and Prism Energy. Competition has increased as more companies register as Retail Electricity Suppliers (RES). As of yearend-2022, there were 46 registered RES companies with the ERC.

Solar Rooftop

The renewable energy industry, particularly distributed generation through solar rooftops has been sustaining an upward trend for the past 4 years. The entry of regional players in the Philippines made the competitive environment attractive for consumers who are looking for lower levelized cost of electricity.

Engineering Solutions

Vivant provides engineering solutions through Corenergy. The past 3 years have seen an upward trend of demand in engineering solutions services mainly from the energy and industrial sector. Corenergy competes with both local and foreign companies to address varying service demands from testing and maintenance to design and engineering studies. Competition for testing and maintenance works has been tight as more companies are investing in widely-available, low end test equipment, compared to the high-class test equipment utilized by Corenergy. For design and engineering studies, the main drivers in competition are the results of previous projects and customer satisfaction. Corenergy maintains competitive prices through its shared services and network of consultants.

Water Infrastructure

Water Solutions

The competition in the water EPC for conventional water treatment source from surface waters such as rivers and lakes has been tight even before WMP's entry into the industry. However, with the rising number of water-scarce cities and municipalities, demand for conventional water treatment has slowed down and shifted to more sustainable and innovative treatment technologies, such as seawater desalination. Desalination, although a proven technology worldwide, has not been implemented in the Philippines at the utility scale. It is expected that competition will increase with the entry of international providers with a footprint within the South and Southeast Asian Region due to increase in market demand.

Wastewater Treatment

In the Philippines, with only 10% of the wastewater being treated before reaching waterways, there is a huge unserved market and an opportunity for Vivant to contribute in the implementation of the National Sewerage and Septage Management Program. The demand for septage and sewerage solutions has rapidly increased over the last 5 years due to the increased awareness on the effects of poor sanitation to the waterways, which was highlighted with the wastewater issue in the island of Boracay. To date, there is little competition in the wastewater segment of the industry. However, given the huge requirement for treating wastewater, it is expected that there will be an increase in the number of players in the industry.

FLOWS, through its concept of combined sewerage and septage treatment in one facility, is offering a solution by bridging the gap between septage and sewerage programs thus, fast-tracking the implementation of a full-scale sanitation program for cities and municipalities in accordance with the mandate under the Clean Water Act of 2004.

The PPWRLC is a product of the Public-Private Partnership or Joint Venture Ordinance of the City of Puerto Princesa which serves as the vehicle to implement the combined sewerage and septage treatment program in the city.

Bulk Water Treatment

Access to safe and clean water has been a national priority concern, being a fundamental requirement for life. The Philippines is at risk of a massive water shortage particularly in highly populated areas. The National Water Resources Board (NWRB) has already identified nine water-critical urbanized areas where water is consumed intensively, namely, Metro Manila, Metro Cebu, Davao, Baguio City, Angeles City, Bacolod City, Iloilo City, Cagayan de Oro City and Zamboanga City.

Growing population together with water pollution, saltwater intrusion caused by excessive withdrawal of groundwater, aging water infrastructure, seasonal variations and the changing weather patterns are among the growing challenges facing the country's water resources. Despite the Philippines' rapidly growing economy, one in ten people still lack access to safe and clean water.

There have been an increased participation and investment from the private sector in the development of critical water infrastructure to help address the inadequate and intermittent water supply in various parts of the country which presents serious consequences to public health and the environment.

The local government units and the water utilities are in the lookout for solutions and technologies that will be responsive to the changing environment, society and climate.

MCWD, the largest water provider in Cebu, like most of the other providers, is highly dependent on groundwater sources to meet part of their water requirements.

The rapid economic expansion and water scarcity in Metropolitan Cebu contribute to the widening water supply deficit in the island. MCWD urged the public to support in looking for alternative water sources, including desalination of seawater. Due to the increasing demand of potable water, it is expected that there will be an increase in the number of bulk water suppliers in the Metropolitan Cebu.

(vi) Sources of Raw Materials and Supplies

Power Generation

Once operational, the Company's renewable energy projects will harness the sun's irradiation or kinetic energy from wind or rivers to generate electricity under relevant service contracts with the government.

In the case of the fossil-fired power generation plants, fuel supply contracts with various suppliers have been entered into. Oil-fired plants have existing medium-term (2-3 years) contracts with local large oil companies and fuel distributors. The coal plant sources its fuel requirements via medium to long-term supply contracts with various suppliers.

Electric Power Distribution

VECO secured bulk of its electricity requirements by entering into bilateral agreements with various IPPs. These agreements are governed by the ERC regulations. Under current rules, VECO is allowed to purchase up to 90% of its total electricity requirements via bilateral contracts.

Below are the power purchase agreements of VECO in 2022.

Supplier	Contract Demand	Start Date	Expiry Date
CEDC	104.5 MW	Mar 2011	Feb 2036
TVI	150MW	April 2019	March 2034

Given the impact of RCOA on its market, VECO will continue to review its contracts profile and negotiate, if necessary, for the reduction of its bilateral agreements.

Retail Electricity

Retail Electricity Supply

CORENERGY

Supplier	Contracted Capacity	Start Date	End Date
Kepco-SPC Power Corporation	5MW	January 13, 2021	January 12, 2022
Southwest Luzon Power Generation Corporation	5MW	July 15, 2021	November 25, 2022
SN Aboitiz Power	5MW	February 26, 2022	February 25, 2023

PRISM

Supplier	Maximum Contracted Energy	Start Date	End Date
Therma Visayas, Inc.	62,570 kw	December 26, 2021	December 25, 2022

Solar Rooftop

The modules of the photovoltaic (PV) plants are solid-state devices that convert sunlight, the most abundant energy source on the planet, directly into electricity without an intervening heat engine or rotating equipment. Photovoltaic cells are made of various semiconductors, which are most commonly composed of silicon (Si) and compounds of cadmium sulphide (CdS), cuprous sulphide (Cu2S), and gallium arsenide (GaAs). These cells are packed into modules that produce a specific voltage and current when illuminated. The PV systems rely on sunlight, have no moving parts, are modular to match power requirements on any scale, are reliable, and have a long life.

Engineering Solutions

Corenergy's testing equipment are sourced from reputable brands like Omicron and Fluke. Both are multinational companies and leading providers in diagnostic, testing and commissioning tools in their respective categories.

Water Infrastructure

Water Solutions

WMP's equipment and materials are sourced from various manufacturers through supply contracts. It has established a wide network of water and wastewater treatment process manufacturers and raw material suppliers that can deliver even purpose-built process equipment based on client's specific requirements.

Wastewater Treatment

Part of the rehabilitation efforts for Puerto Princesa Bay is the diversion of polluted or wastewater into PPWRLC's facility to undergo treatment and therefore, improve the quality of water being discharged into the Puerto Princesa Bay.

A septage component is also incorporated in the wastewater treatment facility, where wastewater siphoned from septic tanks is treated. The septage treatment will primarily be dewatering of the sludge and treating the wastewater thereafter. With this component, the facility will be able to provide septage treatment services in addition to the capture and clean-up of polluted water.

PPWLRC will conduct detailed study on the provision of additional sewerage services to the City of Puerto Princesa with a view to constructing additional sewerage facility in its service area. This is aligned with the City's goal of undertaking various development projects on its coastline and addressing the wastewater issue associated with such developments.

Bulk Water Treatment

IMCC will construct and operate a seawater desalination plant which will process seawater to make it potable as an immediate and sustainable solution to the current water supply shortage in the MCWD service area. Cebu has been experiencing severe water challenges especially during the dry season where water rationing is resorted to. Seawater desalination can provide a climate-independent source of potable water which will also allow the recharge and recovery of Metropolitan Cebu's heavily-stressed groundwater aquifers while MCWD pursues long-term solutions to address the future water needs of its consumers.

(vii) Major Customers

Power Generation

The bulk of the total attributable electricity generated by Vivant, through its subsidiaries and associates, are sold to private distribution utilities, electric cooperatives, NGCP, RES and large industrial users through bilateral agreements. The balance is sold through the WESM. For the year 2022, Vivant had a 85:15 sales mix that was in favor of energy sales covered by sale contracts.

Electric Power Distribution

Vivant's distribution business, on the other hand, has a wide and diverse customer base. The distribution utility's customers are categorized as follows:

- **Industrial customers**: consist of large-scale consumers of electricity within a franchise area, such as factories, plantations and shopping malls.
- **Residential customers**: consist of structures utilized for residential purposes
- **Commercial customers**: include service-oriented businesses, universities and hospitals
- **Other customers**: include streetlights

Retail Electricity

Retail Electricity Supply

- **Industrial customers**: consist of large-scale consumers of electricity such as factories, plantations and, manufacturing.
- **Commercial customers**: include service-oriented businesses, universities and hospitals and shopping malls

Solar Rooftop

- **Industrial customers**: consist of large-scale consumers of electricity such as factories, plantations and, manufacturing.
- **Commercial customers**: include service-oriented businesses, universities and hospitals and shopping malls

Engineering Solutions

- **Power Plants:** HFO Bunker & Diesel Power Plants and Biogas Power Plants
- **Industrial customers**: consist of large-scale consumers of electricity such as factories, plantations and, manufacturing.
- **Commercial customers**: include service-oriented businesses, universities, hospitals and shopping malls

Water Infrastructure

Water Solutions

A substantial portion of WMP's current customer base consists of water and wastewater developers with whom WMP entered into agreements for synergy as co-developers of water system projects.

Wastewater Treatment

The primary customer for Vivant's wastewater business, through PPWLRC, will be the LGU of Puerto Princesa City for the sewerage services and the customers connected to the Puerto Princesa Water District for the septage services.

Bulk Water Treatment

VHHI's subsidiary, IMCC, will deliver 20,000 cubic meters per day of treated and potable water to MCWD at its identified injection point in Cordova, Cebu pursuant to the awarded 25-year Joint Venture Agreement for the Cordova bulk water supply project.

(viii) Transactions With and/or Dependence on Related Parties

Vivant and its subsidiaries and associates, in their regular conduct of business, have entered into related party transactions where Vivant, as parent company, provides 2 types of professional services: (1) strategic and technical, and (2) corporate center services. All related party transactions were conducted at arm's length basis.

Functions covered would include corporate finance, legal, human resources and information technology, among others. These services are rendered by Vivant to allow efficient transfer of business and technical expertise, thus improving cost efficiencies and synergies. Vivant houses a pool of highly qualified professionals with business expertise relating to the business of the Vivant Group. Service Level Agreements are in place to ensure the quality of service and competitive pricing.

Aside from the abovementioned, below are other services provided to and/or transactions entered into by Vivant with related parties in 2022.

- Vivant, on behalf of a subsidiary, applied for the issuance of a domestic stand-by letter of credit (SBLC) to comply with the bid security requirement of a water distribution utility.

- Vivant, on behalf of a subsidiary, applied for the issuance of a domestic SBLC to comply with the bid security requirement for a potential joint venture project.

- Vivant, on behalf of a subsidiary, applied for the issuance of a domestic SBLC to comply with the performance requirement relating to a joint venture project.

- Vivant entered into agreements with Mai-I Resources Corporation (MRC) and JEG Development Corporation (JDC), its stockholders, to perform consultancy services for the companies.

- Vivant has an outstanding lease agreement with a certain subsidiary involving rental of its commercial office space.

- Vivant has an outstanding interim loan facility to an associate for the development of a combined sewerage and septage facility serving the City of Puerto Princesa.

- Vivant has an outstanding a short-term loan to a subsidiary for the latter's working capital requirements.

(ix) Government Approvals, Patents, Copyrights, Franchises

Power Generation

Under the EPIRA, the power generation business is not considered a public utility operation. However, there are standards, requirements and other terms and conditions set by the ERC that each existing and potential generation company should comply with. Once met, the ERC will issue a Certificate of Compliance (COC) that will allow the operation of the power generation facilities. A COC is valid for a period of 5 years from the date of issuance.

Hydroelectric power generation facilities are also required to obtain water permits from the NWRB. The said permit would indicate the approved water source and allowable volume of water that can be used by these facilities in generating power. The water permits do not have expiry dates and are usually not terminated as long as the holder of the permit is able to meet the terms indicated therein.

Solar and wind power projects must secure service contracts from the DOE to conduct pre-development and development work to determine feasibility. Once a project is deemed feasible, a Certificate of Confirmation of Commerciality is secured from the DOE and the project may proceed to construction

A generation company that operates a facility connected to the Grid must make sure that the technical design and operational criteria of the Philippine Grid Code and Philippine Distribution Code, and any amendments thereto are met.

Power purchase agreements signed with both private distribution utilities and electric cooperatives are required to be evaluated and approved by the ERC.

Vivant and its subsidiaries and associates involved in the generation business have no pending applications for the registration of intellectual property rights for any trademark associated with its and its subsidiaries' and associates' corporate names and logos.

Electric Power Distribution

Electricity distribution is a regulated public utility business under the EPIRA. It requires a franchise that can be granted only by the Congress of the Philippines. A Certificate of Public Convenience and Necessity from the ERC is also needed to operate a public utility.

VECO's franchise is set to expire in 2030.

Given that the cost of purchased power is allowed to be passed on to the end-users, all power purchase agreements signed with power generation companies are required to be evaluated and approved by the ERC.

VECO has no pending application for the registration of intellectual property rights for any trademark associated with its corporate name and logo.

Retail Electricity

Retail Electricity Supply

With the implementation of the RCOA, the business of supplying electricity is not considered as a public utility operation under the EPIRA. However, proprietors of this business are required to obtain a license from the ERC in accordance with the ERC's rules and regulations. Vivant has two RES companies:

- Prism Energy, which is 40%-owned by Vivant, was awarded its license in May 2012 which it renewed twice and is set to expire in November 2023.
- Corenergy, which is a wholly-owned subsidiary, was awarded its license in September 2016 which it renewed in September 2021 and is valid until September 2026. Corenergy also intends to be a retail electricity aggregator hence it sent a letter of intent to the ERC in October 12, 2022.

Vivant and its subsidiaries and associates involved in the retail electricity supply business have no pending applications for the registration of intellectual property rights for any trademark associated with its and its subsidiaries' and associates' corporate names and logos.

Solar Rooftop

With the regulatory framework of the Net Metering Program in place, installation of solar facilities in commercial and industrial settings increased over the past years. For the installation, operation and maintenance of rooftop solar facilities, proprietors are required to secure permits and licenses from the ERC and other government agencies. In addition, the proprietor is required to request from its local distribution utility to participate in the Net-Metering Program.

Vivant and its subsidiaries and associates involved in the solar rooftop business have no pending applications for the registration of intellectual property rights for any trademark associated with its and its subsidiaries' and associates' corporate names and logos.

Water Infrastructure

Water Solutions

There is an increasing participation and investment from the private sector to address the infrastructure gap in the water sector for the provision of bulk water supply, sewerage and water distribution services.

The primary regulatory agencies in the industry include the National Water Resources Regulatory Board (NWRB), the Local Water Utilities Authority (LWUA), the various LGUs, and the special regulatory units such as the Metropolitan Waterworks and Sewerage System (MWSS).

Private entities that develop bulk water treatment plants and enter into bulk water supply agreements with water districts are required to secure a water right from the NWRB.

For private entities that provide water distribution services, a Certificate of Public Convenience issued by NWRB and a concession agreement with a LGU is required.

Vivant and its subsidiaries and associates involved in the water treatment engineering and design business have no pending applications for the registration of intellectual property rights for any trademark associated with its and its subsidiaries' and associates' corporate names and logos.

Wastewater Treatment

Another area where the private sector may engage in is the treatment and sanitization of wastewater through Public-Private-Partnership models with the LGU to develop, operate and maintain wastewater treatment systems.

Vivant and its subsidiaries and associates involved in the wastewater septage and sewerage treatment business have no pending applications for the registration of intellectual property rights for any trademark associated with its and its subsidiaries' and associates' corporate names and logos.

Bulk Water Treatment

The national government through the Public Private Partnership (PPP) Center along with its mother agency National Economic and Development Authority (NEDA), has encouraged private sector participation in infrastructure development including water supply and sanitation services at the national and local government unit level.

PPP initiatives have been implemented by the local government units and water districts through various PPP modalities such as joint venture to ensure the availability of safe water for consumers and meet future demand requirements.

Government Owned and Controlled Corporations which includes the Water Districts shall refer to the Office of the Government Corporate Counsel (OGCC) for review and issuance of the corresponding counsel opinion of its proposed contracts and agreement prior to execution. OGCC is the principal law office of all government corporations whether incorporated under the law or created by a charter.

(x) Effect of Existing or Probable Governmental Regulations

Corporate Recovery and Tax Incentives for Enterprises (CREATE Act)

On March 26, 2021, Republic Act No. 11534 otherwise known as the "Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act" was signed into law to attract more investments and maintain fiscal prudence and stability in the Philippines by introducing reforms to the corporate income tax and incentives systems.

Taking effect on April 11, 2021, the following are the key changes to the Philippine tax law pursuant to the CREATE Act which have an impact on the Company:

1. Effective July 1, 2020, regular corporate income tax (RCIT) rate is reduced from 30% to 25% for domestic and resident foreign corporations. For domestic corporations with net taxable income not exceeding Php5 mn and with total assets not exceeding Php100 mn (excluding land on which the business entity's office, plant and equipment are situated) during the taxable year, the RCIT rate is reduced to 20%.

2. Minimum corporate income tax rate reduced from 2% to 1% of gross income effective July 1, 2020 to June 30, 2023.

3. Effective January 1, 2021, income tax rate for nonresident foreign corporation is reduced from 30% to 25%.

4. Preferential income tax rate for proprietary educational institutions and hospitals which are nonprofit is reduced from 10% to 1% effective July 1, 2020 to June 30, 2023.

5. Effective January 1, 2022, regional operating headquarters currently enjoying 10% preferential income tax rate shall be subject to RCIT.

6. Imposition of improperly accumulated earnings tax is repealed.

7. Foreign-sourced dividends received by domestic corporations are exempt from income tax subject to the following conditions:

    - The funds from such dividends actually received or remitted into the Philippines are reinvested in the business operations of the domestic corporation in the Philippines within the next taxable year from the time the foreign-sourced dividends were received;
    - Shall be limited to funding the working capital requirements, capital expenditures, dividend payments, investment in domestic subsidiaries, and infrastructure project; and
    - The domestic corporation holds directly at least 20% of the outstanding shares of the foreign corporation and has held the shareholdings for a minimum of 2 years at the time of the dividend distribution.

8. Qualified export enterprises shall be entitled to 4 to 7 years income tax holiday (ITH) to be followed by 10 years 5% special corporate income tax (SCIT) or enhanced deductions (ED).

9. Qualified domestic market enterprises shall be entitled to 4 to 7 years ITH to be followed by 5 years ED.

10. For investments prior to effectivity of CREATE:

    - Registered business enterprises (RBEs) granted only an ITH – can continue with the availment of the ITH for the remaining period of the ITH.
    - RBEs granted an ITH followed 5% GIT or are currently enjoying 5% GIT – allowed to avail of the 5% GIT for 10 years.

The Bayanihan to Recover as One Act (BAYANIHAN Act II)

On September 11, 2020, Republic Act No. 11494, otherwise known as the "Bayanihan to Recover As One Act" (Bayanihan Act II), was signed into law which provides a P165-billion economic stimulus and relief package to sustain the government's efforts against the Corona Virus Disease 2019 (COVID-19) pandemic. Section 4 (bbbb) of the BAYANIHAN Act provides that net operating loss of the business or enterprise for taxable years 2020 and 2021 shall be carried over as a deduction from gross income for the next 5 consecutive taxable years immediately following the year of such loss.

Tax Reform for Acceleration and Inclusion Law (TRAIN Law)

On 19 December 2017 Republic Act No. 10963 otherwise known as the "TRAIN Law" was enacted which in effect amended several provisions of the National Internal Revenue Code of 1997. The TRAIN Law aims to make the tax system of the country simpler, fairer, and more efficient in order to promote investment, reduce poverty and create jobs.

The salient revisions made under the TRAIN Law are as follows:

1. Donor's Tax – The donor's tax new rate is 6% of total gifts in excess of Php250,000.00 which is also applicable if the donee is a stranger. The TRAIN Law likewise provides that a bona fide at arm's length and donative-intent free sale, exchange, or other transfer of property made in the ordinary course of business shall be considered as made for an adequate and full consideration in money or money's worth and is therefore not subject to the donor's tax.

2. Excise Tax on Petroleum Products – The tax rates on petroleum products were increased which would be implemented in 3 tranches starting January 1, 2018 to January 2020.

3. Excise Tax on Mineral Products – The excise tax rate on domestic or imported coal and coke was likewise increased in 3 tranches at Php50.00 on 2018, Php100.00 on 2019, and Php150.00 on 2020.

4. Value Added Tax - The TRAIN Law broadened the Value Added Tax (VAT) base by adding several VAT exempt transactions. The VAT exempt threshold was likewise increased from Php1,919,500.00 to Php3 mn. Sale of electricity by electric cooperatives are now subject to VAT. Furthermore, the foreign currency denominated sales were removed from VAT zero-rating.

5. Documentary Stamp Tax – Most of the documentary stamp tax (DST) rates were increased by 100% except for the DST on debt instruments which was only increased by 50%. Meanwhile, the DST on policies of insurance upon property, fidelity bonds and other insurance, indemnity bonds, and deeds of sale, conveyances, and donation of real property remained unchanged.

6. Foreign Currency Deposit Unit – The final tax imposed on interest income derived by a domestic corporation from a depository bank under the expanded foreign currency deposit system was increased from 7.5% to 15%.

The TRAIN Law also repealed Section 9 of Republic Act No. 9511 otherwise known as the "National Grid Corporation of the Philippines Act" which in effect removed the VAT exemption of concession agreements with the PSALM.

Revised Corporation Code (RCC)

The Republic Act No. 11232 otherwise known as the Revised Corporation Code was signed into law by President Rodrigo Duterte on February 20, 2019 and became effective on February 23, 2019.

The salient provisions in the RCC are as follows:

1. Corporate Perpetual Term – Corporations are now allowed to exist beyond the 50-year term provided in the old Corporation Code.

2. Participation via Remote Communications in Absentia – Remote communication such as videoconferencing and teleconferencing during stockholders' meetings are now allowed. Moreover, the stockholders may now participate and vote in absentia.

3. Emergency Board – The RCC allows an emergency board when a vacancy in a corporation's board of directors prevents the remaining directors from consulting a quorum and consequently from making emergency action required to prevent grave, substantial, and irreparable loss or damage.

4. One-Person Corporation – The RCC removed the absolute requirement of having a minimum of 5 individuals in the formation of corporations. The law now allows a One-Person Corporation (OPC) composed of a single stockholder, who may be a natural person, a trust or an estate.

The RCC likewise imposed addition requirements to corporations which are vested with public interest. The following corporations are considered vested with public interest under the RCC:

1. Corporations covered by Section 17.2 of Republic Act No. 8799, otherwise known as the "Securities Regulation Code" (SRC), including those whose securities are registered with the SEC, corporations listed with an exchange or with assets of at least Php50,000,000.00 and have two hundred (200) or more holders of shares, each holding at least one hundred (100) shares of a class of its equity shares;

2. Banks and quasi-banks, NSSLAs, pawnshops, corporations engaged in money service business, preneed, trust and insurance companies, and other financial intermediaries; and

3. Other corporations engaged in businesses vested with public interest similar to the above, as may be determined by the SEC.

The foregoing corporations vested with public interest must:

1. Elect independent directors constituting at least twenty percent (20%) of the board as well as a compliance officer.

2. Submit to their shareholders and the SEC an annual report of the total compensation of each of their directors/trustees and directors/trustees' appraisal or performance report with the standards or criteria used to assess each director/trustee.

3. Material contracts involving dealings of its directors, trustees, or officers must be approved by at least two-thirds (2/3) of the entire membership of the board, with at least a majority of the independent directors voting.

Furthermore, the RCC provides that the Congress may set a maximum limit for stock ownership of individuals or groups of individuals related to each other by consanguinity, affinity, or by close business interests, in corporations declared to be vested with public interest pursuant to the RCC, or whenever necessary to prevent anticompetitive practices as provided in Republic Act No. 10667 otherwise known as the "Philippine Competition Act", or to implement national economic policies designed to promote general welfare and economic development, as declared in laws, rules, and regulations.

Philippine Competition Act

In July 2015, Republic Act No. 10667 or the Philippine Competition Act (PCA) was enacted in order to regulate or prohibit monopolies when the public interest so requires, and to ensure that there will be no unfair competition. It promotes free and fair competition in trade industry and all commercial economic activities. To implement the PCA, the Philippine Competition Commission (PCC) was created.

PCA provides for prohibited acts such as Anti-Competitive Agreements and Abuse of Dominant Position. Further, under the PCA, PCC was granted the power to review mergers and acquisitions based on factors it deemed relevant. Furthermore, PCA requires parties to merger or acquisition agreement to notify the PCC in accordance with the PCA and the thresholds set by the PCC.

Securities Regulation Code (SRC)

Republic Act No. 8799 otherwise known as the SRC was enacted on July 19, 2000. The SRC aims to establish a socially conscious and free market that regulates itself and encourage the participation of ownership in enterprises. It likewise seeks to protect the interest of the public by eliminating insider trading and other fraudulent or manipulative devise and practices which create distortions in the free market.

Under the SRC, any corporation listed in the exchange or with assets in excess of Php50,000,000.00 and having two hundred (200) or more holders, at least of two hundred (200) of which are holding at least one hundred (100) shares or which has sold a class of equity securities to the public shall have at least two (2) independent directors or such independent directors shall constitute at least twenty percent (20%) of the members of such board whichever is the lesser.

An independent director has been defined under the SRC as a person other than an officer or employee of the corporation, its parent or subsidiaries, or any other individual having a relationship with the corporation, which would interfere with the exercise of independent judgement in carrying out the responsibilities of a director.

Data Privacy Act (DPA)

On July 25, 2011 Republic Act No. 10173 otherwise known as the "Data Privacy Act" was enacted in order to protect the fundamental human right of privacy and communication. The DPA seeks to protect all forms of information, personal, private, or sensitive of both natural and juridical persons. The National Privacy Commission (NPC), an independent body, was tasked to administer and implement the DPA and monitor and ensure compliance thereof.

The DPA laid out the following general data privacy principles that must be complied with in the processing of personal information:

1. Collected for specified and legitimate purposes determined and declared before, or as soon as reasonably practicable after collection, and later processed in a way compatible with such declared, specified and legitimate purposes only;

2. Processed fairly and lawfully;

3. Accurate, relevant and, where necessary for purposes for which it is to be used the processing of personal information, kept up to date; inaccurate or incomplete data must be rectified, supplemented, destroyed or their further processing restricted;

4. Adequate and not excessive in relation to the purposes for which they are collected and processed;

5. Retained only for as long as necessary for the fulfillment of the purposes for which the data was obtained or for the establishment, exercise or defense of legal claims, or for legitimate business purposes, or as provided by law; and

6. Kept in a form which permits identification of data subjects for no longer than is necessary for the purposes for which the data were collected and processed.

The DPA further requires the Personal Information Controller[3] (PIC), to do the following:

1. Registration of personal data processing systems operating in the country that involves accessing or requiring sensitive personal information of at least 1,000 individuals, including the personal data processing system of contractors, and their personnel, entering into contracts with government agencies;

2. Notification of automated processing operations where the processing becomes the sole basis of making decisions that would significantly affect the data subject;

3. Annual report of the summary of documented security incidents and personal data breaches; and,

4. Compliance with other requirements that may be provided in other issuances of the NPC.

However, PIC or Personal Information Processor[4] (PIP) that employs fewer than 250 persons shall not be required to register unless the processing it carries out is likely to pose a risk to the rights and freedoms of data subjects, the processing is not occasional, or the processing includes sensitive personal information of at least 1,000 individuals.

The DPA also requires the PIC and PIP to: 1) designate a protection officer who shall be accountable for ensuring compliance with the applicable laws and regulations for the protection of data privacy and security; 2) implement appropriate data protection policies that provide for organization, physical, and technical security measures of the data; 3) maintain records that sufficiently describe its data processing system, and identify the duties and responsibilities of those individuals who will have access to personal data; and 4) review the data protection policies.

The DPA likewise allows data sharing in the following instances:

1. Data sharing is expressly authorized by law and adequate safeguards for data privacy and security, and processing adheres to the principle of transparency, legitimate purpose and proportionality.

2. Data sharing in the private sector if the data subject consents to the data sharing with certain conditions indicated in the DPA that should likewise be complied with

3. Data collected from parties other than the data subject for purpose of research shall be allowed when the personal data is publicly available, or has the consent of the data subject for purpose of research. It should likewise be ensured that adequate safeguards are in place, and no decision directly affecting the data subject shall be made on the basis of the data collected or processed. The rights of the data subject shall be upheld without compromising research integrity.

4. Data sharing between government agencies for the purpose of a public function or provision of a public service shall be covered a data sharing agreement.

On March 14, 2017, the NPC issued NPC Advisory No. 2017-01 entitled “Designation of Data Protection Officers” which mandated the PIC or PIP to designate an individual/s who shall function as a Data Protection officer (DPO). The DPO shall be accountable for ensuring the compliance by the PIC or PIP with the DPA, its Implementing Rules and Regulations (IRR), issuances of NPC, and other applicable laws

[3] This refers to a natural or juridical person, or any other body who controls the processing of personal data, or instructs another to process personal data on its behalf.

[4] Refers to any natural or juridical person or any other body whom a personal information controller may outsource or instruct the processing of personal data pertaining to a data subject.

and regulations to privacy and data protection. To ensure that the data subjects may able to reach out to the DPO, the PIC or PIP must publish the DPO's contact details (title/designation, postal address, telephone number and email address) in, at least, the following materials:

1. Website
2. Privacy Notice
3. Privacy Policy
4. Privacy Manual or Privacy Guide

Transfer Pricing Guidelines

In order to prescribe the guidelines in determining the appropriate revenues and taxable income in transactions by and between related parties, the Bureau of Internal Revenue (BIR) on January 23, 2013 issued Revenue Regulations (RR) No. 2-2013 entitled "Transfer Pricing Guidelines." The provisions in the guidelines are mainly based on the arm's length methodologies set forth under the Organisation for Economic Cooperation and Development (OECD) Transfer Pricing Guidelines.

In order to ensure that the proper disclosures of related party transactions (RPT) are made and conducted at arm's length the BIR issued RR No. 19-2020 requiring the submission of the BIR Form No. 1709 and its supporting documents. The BIR then issued RR No. 34-2020 which prescribes for the guidelines and procedures for the submission of the BIR Form No. 1709, Transfer Pricing Documentation (TPD) and other supporting documents.

Under RR No. 34-2020, the following taxpayers are required to file and submit the RPT Form together with the Annual Income Tax Return (AITR): 1) Large Taxpayers; 2) Taxpayers enjoying tax incentives; 3) Taxpayers reporting net operating losses for the current taxable year and the immediately preceding two (2) consecutive taxable years; and 4) A related party, as defined under Section 3 of RR No. 19-2020, which has transactions with (a), (b) or (c).

The said taxpayers are likewise required to submit TPDs if it has an annual gross sales/revenue for the subject taxable period exceeding Php150 mn and the total amount of RPT with foreign and domestic related parties exceeds Php90 mn.

Moreover, the TPDs should also be submitted if the RPT meets the following thresholds: 1) if the transaction involves sale of tangible goods in the aggregate amount exceeding Php60 mn within the taxable year; 2) if the transaction involves service transaction, payment of interest, utilization of intangible goods or other RPT in the aggregate amount exceeding Php15 mn within the taxable year; or if TPD was required to be prepared during the immediately preceding taxable period for exceeding either 1 or 2.

Sustainability Report

On February 15, 2019, the SEC issued SEC Memorandum Circular No. 4 which provides for the Sustainability Reporting Guidelines for Publicly-Listed Companies (PLC) ("Guidelines"). The Guidelines is intended to help PLCs to assess and manage non-financial performance across Economic, Environmental, and Social aspects of their organization and enable the same to measure and monitor its contributions in achieving the universal targets of sustainability.

The Sustainability Report shall be submitted together with the PLC's Annual Report. The Guidelines shall be adopted on a "comply or explain" approach for the first three (3) years from implementation. Non-attachment of the Sustainability Report to the Annual Report shall be subject to the penalty for Incomplete Annual Report provided under SEC Memorandum Circular No. 6, Series of 2005.

Policies related to the Power Industry

Given the changing landscape of the power industry brought about by the enactment of the EPIRA law in 2001, the following have had, will have or may have considerable impact on Vivant's businesses:

Wholesale Electricity Spot Market (WESM)

The WESM is a spot market for the buying and selling of electricity. This was established to enable competition to influence the production and consumption of electricity. The mechanism in place allows market forces to determine prices. The WESM provides another option for power generation companies that have no bilateral contracts on how to sell the energy generated by their power plants. Likewise, the WESM serves as a platform for distribution utilities, suppliers and wholesale consumers to purchase electricity even without a bilateral contract.

The WESM began operations in Luzon in June 2006, in the Visayas in December 2010 and in Mindanao on June 2021.

In December 2013, an amended Joint Resolution No. 2 was issued by the DOE, ERC and Philippine Electricity Market Corporation (PEMC) adjusting the WESM Offer Price Cap from Php 62,000.00 per MWh to Php 32,000.00 per MWh. This price cap is provisional and shall be subject to public consultations and review by the WESM Tripartite Committee.

In May 2014, the ERC issued Resolution No. 8, Series of 2014, to implement an interim secondary price cap of Php 6,245.00 per MWh, which will be imposed when the rolling average market price over a 72-hour period (3 days) equal to or exceed Php 8,186.00 per MWh. In December 2014, this was adopted as a permanent pre-emptive mitigating measure where imposition of such will be triggered when the rolling average market price over a 168-hour period (or 7 days) equal to or exceed Php 9,000.00 per MWh. A Petition for Declaratory Relief with Application for Temporary Restraining Order (TRO) and Writ of Preliminary Injunction has been filed by the Philippine Independent Power Producers Association, Inc. (PIPPA) with the RTC of Pasig on the ground that the resolutions made by ERC are invalid and void. The Regional Trial Court of Pasig denied the Application for TRO. On November 6, 2014, PIPPA withdrew its application for the issuance of a Writ of Preliminary Injunction and submitted the case for decision. In May 2017, the ERC issued Resolution No. 04, series of 2017 entitled "A Resolution Adopting Amendments to the Pre-emptive Mitigating Measure in the WESM". Under this resolution, the ERC approved and adopted the setting of a recalculated Cumulative Price Threshold level at Php1,080,000.00 equivalent to the Generated Weighted Average Prices over a rolling 5-day period or one hundred twenty (120) – hour trading interval in WESM. In 2021, the ERC issued Resolution No. 7, series of 2021 which amended ERC Resolution No. 4, Series of 2017. Under this 2021 Resolution, the ERC approved and adopted a shorter rolling average period from one hundred twenty (120) hours or five (5) days to seventy-two (72) hours or three (3) days.

WESM operations in Mindanao was officially launched by the DOE in May 2017 through Department Circular NO. DC2017-05-0009. Effective June 26, 2017, all electric power industry participants in the Mindanao Grid were considered WESM Participants and were required to comply with the WESM registration requirements. Pursuant to DOE Department Circular No. DC2022-12-0039, the Commercial Operations Date of WESM Mindanao was declared on January 26, 2023.

In July 2017, through the initiative of the DOE, the Transition Committee for PEMC was created through Department Order No. DO2017-07-0010, which was tasked among others to propose a way forward for the WESM. Consistent with the intention of the EPIRA, the Transition Committee formulated a transition proposal for an Independent Market Operator ("IMO") which provides for the formation of an independent entity separate from the PEMC to become the IMO, while PEMC remains the governance arm of the WESM. Before the functions of the market operator can be transferred to the IMO, a joint endorsement of the DOE and the power industry participants is required. Hence, on January 17, 2018, the DOE promulgated policies for the efficient transition of the WESM to the IMO. Thereafter, on February 6, 2018, a Special Membership Meeting was held by PEMC to vote for the endorsement of the Plan for Transition to the IMO of the PEMC and the transfer of the market operations function from PEMC to the IMO.

The Independent Electricity Market Operator of the Philippines Inc. (IEMOP) was thereafter organized as a non-stock, non-profit private corporation that is separate from PEMC. The IEMOP was incorporated to become the IMO, and as such, in September 2018, it formally took over the operations of the WESM from PEMC.

PEMC remains the governing body of the WESM and continues to perform the WESM governance functions.

The DOE adopted further amendments to the WESM Rules when it issued Department Circular No. DC2020-10-0021 on October 22, 2020, particularly on the provisions for the implementation of the IMO. Under the said circular, the scope of the WESM Rules now covers the Market Operator (MO) and System Operator (SO). The MO was likewise required to report any non-compliance with WESM Rules and Market Manuals and commission of other acts by any WESM member to the ERC, DOE, and the Governance Army.

Similarly, the DOE also amended the WESM Market Manual on Dispatch Protocol, Issue No. 13 on October 06, 2020 as it issued Department Circular No. DC2020-10-0020. The circular amended the Day-Ahead Projection, Hour-Ahead Projection, and the Real-Time Dispatch Schedule under the WESM Timetable. On the same day, Department Circular No. DC2020-10-0019 was likewise issued by the DOE which provided that WESM Member that has a new load facility and intends to withdraw energy from the grid through a separate marketing trading node shall register the said load facility with the MO. In addition, the WESM Member is likewise required to provide an additional security commensurate to the load profile of the new load facility prior to energization.

On June 3, 2021, the DOE issued Department Circular No. 2021-06-0012 entitled "Adopting Further Amendments to the Wholesale Electricity Spot Market (WESM) Rules, Retail Rules and Various Market Manuals for the Implementation of Enhancements to WESM Design and Operations (Provisions to Promote Participation in the Retail Competition)".

On June 25, 2021, DOE issued DC2021-06-0015 entitled Declaring the Commercial Operations of Enhanced Wholesale Electricity Spot Market (WESM) Design and Providing Further Policies. Under the said circular, the commercial operation of Enhanced WESM Design and Operations (EWDO) was effective on June 26, 2021 in Luzon, Visayas, and Mindanao.

On July 09, 2021, the DOE issued DC2021-07-0024 entitled "Adopting Further Amendments to the Wholesale Electricity Spot Market (WESM) Rules for the Operation of the Renewable Energy Market". Under the said circular, the Market Operator shall make available to the Renewable Energy Registrar all pertinent information to facilitate the participation and transaction with the RE Market of the WESM members, for their compliance to the Renewable Portfolio Standards, pursuant to RE Act.

Retail Competition and Open Access (RCOA)

Among the significant mandates under the EPIRA is a system of open access to transmission and distribution wires whereby the National Transmission Corporation (TRANSCO), its concessionaire, the NGCP, and any distribution utility may not refuse the use of their wires by qualified persons, subject to the payment of transmission and distribution retail wheeling charges. The following are the conditions for the commencement of the RCOA:

1. Establishment of the WESM;

2. Approval of unbundled transmission and distribution wheeling charges;

3. Initial implementation of the cross-subsidy removal scheme;

4. Privatization of at least 70% of the total capacity of generating assets of NPC in Luzon and Visayas; and

5. Transfer of the management and control of at least 70% of the total energy output of power plants under contract with NPC to the IPP Administrators.

In 2011, the ERC initiated proceedings through the conduct of public hearings to determine whether or not the RCOA may already be declared in Luzon and Visayas. Initially, the ERC declared December 26, 2011 as the date when full operations of the RCOA in Luzon and Visayas should commence. Under this initial phase, all electricity end-users that are certified by the ERC to be Contestable Customers with an average monthly peak demand of 1MW for the 12 months preceding December 26, 2011 were given the right to choose their own electricity suppliers. However, on October 24, 2011, the ERC deferred the implementation of the RCOA in Luzon and Visayas citing the inadequacy of rules, systems, preparations and infrastructure required therefor. This was in response to the request of MERALCO, Private Electric Power Operators Association, and Philippine Rural Electric Cooperatives Association, Inc. for a re-evaluation of the feasibility of the December 26, 2011 RCOA implementation date.

In December 2012, the ERC issued the Transitory Rules to govern the initial implementation of the RCOA. The Transitory Rules were arrived at by the ERC together with the DOE and the PEMC. Under the Transitory Rules, the new implementation date of the RCOA was set on December 26, 2012. The period from December 26, 2012 to June 25, 2013 was declared as the Transition Period to allow the following: (1) development and finalization of the required infrastructure for systems, processes and information technology relating to RCOA, and (2) the registration into the WESM database of RES and Contestable Customers into the WESM database. The initial commercial operations of the RCOA were scheduled during the period from June 26, 2013 to December 25, 2013. Full implementation of the RCOA will then commence from December 26, 2013 onwards. During the said time, PEMC will act as the Central Registration Body and will be responsible for the development and management of the required systems, processes and information technology structure and the settlement of transactions in the WESM relating to the RCOA.

The implementation of the RCOA in Mindanao may take some time given that the conditions for a competitive environment has yet to be met. However, the prevailing supply conditions have led to the Interim Mindanao Electricity Market to commence operations in December 2013. To address the supply shortfall in the grid, all registered generating facilities were mandated to fully account for their capacities in the market.

The ERC issued revised regulations involving the issuance of RES licenses in December 2013. Included in the rules change was the non-issuance of RES licenses to generating companies, IPPA and affiliates of distribution utilities during a transition period or until after market condition allows it. Moreover, there were additional licensing restrictions imposed, which are: (1) the inclusion of the RES' contracted capacity in the grid limitations involving total capacity controlled by affiliate generation companies; (2) imposition of a 50% cap on supply by a RES to its affiliate end-users; (3) imposition of a 50% cap on supply from an affiliate generation company to a RES.

As a result of these additional licensing restrictions, the Retail Electricity Suppliers Association of the Philippines, Inc. filed a Petition for Declaratory Relief with an urgent application for an injunction with the RTC of Pasig City on the ground that the revised rules were unconstitutional and invalid.

In October 2014, the ERC issued Resolution No. 17, Series of 2014, which held in abeyance the evaluation of RES license applications and suspended the issuance of RES licenses pending the promulgation of the amended RES Licensing Rules. Currently, ERC is reviewing the RES Licensing Rules and the Rules for Contestability.

On 12 May 2016, the ERC issued Resolution No. 11, Series of 2016 (ERC Resolution No. 11-16), which disallowed distribution utilities from engaging in the supply of electricity to end-users in the contestable market, unless as a Supplier of Last Resort (SOLR). Local RES are also mandated to wind down business within 3 years from the effectivity of ERC Resolution No. 11-16. Thus, Retail Supply Contracts (RSC) that have already been executed by a Local RES shall remain valid until their expiration, but no new RSCs can be signed or executed. ERC Resolution No. 11-16 further provides that no RES is allowed to supply more than 30% of the total average monthly peak demand of all Contestable Customers in the Competitive Retail Electricity Market (CREM). Further, RES is not allowed to transact more than 50% of the total energy transactions of its supply business with its affiliate Contestable Customers.

In its Resolution No. 10, Series of 2016, the ERC approved the Revised Rules of Contestability, which established the conditions and eligibility requirements for end-users to be part of the contestable market.

On May 27, 2016, MERALCO filed a Petition for Declaratory Relief, docketed as SCA No.4149-PSG, with a prayer for the issuance of a TRO and/or Writ of Preliminary Injunction to (a) enjoin the DOE and the ERC from enforcing and implementing: (i) DOE Circular No. DC2015-06-0010 in connection with the full implementation of RCOA, (ii) Article 1, Sections 2 and 3 of ERC Resolution No. 5, Series of 2016, (iii) ERC Resolution No. 10, Series of 2016 on the Revised Rules for Contestability, and (iv) ERC Resolution No. 11, Series of 2016 regarding restrictions imposed on the operations of DUs and RES in the CREM; and (b) declare the said DOE Circular and ERC Resolutions void.

On 13 July 2016, a Writ of Preliminary Injunction enjoining the implementation of the issuances of the ERC was granted by Branch 157, RTC of Pasig City. The ERC and the DOE, assailed the jurisdiction of the RTC and separately filed Petitions for Certiorari and Prohibition before the Supreme Court on July 5, 2016 (G.R. No. 225141) and on September 27, 2016 (G.R. No. 226800), respectively.

On October 10, 2016, the Supreme Court, acting on the Petition filed by the DOE, issued a TRO enjoining Branch 157, RTC of Pasig City from continuing with the proceedings in SCA No. 4149-PSG and from enforcing all orders, resolutions and decisions rendered in SCA No. 4149-PSG.

In December 2016, the Philippine Chamber of Commerce and Industry, San Beda College Alabang, Inc., Ateneo De Manila University, and Riverbanks Development Corporation filed a petition, this time with the Supreme Court, to enjoin the ERC and the DOE from implementing DOE Circular No. 2015-06-0010, ERC Resolution No. 5, Series of 2016, ERC Resolution No. 10, Series of 2016, ERC Resolution No. 11, Series of 2016, and ERC Resolution No. 28, Series of 2016.

On 21 February 2017, the Supreme Court issued a TRO, effective immediately, enjoining the DOE and the ERC from implementing DOE Circular No. DC2015-06-0010, Series of 2015, ERC Resolution No. 5, Series of 2016, ERC Resolution No. 10, Series of 2016, ERC No. 11, Series of 2016, and ERC Resolution No. 28, Series of 2016.

The DOE and the ERC filed a Motion for Reconsideration before the Supreme Court to lift the TRO. Both likewise filed an Omnibus Motion seeking clarification on the scope and coverage of the TRO. To date, both have remained unresolved.

In November 2017, the DOE issued DOE Circular No. DC2017-12-0013 to address policy and regulatory gaps resulting from the abovementioned cases. In the said circular, the DOE provided for voluntary participation of Contestable Customers and lowered the threshold to from 1 MW to 750 kW and 500 kW. Voluntary Demand Aggregation was also permitted by December 2018 allowing electricity End-users within a contiguous area whose average peak demand is not less than 500 kW for the preceding 12-month period to aggregate their demand to be part of the Contestable Market and to enter into retail supply contracts with Aggregators.

On July 29, 2019, the DOE issued Department Circular No. DC2019-07-0011 which provided for the amendments of various issuances on the implementation of the RCOA. Based on this particular circular Contestable Customers are no longer automatically integrated into the WESM and its participation therein shall be on a voluntary basis. Moreover, the same circular provided that participating Contestable Customers should source its electric supply requirements from ERC-licensed/authorized suppliers.

On O3 December 2020, the ERC issued Resolution No. 12, Series of 2020 which prescribes the timeline for the implementation of RCOA. The said ERC Resolution likewise provided that the coverage of RCOA was expanded for end-users with an average monthly peak demand of at least 500 kW in the preceding twelve (12) months. Moreover, the monthly billing statement from the Network Service Provider (NSP) shall be considered as proof of contestability and shall be the basis for contestable customers' retail market transaction in lieu of the Certificates of Contestability. NSPs are thus required to notify qualified end-users by indicating in their monthly bill that they are qualified Customer Customers and can now choose their preferred supplier of electricity.
On March 2, 2021, the Supreme Court promulgated its decision granting the petition of Philippine Chamber of Commerce and Industry, et al., and declaring DOE DC2015-06-0010, series of 2015, and ERC Resolution Nos. 5,10,11, and 28, all series of 2016 void for being bereft of legal issue. The said decision directed the ERC to promulgate the supporting guidelines to DOE's Department Circular Nos. 2017-12-0013 and DC2017-120014.

In light of the Supreme Court decision, on November 17, 2021, the ERC issued Resolution No. 9, series of 2021 revoking its Resolution no. 17, series of 2014 (RES License Moratorium) as there will be eight (8) RES, with a total of 265 contestable customers, who were expected to file for the renewal of their respective licenses within 2021 and that these customers would be left without a supplier and may be exposed to the higher prices of the SOLR should the ERC fail to issue RES licenses.

The 2016 Philippine Grid Code

Under the EPIRA, the ERC was tasked to promulgate and enforce a national grid code. Enacted in December 2001, The Philippine Grid Code established and documented the basic rules, requirements, procedures and standards that govern the operation, maintenance and development of the high-voltage backbone transmission system of the Philippines. The Philippine Grid Code identified and recognized the responsibilities and obligations of 3 key independent functional groups, namely the (a) Grid Owner, (b) SO and (c) MO.

On October 5, 2016, the ERC through ERC Resolution No. 22, Series of 2016 approved the publication of the approved Philippine Grid Code 2016 Edition (the 2016 Grid Code). Among the objectives in the 2016 Grid Code were to harmonize the provisions of the Philippine Grid Code with the issuances of the DOE and the ERC and to adopt and fully implement the connection and operational requirements for Variable Renewable Energy (VRE) Generating Facilities consistent with the Renewable Energy Act.

Among the salient points of the 2016 Grid Code are as follows:

The inclusion of the connection and operational requirements for VRE facilities; setting the requirements pertaining to the connection and operational requirements of embedded generators were to be consigned to the Philippine Distribution Code; the provision for changes on frequency controls and responses; the introduction of a new way of classifying reserves from Contingency Reserve, Regulating Reserve and Dispatchable Reserves into Primary Reserve, Secondary Reserve and Tertiary Reserve, respectively; as regards ancillary services, the 2016 Grid Code provided a Frequency Reserve Obligation on the SO mandating it to contract for the Reserve or suffer penalty. The drafting of revisions and updates on the Ancillary Service Procurement Plan are on-going in accordance with the new ancillary structures based on the 2016 Grid Code.

From the time the 2016 Grid Code was enacted, developments in the WESM and other ancillary-related issuances have come up including proposed amendments to the Ancillary Services Cost Recovery Mechanism filed by the NGCP with the ERC. These prompted the DOE to issue Department Circular No. DC2019-12-0008 which (i) set up the General Framework Governing the Provision and Utilization of Ancillary Services in the Grid pending harmonization of ancillary service-related issuances and review of the relevant provisions of the 2016 Grid Code; and (ii) constituted the Ancillary Service Technical Working Group (AS-TWG) for the cost-recovery mechanism.

To date, the existing cost-recovery mechanism for AS shall continue to be implemented until a new mechanism is recommended by the AS — TWG and adopted by the DOE and/or the ERC.

Consistent with the provisions of EPIRA and the 2016 Grid Code, the ERC, on January 21, 2016 issued Resolution No. 17 Series of 2013 entitled "A Resolution Adopting and Approving the Rules and Procedures to Govern the Monitoring of Reliability Performance of Generating Units and Transmission Units and the Transmission System." The rules initially apply to all Generation Companies with Generating Plants connected to the Grid, Embedded Generating Plants which have an aggregated capacity of 20MW and above, SO, Grid Owner or its Concessionaire and MO. On November 16, 2020, however, the ERC issued Resolution No. 11, Series of 2020 which amended the rules and lowered the aggregated capacity of Embedded Generating Plants from 20MW and above to 5MW and above.

The Renewable Energy Act of 2008 (RE Act)

The RE Act was signed into law in December 2008 and became effective in January 2009.

The RE Act was designed to promote and develop the use of the country's RE resources with the intention of reducing the country's dependence on fossil fuels and improving the overall condition of the environment.

The RE Act offers fiscal and non-fiscal incentives to RE developers, subject to a certification issued by the DOE, in consultation with the Board of Investments. These incentives include:

1. ITH for the first 7 years of commercial operations
2. Duty-free importation of RE machinery, equipment and materials effective within ten years upon issuance of certification, provided said machinery, equipment and materials are directly, exclusively and actually used in RE facilities
3. Special realty tax rates on equipment and machinery not exceeding 1.5% of the net book value
4. Net operating loss carry over
5. Corporate tax rate of 10% after the 7th year
6. Accelerated depreciation
7. Zero percent VAT on sale of fuel or power generated from emerging energy sources and purchases of local supply of goods, properties and services of RE facilities
8. Cash incentives for RE developers for missionary electrification
9. Tax exemption on carbon emission credits.
10. Tax credit on domestic capital requirement and services.

All fiscal incentives apply to all RE capacities upon effectivity of the RE Act.

To boost investments in the RE sector, the DOE issued Department Circular No. DC2022-11-0034 which amended Section 19(B) of the Implementing Rules and Regulations of RE Act. Effectively, foreign nationals may now engage in the exploration, development, and utilization of inexhaustible renewable energy sources. The relaxation of the nationality restriction was issued following a legal opinion by the Department of Justice.

Due to the intermittent or variable nature of certain Renewable Energy (RE) resources, RE generating units that utilize the same are declared in the RE Act as 'must dispatch' based on available energy and shall be given priority dispatch. In 2015, the DOE promulgated the Framework for the Implementation of Must Dispatch and Priority Dispatch of Renewable Energy Resources in the WESM[5] where "Must Dispatch" and "Priority Dispatch" facilities were classified in accordance with the predictability of the RE resource. To enjoy the "Must Dispatch" status, a facility must be utilizing an intermittent RE resource that is difficult to predict in terms of availability such as wind, solar, ocean, run-of-river hydro, or ocean energy. "Priority Dispatch" on the other hand was limited to biomass plants under the feed-in-tariff (FIT) system.

To further accelerate the utilization and development of indigenous RE resources, on October 05, 2022, the DOE expanded the definition of "Priority Dispatch" to include geothermal, and impounding hydro plants, and biomass plants that are not covered by the FIT system through Department Circular No. DC 2022-10-0031.

[5] DOE Department Circular No. DC2015-03-0001.

In a resolution issued in 2012, the ERC adopted the following FIT for emerging RE resources, namely, wind, solar, run-of-river hydropower and biomass, and corresponding digression rates.

	FIT Rate (Php/kWh)	Degression Rate
Wind	8.53	0.5% after 2nd year of FIT effectivity
Solar	9.68	6% after 1st year of FIT effectivity
Run-of-river hydro	5.90	0.5% after 2nd year of FIT effectivity
Biomass	6.63	0.5% after 2nd year of FIT effectivity

On May 26, 2020 the ERC issued Resolution No. 06, Series of 2020 which adjusted the FIT as follows:

Technology		2014	2015	2016	2017
		(Yr 1 Entrant)		(Yr 2 Entrant)	(Yr 3 Entrant)
Biomass	2014 – 2015	6.6300		-	-
	2016	6.6502		6.6300	
	2017	6.8539		6.6502	6.5969
	2018	7.1097		6.8539	6.6170
	2019	7.4132		7.1097	6.8197
	2020	7.6629		7.4132	7.0742
ROR Hydro	2014 – 2015	5.9000		-	-
	2016	5.9218		5.9000	
	2017	6.0710		5.9218	5.8705
	2018	6.2798		6.0710	5.8922
	2019	6.5392		6.2798	6.0406
	2020	6.7772		6.5392	6.2484
Solar		**Solar 1**	**Solar 2**		
	2014 – 2015	9.6800	8.6900	-	-
	2016	9.7015	8.7093	8.6900	-
	2017	10.0661	9.0366	8.7093	-
	2018	10.4788	9.4071	9.0366	-
	2019	10.9441	9.8248	9.4071	-
	2020	11.2758	10.1226	9.8248	-
Wind		**Wind 1**	**Wind 2**		
	2014 – 2015	8.5300	7.4000	-	-
	2016	8.5525	7.4195	-	-
	2017	8.8442	7.6725	-	-
	2018	9.1905	7.9730	-	-
	2019	9.5907	8.3202	-	-
	2020	9.8976	8.5864	-	-
Bangui 1 & 2	2014 – 2015	5.9600	-	-	-
	2016	5.9757	-	-	-
	2017	6.1795	-	-	-
	2018	6.4215	-	-	-
	2019	6.7011	-	-	-
	2020	6.6156	-	-	-

The Net Metering Program (NMP) for RE was issued by the ERC in 2013, which is designed to, among others, encourage end-users to participate in the RE generation. The distribution utilities are required to enter into a net metering agreement with an end-user with installed RE system, subject to technical considerations.

The ERC amended several provisions of the rules enabling the NMP for RE through ERC Resolution No. 06, Series of 2019. The following are the salient revisions made:

1. RE systems that run of river hydropower and those capable of being installed in the qualified end-user's premises with or without battery are now eligible to participate in the net metering program.

2. All qualified end-users are required to apply for a COC and distribution utilities are required to assist the qualified end-users in their COC application by receiving and transmitting to the ERC all documentary requirements including the Net Metering Agreement (NMA) and informing the qualified end-user of the ERC's decision.

3. Distribution utilities are likewise required to furnish and install a bi-directional meter at the qualified end-user's premises, the expenses of which shall be for the account of the qualified end-user, except in the case of new customers and the qualified end-users with existing separate meters required to be replaced with a bi-directional meter.

Similarly, ERC Resolution No. 06, Series of 2019 likewise amended the net metering interconnection standards. RE systems with a maximum capacity of 100kW AC per qualified end-user to its distribution system except for Solar Photovoltaic (PV) which shall be 100kW DC are already allowed interconnection of the RE systems. In line with the foregoing amendments, the NMA template has been updated by the ERC accordingly.

On February 27, 2020 the ERC issued ERC Resolution No. 05, Series of 2020 which provides for the clarifications on the amended Net-Metering Rules. For purposes of Net-Metering Applications "good credit standing" has been defined as an end-user with no unsettled or outstanding obligation with the distribution utility at the time of application. Moreover, the cost of Renewable Energy Certificate (REC) meter and the installation thereof shall be shouldered by the distribution utility while the wiring cost from the facility to the REC meter shall be for the account of the qualified end-user. The ERC resolution also provides that the REC meter should be located at the connection point or at least near the connection point.

Meanwhile on October 22, 2020 the DOE issued Department Circular No. DC2020-10-0022 which prescribes the following policies and guidelines to provide complementary enhancements to the net metering program:

1. Implementation of the one (1) -year period for the banking of net metering credits of existing and new applications;

2. Application of Off-Grid or Island Grid Systems;

3. Publication of the distribution utilities NMP including their respective hosting capacities of Distribution Systems for net metering purposes; and

4. Development of a net metering guidebook that aims to prescribe the guidelines and procedures for net metering arrangements from offer to after sales services by the net metering installers and practitioners as well as prescribing the minimum standards for all net metering installations, in collaboration with all concerned government agencies.

The guidelines for the collection of the FIT-Allowance (FIT-All) and the disbursement of the FIT-All Fund by Transco were issued by the ERC in early 2014. The FIT-All is a uniform charge that will be collected from end-users by distribution utilities and RES entities. This will comprise the FIT-All Fund, whereby Transco serves as the Administrator. The FIT-All Fund is for the guaranteed payment of the FIT for actual energy delivered by RE generators. In an order dated October 10, 2014 ERC Case No. 2014-109RC, the commission issued a provisional approval for the applied FIT-All of Php 0.0406 per kWh filed by Transco. Collection from end-users shall commence starting January 2015.

On November 16, 2022, the ERC issued Resolution No. 12, Series of 2022 which approved and adopted the temporary suspension of collection of the FIT-All for a period of three (3) months, starting from December 2022 until February 2023 billing months.

In December 2017, the DOE promulgated the rules and guidelines governing the establishment of the Renewable Portfolio Standards (RPS) for On-Grid Areas through Department Circular No. DC2017-12-0015. The RPS Rules were adopted to mandate electric industry participants to source a portion of their electricity requirements from eligible RE sources in order to develop indigenous and environmentally friendly energy sources. With the minimum annual increment requirement of 1% to be applied to the Net Electricity Sales of the mandated participants, the DOE targets to increase the utilization of RE and reach a 35% RE share in the Energy Mix by 2030.

In July 2018, Department Circular No. DC2018-07-0019 containing the Rules Governing the Establishment of the GEOP in the Philippines became effective. General rules and procedures were set out to guide end-users, RE supplier and network service providers in facilitating the options taken by end-users to choose RE Resources for their energy requirements. Similarly, on April 22, 2021, the ERC issued ERC Resolution No. 8, series of 2021 which adopted the Rules for the GEOP.

In August 2018, the DOE promulgated the rules and guidelines governing the establishment of the RPS for Off-Grid Areas through Department Circular No. DC018-08-0024. The RPS Off-Grid Rules was adopted to contribute to the growth of the RE Industry in the Off-Grid and Missionary Areas by mandating electric power industry participants to source or produce a specified portion of their electricity requirements from eligible RE resources. It was intended to rationalize the efficient use of the Universal Charge – Missionary Electrification and improve the self-sufficiency in power generation through integration of RE in the supply mix in Off-Grid Areas.

On October 1, 2019, the DOE harmonized and enhanced all existing guidelines and procedures regulating the transparent and competitive system of awarding RE Contracts and the registration of RE projects through Department Circular No. DC2019-10-0013 otherwise known as the "Omnibus Guidelines Governing the Award and Administration of Renewable Energy Contracts and the Registration of Renewable Energy Developers".

On December 4, 2019, the DOE promulgated the Renewable Energy Market (REM) Rules to facilitate the compliance of mandated participants with the RPS Rules (both on-grid and off-grid). The rules govern all electric power industry participants in all grids, both on-grid and off-grid areas, and tasked the PEMC to establish the REM and the development of the REM System.

On June 10, 2022, the DOE declared the Interim Commercial Operations of the REM until such time that the Commercial Operations is declared by the DOE[6].

[6] DOE Department Circular No. DC2022-06-0019.

Off-grid Area System Operator

On November 09, 2021 the DOE issued Department Circular No. DC2021-11-0039 entitled "Mandating the National Transmission Corporation as Small Grid System Operator in Specific Off-Grid Area". Under the said circular, the TRANSCO shall serve as the Small Grid SO in any of the following Small Grid classifications:

1. More than one (1) DU utilizing a High Voltage line to transmit power generated by more than one (1) Generation Company (GenCo);

2. Only one (1) DU utilizing a High Voltage line to transmit power generated by more than one (1) GenCo; and

3. Only one (1) DU utilizing its Medium Voltage line to transmit power generated by more than one (1) GenCo.

Reduction in Systems Loss

The ERC issued the Rules for Setting the Distribution System Loss Cap and Establishing Performance Incentive Scheme for Distribution Efficiency (Resolution No. 20, Series of 2017), which set distribution feeder loss cap for private distribution utilities at 6.50% for 2018, 6.25% for 2019, 6% for 2020, and 5.50% for 2021 up to 2022.

Under the new regulations, the actual electricity usage of the distribution company will be treated as an Operations and Maintenance expense in its Performance Based Incentives in its PBR applications.

Competitive Selection Process (CSP)

In June 2015, the DOE issued Department Circular No. DC2015-06-008 mandating all distribution utilities to undergo a CSP in securing PSAs, through a Third-Party expert duly recognized by the DOE and ERC. Under the circular, the CSPs for the procurement of PSAs shall observe the aggregation for the un-contracted demand of the distribution utilities and shall be conducted annually. The terms and conditions of the PSAs shall be in accordance with the template PSA to be issued by the ERC in coordination with the DOE. The ERC and DOE were given 120 days from the effectivity of the circular to issue the implementing guidelines and procedures for the circular.

In September 2015, the DOE together with the ERC posted for comments the first draft of the implementing guidelines of Department Circular No. DC2015-06-008. After conducting public hearing and receiving opposition from industry stakeholders, the ERC and DOE deferred issuing a decision on the mandatory implementation of the CSP.

Pending the issuance by the ERC of a prescribed CSP, the ERC issued in October 2015 Resolution No. 13 (CSP Resolution) directing all distribution utilities to conduct CSP in the procurement of their supply to the captive market. In the Resolution, a CSP is deemed successful if the distribution utility receives at least two (2) qualified bids. Direct negotiation may be conducted after at least two (2) failed CSPs.

In ERC Resolution No. 1, Series of 2015 dated 15 March 2016, the ERC restated the effectivity of the CSP Resolution to be April 30, 2016.

In February 2018, the DOE finally prescribed the "Policy for the Competitive Selection Process in the Procurement by Distribution Utilities of Power Supply Agreement for the Captive Market" through Department Circular No. DC2018-02-0003. Governing all DUs in both grid and off-grid areas, the policy mandates the procurement of all PSAs for the captive market through CSP. In the said Circular, the CSP may be conducted by a Third-Party Bids and Awards Committee (TPBAC) composed of 5 members, where 3 members will come from the DU and 2 from the captive customers. In lieu of the TPBAC, the DU may also opt to engage a Third-Party Auctioneer. Direct negotiation with generation companies is allowed after at least 2 failed CSPs and there is no outstanding dispute in the conduct of the CSP.

On September 24, 2021, the DOE issued DC2021-09-0030 amending certain provisions and supplementing DC2018-02-0003. Under the said issuance, the following shall warrant a Certificate of Exemption from the conduct of CSP (COE-CSP) from the DOE:

1. Any generation projects funded by grants or donations, and will become fully-owned, operated, and controlled by the DU within its franchise area, subject to ownership and market-share limitations as provided under relevant laws and issuances. The DU may be allowed to infuse internally generated funds; Provided, that the amount shared by the DU shall not exceed thirty percent (30%) of the total project cost excluding taxes to be paid by the DU; Provided also, that the generation project or facility shall be structurally and financially unbundled from the DU's business segment such that the generation rate from such project or facility can clearly be distinguished from the distribution rates of the DU; Provided finally, that the generation project shall not be transferred or assigned to an affiliate or subsidiary Power Supplier of the DU.

2. Negotiated procurement of emergency power supply wherein the cooperation period of the corresponding Emergency Power Supply Agreement (EPSA) shall not exceed one (1) year, and such EPSA shall be filed immediately before the ERC upon the issuance and within the effectivity of the COE-CSP; Provided, that the DU shall prove and certify that it has performed all the necessary and required due diligence, and solicited proposal from at least one (1) power supplier for EPSA to address the emergency situation and to avert and/or mitigate its consequences, and the offer/s from the available Power Supplier/s shall be attached in the request for COE-CSP; Provided also, that the procurement of emergency power supply shall be not entitled to any form of subsidy. Provided finally, that the rate shall be equivalent to or lower than the latest ERC-approved generation tariff for same or similar technology in comparable areas.

3. Any generating plant to be embedded in the DU, utilizing indigenous energy resources in the franchise area of the DU, subject to ownership and market-share limitations as provided under relevant laws and issuances, unless it intends to sell generated power outside of the embedded area, in which case, it shall undergo CSP with respect to its excess power. The size of the generation plant shall have a maximum capacity of 10 MW per Luzon DU and 5 MW per Visayas and Mindanao DU.

4. The provision for power supply by the NPC in off-grid areas prior to and until the entry of New Power Providers and in emergency circumstances, in which case, a copy of the PSA between the Electric Cooperative (EC) and the NPC shall be submitted to the DOE and the National Electrification Administration (NEA), in case of ECs.

5. The provision for power supply by the PSALM Corporation or its successor-in-interest through bilateral contracts for the power produced from the undisposed generating assets and independent Power Producer contracts. Request for exemption must be submitted to the DOE at least three (3) months prior to the expiration of the Contract of Supply of Electric Energy (CSEE) or intended cooperation period. Upon its execution, the DU or EC shall furnish the DOE and NEA, respectively, with a copy of the CSEE between the DU and the PSALM.

Further, under DC2021-09-0030 DUs may resort to alternative methods of procurement exclusively for New Technology such as Unsolicited Proposals and Competitive Challenge. New Technology refers to a technology that is novel or a novel use or arrangement of existing technology that has not yet been commercially operating or applied in the country.

Framework for Embedded Generators

In February 2019, the DOE promulgated the "Framework Governing the Operations of Embedded Generators" through Department Circular No. DC2019-02-0003. Covering generation units that are indirectly connected to the Grid through distribution systems, the guidelines require all Embedded Generators to comply with the connection and operational requirements of the 2016 Grid Code and to secure a COC from the ERC. Embedded Generators with material impact to Grid operations are also mandated to register with the WESM based on the criteria provided in the guidelines.

Energy and Efficiency Conservation Act

On April 12, 2019, Republic Act No. 11285 otherwise known as the "Energy Efficiency and Conservation Act" was signed into law with the primary goal of institutionalizing energy efficiency and conservation, enhancing efficient use of energy, and granting incentives to energy efficiency and conservation projects.

As the lead implementing agency, the DOE is responsible for planning, formulating, implementing, enforcing and monitoring of energy management policies and other plans and programs related to energy efficiency of all government agencies, including government-owned and controlled corporations which are mandated to ensure efficient use of energy in their respective offices, facilities, transportation units, and the discharge of their functions.

Under the law, the DOE will develop the following systems, standards and guidelines:

1. a system for certification and assessment of energy conservation officers and energy managers to raise the standards of those engaged in energy management;

2. energy performance standards for commercial, industrial and transport sectors, including energy-consuming products;

3. labeling system for all energy-consuming product, devices and equipment;

4. mandatory energy-efficiency rating and labeling system for identified energy consuming products such as room air-conditioners, refrigeration units, and television sets to promote energy efficient appliances and raise public awareness on energy saving; and,

5. fuel efficiency testing guidelines for the conduct of fuel efficiency tests to validate information provided by vehicle manufacturers, importers and dealers.

The DOE shall also conduct regular examination, testing and verification of energy-consuming products and their models to determine the product's energy efficiency.

Designated establishments, such as private or public entities in the commercial, industrial, transport, power, agricultural, public works and other sectors identified by the DOE as energy intensive industries based on their annual energy consumption, have the following obligations under the law:

1. Integrate energy management system policy into the business operations based on ISO 50001 or a similar framework;

2. Set up systems and programs to promote energy efficiency, conservation and sufficiency that may include installation of RE technologies;

3. Keep records of monthly energy consumption data;

4. Improve average specific energy consumption in according with annual targets of DOE

5. Submit annual Energy Consumption and Conservation Report;

6. Conduct energy audit once every 3 years and submit a report to the DOE; and

7. Employ a Certified Energy Conservation Officer or a Certified Energy Manager.

The IRR of the Energy Efficiency and Conservation Act was issued by the DOE on November 22, 2019 through Department Circular No. DC2019-11-0014. On May 11, 2021, the DOE issued Department Circular No. 2021-05-0011 providing for the "Guidelines for the Endorsement of Energy Efficiency Projects to the Board of Investments for Fiscal Incentives".

Energy Virtual One-Stop Shop (EVOSS)

On May 28, 2019, the DOE prescribed the "Rules and Regulations Implementing Republic Act No. 11234" through the issuance of Department Circular No. DC2019-05-0007. Aimed at ensuring the timely completion of permits and licenses of power generation, transmission and distribution projects, the rules eliminate the redundancies and overlapping mandates in documentary submissions and processes and mandates the establishment of an online platform for government agencies, and for a paperless electronic application and processing system. Under the circular, the EVOSS Steering Committee was tasked to create a detailed process flow for each phase of the permitting process for each kind of power generation, transmission and distribution project.

Energy Storage System (ESS)

The DOE recognizes the application and the benefits of ESS as an emerging technology in the improvement of the electric power system.[7] As such, the DOE issued Department Circular No. DC2018-08-0022 which amended the WESM Rules and the Market Manuals to take into consideration of the participation of Battery Energy Storage Systems and Pumped Storage Units in the WESM.

The DOE likewise issued DC2019-08-0012 on August 01, 2019 which provides for the framework for ESS in its operation within the electric power industry. The circular laid out the process of securing the permit and licenses of the ESS as well as the requirements for connection and operations.

[7] Department of Energy, Department Circular No. DC2019-08-0012.

The circular applies to the following electric power industry participants: 1) generation companies owning and/or operating ESS which include, but is not limited to, the following technologies: a) Battery Energy Storage System; b) Compressed Air Energy Storage; c) Flywheel Energy Storage; d) Pump-Storage Hydropower; e) Other emerging technologies that may be identified, qualified, and approved by the DOE as ESS, 2) - 3) directly Connected Customers owning and operating ESS, 4) end-users owning and operating ESS, 5) QTPs, 6) Transmission Network Provider, 7) SO, and 8) MO.

Pursuant to the circular, ESS proponents shall apply and register their ESS for one or more of the following purposes:

1. Provision of Ancillary Services
2. Provision of Energy through Bilateral Supply Contracts or Trading in the WESM
3. Manage the Penetration of RE
4. Auxiliary Load Management for Generation Companies
5. Transmission/Distribution Facility Upgrades Deferment
6. Transmission Congestion Relief
7. End-User Demand Management
8. Distribution Utility Demand Management
9. Distribution Utility Power Quality Management

Spot Market for Ancillary Services (AS)

As defined in the EPIRA, AS are services that are necessary to support the transmission of capacity and energy from resources to loads while maintaining reliable operation of the transmission system in accordance with good utility practice and the Grid Code. Under the WESM Rules Section 10.3.2.3 the DOE shall declare the commencement of the spot market for AS.[8] In line with this, the DOE issued Department Circular DC2010-06-0007 entitled "Directing the Preparation for the Trading of Ancillary Services in the Philippines Wholesale Electricity Spot Market" which made the spot market for AS an integral part of the WESM.

On August 01, 2019 the DOE issued Department Circular DC2019-12-0018 entitled "Adopting a General Framework Governing the Provision and Utilization of Ancillary Services in the Grid". The intention of the circular was to ensure the reliability, quality, and security of supply of electric power. The circular required all generating facilities, except those with valid and existing AS capability accreditation, to undergo an AS capability testing and shall be certified according to their respective capabilities. The SO is mandated under the circular to ensure optimal procurement of the required AS.

Prior to the commercial operation of the Reserve Market, SO shall ensure compliance with its obligation to procure the required level and specification of AS in line with the following:

1. Regulating, Contingency, and Dispatchable Reserves shall be procured through firm contracts only;

2. Reactive Power Support AS and Black Start AS shall be procured through firm contracts only; and

3. The protocol for the central scheduling of energy and contracted reserves in the WESM shall still apply, in accordance with the WESM Rules and relevant Market Manuals.

[8] Department of Energy, Department Circular No. DC2010-06-0007.

Upon commercial operation of the Reserve Market, the following shall govern the procurement of AS:

1. SO shall procure Regulating, Contingency, and Dispatchable Reserves through firm contracts and the Reserve Market provided that the contracted levels per reserve region shall be as follows:

    - Regulating Reserve — Equivalent to 50% of the Regulating Reserve requirement;

    - Contingency Reserve — Equivalent to 50% of the dependable capacity of the largest generating unit;

    - Dispatchable Reserve — Equivalent to 50% of the dependable capacity of the second largest generating unit;

2. Generating units shall submit energy and reserve offers to the WESM with respect to their maximum available capacities, which shall include contracted and uncontracted capacities;

3. All energy and reserve offer shall be co-optimized and subjected to central scheduling, dispatch, spot pricing and settlement of the MO and SO; and

4. Reactive Power Support AS and Black Start AS shall be procured through firm contracts only.

The AS-TWG was likewise created to assist the DOE in implementing the framework and render technical assistance and advice in developing further policies on AS. Among others, the AS-TWG was also tasked to review the 2016 Grid Code to address the issues on the implementation of the new AS categories.

On May 7, 2021, the DOE issued DC 2021-03-009 entitled "Adopting a General Framework Governing the Operationalization of the Reserve Market in the Wholesale Electricity Spot Market and Providing Further Policies to Supplement DC2019-12-0018". Under the circular, the implementation of the WESM Reserve Market shall adhere to the following principles:

1. The continuing development and operationalization of the Reserve Market shall take into account key policies stipulated in the DOE Roadmap, among others, RE Market, Electricity Derivatives Market, Demand-Side Bidding, and exploratory studies on Capacity Market as applicable;

2. The WESM shall provide the optimal solution for all available capacities when scheduling reserve and energy capacities through co-optimization while adhering to grid reliability requirements;

3. The SO and MO shall allow for non-discriminatory participation of all capable AS providers, including demand-side resources, in various reserve categories, provided that all participants shall comply with the certification of AS capability issued by the SO or any qualified third-party AS testing entity duly accredited by the ERC;

4. A single buyer system shall be implemented for the procurement of AS requirements whether sourced through the Reserve Market or AS procurement agreements (ASPA). Pending the DOE's promulgation of CSP for ASPAs, the SO may continue to enter into ASPAs through its existing procedure.

5. Recovery of reserves cost among grid users shall be implemented in accordance with the guidelines on AS cost-recovery to be promulgated by the ERC; and

6. Sufficiency of reserves in the Grid shall be ensured through procurement of reserves through ASPAs and the WESM;

Competitive Selection Process for Ancillary Services

On October 04, 2021, the DOE issued DC No. 2021-10-00313 entitled "Prescribing the Policy for the Transparent and Efficient Procurement of Ancillary Services by the System Operator". The DOE, through the said circular, promulgated the CSP in the procurement of ASPA by the SO. Under the said circular, within six (6) months of the effectivity of the circular, the SO is mandated to conduct a CSP for the procurement of ASPA for a contract period of a maximum of five (5) years. The CSP shall be spearheaded by a TPBAC to be established by the Board of Directors of the SO.

Qualified Third-Party (QTP) Participation

Section 59 of the EPIRA authorized the provision of electric service in remote and unviable villages that the franchised utility is unable to service for any reason shall be opened to a QTP. As such, the DOE issued Department Circulars Nos. DC2004-06-006 and DC2005-12-011 on June 18, 2004 and December 12, 2005 respectively. Such circulars prescribe for the qualification criteria and guidelines for the participation of QTPs in providing electric service in unviable areas.

In order to meet the total electrification target of the government, the existing guidelines of the participation of QTPs were revised to provide a policy and regulatory environment that is more conducive to the participation of the private sector. Thus, on 22 November 2019, the DOE issued Department Circular No. DC2019-11-0015 otherwise known as the "Revised Guidelines for QTP".

Under the revised guidelines, the DOE shall declare unviable, unserved, and underserved areas that are open for the QTP Program and the distribution utilities were required to:

1. Submit its Distribution Development Plan together with the Total Electrification Master Plan. The distribution utilities shall prepare and submit its comprehensive Total Electrification Master Plan and shall contain detailed inventory of all unviable, unserved and underserved areas within its franchise;

2. Conduct the Competitive Bidding for the QTPs to serve the QTP Service Areas; and

3. Execute the QTP Service Contract (QSC) with the selected QTP.

Meanwhile, the QTP proponents must secure the necessary permits and licenses from the relevant government agencies and comply with all provisions, including the financial, technical, environmental and other performance standards for the QTP and the requirement of a Service Contract with the DOE, if applicable.

Renewable Energy Market (REM)

Pursuant to the RE Act, the DOE is mandated to establish a REM which would be an avenue for the trading of RECs which is equivalent to an amount of power generated from RE sources and a facility for mandated participants to comply with the RPS. In line with this, the DOE promulgated the RE Market Rules through Department Circular No. DC2019-12-0016 which in turn kicked off the compliance of the RPS by the mandated participants. The REM Rules applies to all electric power industry participants in Luzon, Visayas, and Mindanao, both in the On-Grid and Off-Grid Areas.

The REM Rules established the basic rules, requirements, and procedures to govern the operations of the REM which mainly aims to facilitate the efficient operation of the REM, specify the terms and conditions to which entities may be authorized to participate in the REM as well as the authority and governance framework for the REM, provide sanctions in cases of violations of the REM Rules and a timely and cost-effective framework for resolution of disputes among the REM Members and the Renewable Energy Registrar.

Registration in the REM is mandatory for the following:

1. Mandated Participants obligated by RPS to comply with their RPS requirements.

2. Entities with RE Generation Facilities that are registered in the WESM. In case of Mindanao Grid which is not yet connected to the Luzon and Visayas Grid, includes RE Generation Facilities that are connected to the main grid.

3. Entities with RE Generation Facilities who are operating in Off-Grid Systems obligated to comply with RPS requirements.

DOE in its Advisory dated 18 August 2020 provided for the recalibration of the commercial operations of the REM from June 2020 to June 2021 due to the impact of the COVID 19 pandemic.

Green Energy Option Program (GEOP)

Consistent with the RE Act, the government aims to accelerate the exploration and development of the RE resources in order to achieve energy self-reliance through the adoption of sustainable energy development strategies. Section 9 of the RE Act mandated the DOE to establish a GEOP which would provide end-users the option to choose RE resources as their sources of energy.

On July 18, 2018, the DOE issued Department Circular No. DC2018-07-0019 which promulgated the rules and guidelines governing the establishment of the GEOP Rules. All of the RE Facilities are eligible to participate in the GEOP subject to the following rules:

1. Entities that shall utilize RE Facilities to supply power under the GEOP shall secure an operating permit from the DOE as RE Suppliers.

2. RE Facilities covered by the GEOP shall have the necessary Certificates of Compliance from the ERC.

3. Distributed energy resources and/or generation facilities specifications and standards shall conform with the rules prescribed by the ERC.

Under the DOE Department Circular No. DC2018-07-0019, all end-users with a monthly average peak demand of 100 kW and above for the past 12 months may opt to participate in the GEOP after the DOE, in consultation with the National Renewable Energy Board (NREB) and industry stakeholders, determines the technical requirements and standards are already met. Meanwhile end-user with new connection and whose estimated average monthly peak demand for the next 12 months based on the load profiling is 300 kW or above may likewise participate in the GEOP. An end-user that has been in operation for less than 12 months from the effectivity of the GEOP Rules may also participate in the GEOP.

The end-user and its RE Supplier shall execute a GEOP Supply Contract which will govern the participation of the End-User in the GEOP. The energy sales from the GEOP shall be part of the Net Electricity Sales of the distribution utilities for its RPS compliance requirement. Moreover, the RECs generated from the energy supplied to the end-users under the GEOP shall be for the account of the distribution utilities. However, for RE Facilities installed within the end-user's premises, the distribution utilities have the option to install a third kilowatt-hour meter or use the RE Facility's built-in meter to monitor the total RE generation supplied to the End-User.

The circular likewise provides that a dual billing system may be adopted by the End-User availing of the GEOP, RE Supplier and the distribution utility.

Green Energy Auction Policy (GEAP)

On July 14, 2020, the DOE issued Department Circular No. DC2020-07-0017 entitled "Promulgating the Guidelines Governing the Policy for the Conduct of Green Energy Auction in the Philippines" which provides for the GEAP. Subsequently, on November 03, 2021, the DOE issued Department Circular No. DC20201-11-0036 entitled "Providing the Revised Guidelines for the Green Energy Auction Program in the Philippines" or the "GEAP Guidelines". This circular repealed DC2020-07-0017.

The GEAP Guidelines was promulgated to establish the implementation framework for the GEAP and provide clarity on the roles of implementing agencies/entities. This circular also supports and/or facilitate immediate and timely investments in new or additional RE capacities to ensure provision of adequate supply and competitive rates of electricity in the country. Likewise, it supports the development of new RE projects under a competitive process, together with long-term contracts. Lastly, this circular was promulgated to implement the mandate of giving preference to RE sources for a cleaner and sustainable environment.

There are two (2) components set forth in the GEA Policy namely:

1. *Green Energy Tariff (GET)* – to provide price signals on the commercial value of electricity generated from the RE facilities, resulting from a competitive process, and set the benchmark price for DUs under the Opt-in Mechanism; and

2. *Green Energy Auction* – to facilitate the determination of RE facilities that are eligible under the GEAP. To this end, the Green Energy Auction shall be administered by the DOE through the Green Energy Auction Committee (GEAC).

GET shall reflect the value of electricity, resulting a competitive process that Qualified Bidders are capable of supplying the prescribed capacity volume and delivery periods. The Winning Bidder/s shall have the most competitive bid price offered based on the Terms of Reference for a particular ARP, as determined by the Green Energy Auction Committee.

On the other hand, in the conduct of the GEA and the development of specific Terms of Reference for each auction round, the following principles shall be observed:

a. The auction shall be conducted for New and Existing RE Capacities, as defined in this Circular, and are duly registered with the DOE with no existing power purchase agreement/power supply agreement with any DU or end0user at the time of the agreed delivery date's;

b. Participating entities shall be allowed full recovery of prudent and reasonable economic costs incurred, *Provided,* that the Winning Bidders' bid offer shall be considered their prudent and reasonable economic costs;

c. Efficiency and competitive prices of electricity shall be prompted;

d. Fair and transparent processes will be observed in all stages of the GEAP; and

e. Clean and sustainable forms of energy will be harnessed.

DC2021-11-0036 also introduced the Opt-in Mechanism in order to reduce FIT-All charges to the electricity end-users, and to meet any DU supply and RPS Requirements. Under the Opt-in Mechanism, any DU shall have the option to procure from the GEAP pool of a Winning Bidder under a particular auction round and thereby carve out of such DU-procured volumes from the pool compensable by the FIT-All.

It should be emphasized that the Green Auction including the Opt-in Mechanism shall serve as compliance with CSP requirements for DUs.

Open and Competitive Selection Process for Renewable Energy Service Contract

On October 20, 2020, the DOE issued Department Circular No. DC2020-11-0024 entitled "Adopting the Guidelines Governing the 3rd Open and Competitive Selection Process (OCSP3) in the Award of Renewable Energy Service Contract, and for Other Purposes." The circular governs the determination of legal, financial, and technical qualifications of RE Applicants, the evaluation of its applications, and the award of the RE Contracts under the OCSP3.

The eligible RE Applications under the said guidelines are Filipinos and Filipino corporation at least 60% owned and controlled by Filipinos, duly registered with SEC with purpose of engaging in renewable energy exploration, development, and utilization. Foreign-owned corporations may likewise qualify provided that the RE Contract involved is a financial or technical assistance agreement signed by the President and either technical or financial assistance for large-scale exploration, development, and utilization of geothermal resources pursuant to Section 2, Article XII of the Philippine Constitution.

Energy Conserving Design of Building

Pursuant to the Energy Efficiency and Conservation Act the DOE issued Department Circular No. DC2020-12-0026 on December 22, 2020 otherwise known as "Adoption of the Guidelines on Energy Conserving Design of Building." The guidelines prescribed for the minimum requirements for the energy conserving design of new buildings and major renovation of existing buildings. It likewise aims to encourage and promote the energy conserving design of buildings and their services in order to reduce use of energy without compromising the cost effectiveness, building function, as well as the comfort, heath, safety, and productivity of the building's occupants.

The said guidelines shall apply to new buildings and its systems as well as any expansion and/or modification of existing buildings or systems designed with at least 112.5 kVA of total connected electrical loads or has at least 10,000 square meters total gross floor area.

Bayanihan to Heal as One Act (BAYANIHAN Act I)

Due to the spread of the to the COVID 19 virus in the Philippines, Presidential Proclamation No. 922-2020 was issued declaring a State of Public Health Emergency throughout the country During the same period, Presidential Proclamation No. 929-2020 was likewise issued which placed the entire Philippines under a State of Calamity and imposed an Enhance Community Quarantine (ECQ) throughout Luzon. On March 24, 2020, Republic Act No. 11469 otherwise known as the "Bayanihan to Heal as One Act" (Bayanihan Act I) was enacted placing the whole country under a state of national emergency.

Under the Bayanihan Act I, all banks, quasi-banks, financing companies, lending companies, and other financial institutions were directed to implement a minimum of a thirty (30)-day grace period for the payment of all loans falling due within the period of the ECQ without incurring interests, penalties, fees, and other charges.

In line with Bayanihan Act I, the ERC, in its Advisory dated April 15, 2020 issued guidelines and directives for the electric power industry stakeholders. The said guideline directed distribution utilities and RES to provide a grace period to all captives and Contestable Customers through the deferment of their electricity bill falling due within the period of the ECQ or from March 16, 2020 to April 30, 2020, without interest, penalties, fees, and other charges. Such period was extended to May 15, 2020 by ERC Advisory dated 05 May 2020. In addition, the updated advisory also imposed for the amortization of payment in four (4) equal monthly installments, payable in the 4 succeeding billing months following the end of the ECQ. In addition, payments by customers in areas covered by the ECQ extension until May 15, 2020 should commence no earlier than May 30, 2020.

The DOE, on the other hand, in its Department Circular No. DC 2020-004-0008, rationalized the utilization of the Energy Regulation (ER) 1-94 Funds by the host LGU in response to COVID 19 public health emergency. This provided for a framework for the host LGU to follow in utilizing the ER 1-94 Funds to bolster their combat in mitigating, if not contain, the transmission of COVID 19 in their respective areas.

On September 11, 2020, Republic Act No. 11494, otherwise known as the "Bayanihan to Recover As One Act" (Bayanihan Act II), was signed into law which provides a P165-billion economic stimulus and relief package to sustain the government's efforts against the COVID-19 pandemic.

Pursuant to the Bayanihan Act II, the ERC in its Advisory dated October 29, 2020 issued an updated directive directing the DUs not to implement any disconnection on account of non-payment of bills until December 31, 2020 for consumers with monthly consumption not higher than twice the ERC approved maximum lifeline consumption level. All DUs, and RES were directed to implement a minimum 30-day grace period on all payments falling due within the period of the ECQ and Modified Enhanced Community Quarantine (MECQ) without incurring interest, penalties, and other charges. Any unpaid balance after the lapse of the 30-day period shall be payable in 3 equal monthly installments without incurring interest, penalties, and other charges. Similarly, the DOE likewise issued an Advisory dated September23, 2020 indicating that the 30-day grace period and staggered payment without interests, penalties and other charges are applicable to all power sector billings falling due during the period of the Community Quarantine (CQ).

The Bayanihan Act II likewise directed all banks, quasi-banks, financing companies, lending companies, and other financial institutions to implement a one-time minimum sixty (60)-day grace period for the payment of all existing, current, and outstanding loans falling due, or any part thereof, on or before December 31, 2020. The said law likewise provided for staggered payment without interest on interest, penalties, and other charges until December 31, 2020, or as may be agreed upon by the parties.

ERC Revised Rule of Practice and Procedure

On December 17, 2020, the ERC issued Resolution No. 1, Series of 2021 entitled "A Resolution Adopting the Revised Rules of Practice and Procedure of the ERC". The Revised Rules aim to aid anyone who wishes to appear before the ERC and participate in any proceeding before it.

Revised Guidelines for the Financial Capability Standards of Generation Companies

In November 2020, the ERC issued Resolution No. 3, Series of 2021 entitled "A Resolution Adopting the Revised Guidelines for the Financial Capability Standards of Generation Companies". The said Guidelines sets out the minimum financial capability standards to ensure that Generation Companies meet the required standards to protect the public interest.

Policies related to the Water Infrastructure

The Philippine Water Code (P.D. 1067)

The 1976 Presidential Decree provides the framework and basic principle relating to appropriation, control and conservation of water resources to achieve optimum development and rational utilization of the water resources of the country.

The main principle of the decree provides that all waters, be it a river, natural bed, spring, natural lakes, lagoons, subterranean or ground water, atmospheric water and seawater even if found within private lands belong to the state and that the same may allow the use or development of waters by administrative concession but subject to the control and regulation of the government through the National Water Resourced Board as the lead agency. Water may be appropriated according to its beneficial use through the grant of water permit by the same agency.

On September 12, 2002, NWRB was reconstituted through the declaration of Executive Order No. 123 aligning the agency previously administered under the Department of Public Works and Highways to the Department of Environment and Natural Resources. Local Water Utilities and Administration shall likewise cease with its practice of regulating the water tariffs of Water Districts and shall be undertaken by the National Water Resources Board. The former may still continue reviewing the rates of water districts where it has risk of financial exposure.

Local Government Code (R.A. 7160)

The 1991 policy defines the functions, responsibility, extent of authority and resources of LGUs which includes effective provision of basic services and facilities such as infrastructures related to sanitation and sewerage, communal irrigation, small water impounding projects and other similar projects, artesian wells, spring development, rainwater collection and water supply systems. This policy facilitated the LGUs to fast-track implementation its infrastructure projects through public-private partnerships.

Provincial Water Utilities Act (PD 198)

On May 25, 1973, a national policy was declared and signed favoring local operation and control of water systems and authorizing the formation of local water districts chartered by the national administration to facilitate improvement of local water utilities under LWUA. The Act promulgated the role of the water district in the development, operation and maintenance of water and wastewater services within a franchise area. The water district shall be under the authority of a LGU either municipality, city or province depending on the number of water service connections.

Public-Private Partnership (PPP)

Projects relating to water supply, water and wastewater treatment, and sewage treatment infrastructure are undertaken through PPP. It is broadly defined as a contractual agreement between the Government and a private firm targeted towards financing, designing, implementing and operating infrastructure facilities and services that were traditionally provided by the public sector. It embodies optimal risk allocation between the parties – minimizing cost while realizing project developmental objectives. Thus, the project is to be structured in such a way that the private sector gets a reasonable rate of return on its investment.

Build-Operate-Transfer (BOT) Law

The allowable modes of undertaking PPP can be found in Republic Act No. 7718 otherwise known as the Philippine BOT Law and its IRR, as amended. Among these modes are: Build-and-transfer, Build-lease-and-transfer, Build-own-and-operate, Contract-add-and-operate, Develop-operate-and-transfer, Rehabilitate-operate-and-transfer (ROT), Rehabilitate-own-and-operate, joint venture, and corporatization. Various other modalities are contained in Republic Act No. 7718, as amended.

Executive Order No. 423 and the National Economic and Development Authority (NEDA) Joint Venture Guidelines

On April 30, 2005, President Gloria Macapagal Arroyo signed Executive Order No. 423 to prescribe the rules and procedures on the review and approval of all government contracts to conform with Republic Act No. 9184, otherwise known as the Government Procurement Reform Act. Among the salient provisions of EO 423 is the requirement of approval of government contracts entered into through alternative methods of procurement, including but not limited to the approval from the Director-General of the NEDA. Relative to joint ventures between government and private entities, EO 423 specifically mandated that NEDA "issue guidelines with the objective of promoting transparency, competitiveness, and accountability in government transactions, and, where applicable, complying with the requirements of an open and competitive public bidding" *(Section 8, EO 423).*

Thus, in April 2008, the NEDA issued the Guidelines and Procedures for Entering into Joint Venture Agreements Between Government and Private Entities (NEDA JV Guidelines). On May 2013, the NEDA JV Guidelines was revised. The NEDA JV Guidelines, as amended, allowed joint ventures as a form of PPP. It also contained the detailed process for competitive selection and negotiation.

(xi) Estimate of Amount Spent for Research and Developmental Activities

Vivant has not allocated any specific amount of funds for research and developmental activities. Research and development activities are done on a per project basis and allocation of funds may vary depending on the nature of the project.

(xii) Costs and Effect of Compliance with Environmental Laws

Vivant's generation and distribution business units are subject to extensive and stringent safety, health and environmental laws and regulations. The Company's subsidiaries and associates have incurred, and expect to incur, operating costs to comply with these laws and regulations. Annual capital expenditures relating to the compliance with safety, health and environmental laws and regulations are expected to be made by Vivant's subsidiaries and associates.

(xiii) Employees

In 2019, the Company's power subsidiary, Vivant Energy, was operationalized to allow it to focus on growing the business. Following the lead of Vivant Energy, in 2021, the Company's infrastructure subsidiary, Vivant Infracore, was operationalized to focus on its independent business strategy and existing projects.

Vivant, in the meantime, will continue to provide shared services and serve as an incubator for new businesses. At the parent company level, Vivant has a total of 89 employees as of December 31, 2022, composed of executive, supervisory and rank-and-file staff.

The table below provides a breakdown of the total employee headcount.

	Headcount
Executive	15
Managers	21
Rank & File	53
Total	**89**

The Company has no existing collective bargaining agreement with its employees.

(xiv) Major Risks Involved in the Business

Below is a brief discussion on the risks that Vivant, through its subsidiaries and associates, might encounter in the businesses in which it is involved in. Certain risks, however, are inherent to the nature of the business that are beyond Vivant's or its subsidiary's or associate's control.

Insurance Risk

The energy sector is seeing continued insurance capacity withdrawal as a result of pressure on insurers to put in place wider policies on sustainability thereby eliminating capacities for coal, as well as gradually phasing it out for oil and gas. Moving forward, projects associated with fossil-fired assets will see limited available coverage or, at least, cease to be available at economically acceptable premiums. Additionally, Vivant and its subsidiaries and associates are also exposed to the risk of existing insurable assets not being adequately covered because of exclusions and limitations on coverage and claims not being honored, both of which result in financial losses.

To manage these risks, the Company regularly reviews its existing policies for sufficiency and enhancements where relevant. The Company is developing partnerships with other insurance brokers to ensure that appropriate measures are in place to address the hardening market. The Company is also evaluating the use of non-traditional insurance or alternative risk solutions.

Financing Risk

Linked to the Company's expansion and growth plans, the Company requires access to debt and equity financing. There is a risk of funding not being available at financial close or being available but subject to unfavorable terms and conditions. This may lead to missed investment opportunities or lower project returns due to inefficient project capitalization.

Financing is affected by several factors such as the regulatory, legal, and contractual framework governing the specific projects, the current investment climate, and the credit standing of its subsidiaries and affiliates. To manage the risks related to financing, the Company does market monitoring, which includes exploration and evaluation of other financing options. Moreover, the Company, through its Treasury department, conducts regular discussions with partner banks.

Business Continuity Risk

Interruption of normal operations brought about by natural calamities, major equipment failures, plant accidents, and terrorism are just a few of the serious risks faced by the Company, through its subsidiaries and associates.

For risks that can be mitigated by the Company, particularly those that are plant operations-related, Vivant, through its subsidiaries and associates, implements regular preventive maintenance programs in all of its facilities. In relation to its risk management process, the Company's operating units that could procure business interruption insurance to cover the potential loss in gross profits in the event of a major damage to any of the facilities have done so. A review of the business continuity management plans was also conducted to determine the suitability, adequacy, and effectiveness of the plans and processes in place and to implement improvements to the processes where relevant.

Regulatory Risk

Vivant is operating in businesses that are heavily regulated by the government. The continuing scrutiny by both the regulators and the public has also led to the growing challenges faced by the power and water industries. In its effort to manage any potential fundamental changes in the business environment, Vivant has developed and maintained good working relations with key regulatory agencies. The Company actively participates in the formulation of new rules and policies covering the power industry through its memberships in industry organizations. The Company also closely monitors any regulatory changes and analyzes the impact of such changes to its businesses.

Due Diligence and Project Risk

Vivant, through its subsidiaries and associates, has projects in the pipeline, involving greenfield and brownfield development projects both in power and water infrastructure. Inherent to these projects are risks involving the completion of these projects according to specifications, budget and set timelines. In the pre-development stage, risks include misallocation of resources, uncompetitive pricing resulting to opportunity loss, and unmet investment opportunities.

In the pre-development stage, Vivant engages project consultants and conducts review of various methodologies to ensure that the valuation models are sound and reasonable. And to ensure the successful implementation of these projects, Vivant, through its subsidiaries and associates, partners with known contractors and suppliers who have good track record in the industry. Technical consultants and project monitoring activities are likewise employed to assure adherence to standards, budget, and set timelines.

Talent Risk

Finding and keeping talent continue to be one of the biggest challenges that organizations face. Vivant, together with its subsidiaries and affiliates, have encountered difficulties related to talent risk such as employee retention, succession planning, and the ability to attract and retain key personnel, especially those that require technical expertise. The hybrid work set-up adopted by the Company have also resulted to issues related to communication and culture, which may lead to disengaged, unproductive, or dissatisfied employees.

Vivant has adopted several strategies to overcome these challenges. To address issues on attraction, recruitment and onboarding initiatives were reviewed and updated. To boost retention, employee surveys were conducted, learning and growth and safety and wellness programs were enhanced, and talent management activities were improved through periodic formal and informal performance discussions. As the pandemic alert levels lowered, company-wide activities and events such as the annual kick-off, town hall sessions, and One Vivant events (e.g. summer outing, holiday party) were conducted in-person. Key Talent Review sessions, chat and brew with executives, synergy series, managers' huddles, and department planning sessions were also conducted. Key information was cascaded on a timely basis and the 'One Vivant' culture initiatives were strengthened throughout the year. These actions mitigated the issues on communication and connection within the Company.

Item 2. Properties

Vivant's head office is located at the 9th Floor, Oakridge IT Center 3, Oakridge Business Park, A.S. Fortuna Street, Brgy. Banilad, Mandaue City, Cebu.

On a consolidated basis, the Company's 2022 total Property, Plant and Equipment were valued at Php5,877.6 mn as compared to Php3,379.7[9] mn in 2021. The breakdown is as follows:

	2022 (Php mn)	**2021 (Php mn; Restated)**
Land	494.2	54.4
Plant Machineries & Equipment	3,313.6	518.9
Condominium Units, Building, and Improvements	138.7	148.2
Transportation Equipment	43.1	39.9
Office Furniture, Fixtures and Equipment	24.1	23.9
Tools and Other Assets	148.5	98.8
Leasehold & Land Improvements	37.3	50.6
Construction in Progress	1,678.1	2,444.9
TOTAL	**5,877.6**	**3,379.7**

[9] The restatement of Property, Plant and Equipment is attributed to the determination of the final amount of fair value of the assets and liabilities of two subsidiaries acquired in 2021. As allowed under Philippine Financial Reporting Standards (PFRS) 3, *Business Combinations*, the assets recognized and liabilities assumed on an acquisition that qualifies as a business combination were based on provisional assessment of their fair value. The determination of the final amount is subject to change within one year of measurement period after the acquisition date.

Item 3. Legal Proceedings

Material Pending Legal Proceedings

I. 1590 EC

SC G.R. No. 210245
Bayan Muna Representatives NERIC JAVIER COLMENARES, et al., vs. Energy Regulatory Commission, et al.

SC G.R. No. 201255
National Association of Electricity Consumers for Reforms, et al. vs. Manila Electric Company, et al.

SC G.R. No. 210502
Manila Electric Company vs. Philippine Electricity Market Corporation, et al.

On December 19 and 20, 2013, two (2) separate Petitions were filed by Bayan Muna Representatives and National Association of Electricity Consumers for Reforms (NASECORE) against the ERC and Manila Electric Company (MERALCO), et al. to enjoin MERALCO from implementing its power rate increase that was approved by the ERC and to hold certain provisions of Republic Act No. 9136, otherwise known as the EPIRA, as unconstitutional. As a result of the Petitions, the Supreme Court En Banc ordered several generation companies to be included as additional parties-respondents to the cases, including 1590 EC, its power rate increases approved by the ERC. Oral Arguments were conducted and the relevant legal pleadings were submitted to the Supreme Court. On August 3, 2021, the Supreme Court rendered a Decision declaring the March 3, 2014 Order of the ERC as null and void. This is the Order that voided the WESM prices. The Supreme Court affirmed the December 9, 2013 Order of the ERC on the staggered payment of generation charge. Motions for Reconsideration were filed by the petitioners. In a Resolution dated October 11, 2022, the Supreme Court resolved to deny with finality the Motions for Reconsideration and an Entry of Judgment was rendered, certifying that the Decision became final and executory on the same date.

C.A. G.R. No. 138105
Petition for Review With Application for Injunction and Temporary Restraining Order

1590 Energy Corporation vs. Energy Regulatory Commission And Philippine Electricity Market Corporation

On November 7, 2017, the Court of Appeals (CA) issued a Decision that declared as null and void the March 3, 2014, March 27, 2014, May 9, 2014 and October 15, 2014 Orders of the ERC and reinstated the prices for the November and December 2013 supply months in the WESM (the CA Decision). According to the CA, there was simply no justification, legal or factual, to substantiate the ERC's issuance of the March 3, 2014 Order which was effectively an intervention of WESM's operations. The ERC and Intervenor Meralco filed their respective Motions for Reconsideration to the CA Decision. Numerous other consumers and organizations also filed their respective Motions for Leave to Intervene in the case for the purpose also of seeking a reconsideration of the CA Decision. In an Omnibus Resolution dated March 29, 2019, the CA denied the Motions for Reconsideration.

Thereafter, the ERC filed a Petition for Review on Certiorari with the Supreme Court under Rule 45 of the CA's Decision dated November 8, 2017 and the Omnibus Resolution dated March 29, 2019. The Petition for Review remains pending.

ERC Case No. 2015-042 MC
Violation of Section 45 of Republic Act No. 9136, otherwise known as the "Electric Power Industry Reform Act No. 2001" (EPIRA), Rule 11, Sections 1 of the Implementing Rules and Regulations (IRR) of the EPIRA (Commission of an Anti-Competitive Behavior, Particularly Economic Withholding ATTY. ISABELO JOSEPH P. TOMAS II vs. 1590 Energy Corporation

On June 10, 2015, Atty. Isabelo Joseph P. Tomas II, in his capacity as the Investigating Officer of the Investigatory Unit constituted by the ERC pursuant to its Office Order No. 38, Series of 2013 dated December 26, 2013, filed a Complaint against 1590 EC for alleged Anti-Competitive Behavior, particularly, the Physical Withholding in relation to the bid offers of 1590 EC at WESM during the November and December 2013 billing months. 1590 EC filed its Answer to the Complaint within the reglementary period. On August 11, 2016 1590 EC received an "Omnibus Motion [(i) to consolidated cases and (ii) Defer Pre-Trial]" from the Investigating Officer, to which 1590 EC filed its "Comment/Opposition to the Omnibus Motion [(i) to consolidated cases and (ii) Defer Pre-Trial]." On June 13, 2017, the ERC denied the Motion for Consolidation.

On March 29, 2021, the ERC held a virtual hearing to apprise the parties of the status of the case, in view of the resignation of the members of the Investigatory Unit.

III. Delta P
Civil Case No. 5778
Heirs of Laurentino Ylaya represented by Fe Ylaya and Glenn C. Gacott
Vs. City Government of Puerto Princesa represented by
Mayor Lucilo Bayron and Delat P, Inc.

On August 31, 2018, DPI received Summons for a Complaint for "Quieting of Title, Recovery of Possession, Declaration of Nullity of Contract of Lease (with Prayer for TRO and Injunction)" filed by Fe Ylaya and Glenn Gacott. The City Government of Puerto Princesa ("CGPP") was made a co-defendant. The Complaint claimed that the expropriation proceedings by the CGPP was incomplete because of failure to promptly pay just compensation. The properties subject of the Complaint is the site of DPI's power plant over which DPI signed a Contract of Lease with CGPP. Complainants alleged to be the previous owners of the properties and prayed for CGPP and DPI to peacefully surrender and vacate the properties, declare the CGPP Contract of Lease to be void, demanded payment of rental and damages in the total amount of Php774,413.00. After the submission of the parties respective closing Memorandum, the case will be submitted for decision by the court.

IV. INEC
Civil Case No. MAN-8450
Bantayan Island Power Corporation and Container Corporation of the Philippines (Consortium) vs. Bantayan Island Electric Cooperative, Inc. (BANELCO), BANELCO Third-Party Bids and Awards Committee, and Consortium of Vivant Integrated Diesel Corporation and Gigawatt Power, Inc.

On November 13, 2019, Bantayan Island Power Corporation and Container Corporation of the Philippines (Consortium) filed a Petition for Injunction (with Application for Issuance of a 72-hour Restraining Order, TRO and/or Writ of Preliminary Injunction) against BANELCO, BANELCO Third-Party Bids and Awards Committee, and Consortium of VIDC and GPI (the "Consortium"). This case is docketed as Case No. 3450 with the Mandaue City RTC. The RTC has recognized the legal standing of INEC to be joined as a party to the case, being the incorporated Consortium.

On November 13, 2019, the RTC Executive Judge found no basis to grant an ex-parte restraining order. On November 29, 2019, the RTC denied the application for issuance of TRO. On December 21, 2020, the RTC denied the application for issuance of preliminary injunction.

The case was re-raffled to another RTC Branch (Branch 88) following the failure of the mandatory mediation and Judicial Dispute Resolution. On February 14, 2022, RTC Branch 88 issued an Order declaring that it has no jurisdiction over the subject matter, and considered the case archived, without prejudice to its revival. Thereafter, with the decision of the ERC granting provisional authority to the PSA of BANELCO and Isla Norte, RTC Branch 88 issued a Joint Resolution dismissing the case because the ERC has already settled the issue on the failure of bidding raised in the Petition. Petitioner then filed a Motion for Reconsideration that was opposed by Respondents. On March 30, 2023, RTC Branch 88 denied the Motion for Reconsideration.

CA-G.R. No. 13695
Twentieth Division, Court of Appeals-Cebu City

On June 16, 2020, Bantayan Island Power Corporation and Container Corporation of the Philippines (BIPCOR Consortium) filed a Petition for Certiorari with the Court of Appeals (Cebu City) (CA-Cebu), alleging grave abuse of discretion on the part of RTC for its alleged partiality and bias. This is docketed as CA-G.R. No. 13695 with the Twentieth Division of CA-Cebu. In a Notice from the CA-Cebu that was received on January 8, 2021, the defendants were required to file their Comment to the Petition for Certiorari. VIDC and INEC were able to file their Joint Comment within the reglementary period.

CA-G.R. No. 13698
Eighteenth Division, Court of Appeals-Cebu City

On February 17, 2021, INEC received from the Consortium a Motion to Withdraw (Petition for Certiorari dated June 29, 2020) (the 2nd Petition), which INEC has yet to receive. The 2nd Petition is against the same defendants that is docketed as CA-G.R. No. 13698 with the Eighteenth Division of CA-Cebu.

Nineteenth Division, Court of Appeals-Cebu City

In an Order dated March 8, 2021, the Nineteenth Division granted the Motion for Consolidation filed the petitioners. Thus, the CA-G.R. No. 13695 was consolidated with CA-G.R. No. 13698.

In a Resolution dated September 8, 2021, the Court of Appeals denied the prayer for issuance of a TRO and writ of preliminary injunction. The main case for injunction remains pending.

Item 4. Submission of Matters to a Vote of Security Holders

During the June 16, 2022 Annual Meeting of Stockholders, the following actions were taken:

I. Approval and adoption of the minutes of the June 17, 2021 Annual Stockholders' Meeting;
II. Annual Report of Officers;
III. Approval of the 2021 Annual Report and Financial Statements
IV. Appointment External Auditor for 2022
V. Election of Directors for the year –2022 – 2023

Regular Directors
- Mr. Ramontito E. Garcia
- Mr. Arlo Angelo G. Sarmiento
- Mr. Emil Andre M. Garcia
- Mr. Gil A. Garcia II
- Mr. Charles Sylvestre A. Garcia
- Mr. Jose Marko Anton G. Sarmiento
- Ms. Brigette Cecile N. Garcia

Independent Directors
- Mr. Carmelo Maria L. Bautista
- Mr. Jose Carlitos G. Cruz
- Atty. Jose M. Layug, Jr.
- Mr. Joseph Lee Sullivan

VI. Ratification of all acts and resolutions of the Board of Directors and Management adopted for Fiscal Year 2021

Other than the foregoing, no matter was submitted to a vote of security holders.

The results of the foregoing meeting were timely disclosed to the PSE and SEC in SEC Form 17-C report.

PART II: OPERATIONAL AND FINANCIAL INFORMATION

Item 5. Market for Issuer's Common Equity and Related Stockholder Matters

1. Market Information

The Company's common shares are listed and traded at the Philippine Stock Exchange. The high and low stock prices of Vivant's common shares for each quarter of 2021 and 2022 were as follows:

	2021		2022		2023	
	High	Low	High	Low	High	Low
First Quarter	16.18	13.30	16.72	14.02	16.48	12.8
Second Quarter	18.00	13.80	16.74	14.04	-	-
Third Quarter	18.90	14.00	18.38	14.14	-	-
Fourth Quarter	16.54	14.50	16.94	12.82	-	-

As of May 13, 2023, the common shares outstanding were 1,023,456,698 shares. As of the same date, the last traded price of Vivant's common shares was at Php 16.70 per share.

(2) Security Holders

As of March 31, 2023, Vivant has 1,415 stockholders of record, including PCD Nominee Corporation (Filipino) and PCD Nominee Corporation (Foreign). The top 20 shareholders with the number of shares respectively held and the percentage of total shares outstanding held by each are as follows:

	NAME	NO. OF SHARES	%
1	Mai-I Resources Corporation	464,831,568	45.42
2	JEG Development Corporation	311,524,642	30.44
3	PCD Nominee Corporation (F)	185,681,370	18.14
4	Popsivan Holdings Corporation	31,498,212	03.08
5	Malacapas Holdings, Inc.	27,677,848	02.70
6	Eulalio C. Arce	343,750	00.03
7	Alfredo A. Cruz	34,062	0.00
8	Marietta P. Lavin	27,750	0.00
9	PCD Nominee Corporation (NF)	22,107	0.00
10	EBC Securities Corporation	20,625	0.00
11	Consortium Industries, Inc.	20,500	0.00
12	Rose Marie R. Lopez	19,687	0.00
13	Marino Olondrix Y Cia	16,000	0.00
14	Rosario Paje Rivera	15,625	0.00
15	Rodulfo Sevilla	15,625	0.00
16	Jun M. Borres	15,000	0.00
17	Anita Te &/or Oscar Te	15,000	0.00
18	Ocar O. Martinez	13,437	0.00
19	Sia Phoa A. Hon	12,625	0.00
20	Ramon Cojuangco, Jr.	12,501	0.00
	TOTAL NO. OF SHARES	**1,021,817,943**	**99.84**

3. Dividends

The Company's By-laws allow dividends to be declared and paid out of unrestricted retained earnings, which may be payable in cash, property or stock to all stockholders on the basis of the outstanding stock held by the stockholder, as often and at such times as the Company's Board of Directors may determine and in accordance with the requirements of the Corporation Code and applicable laws.

The cash dividends declared by Vivant to its common shareholders from 2021 to 2022 are shown in the table below.

Year	Cash Dividend Per Share		Total Declared		Record Date
	Regular	Special	Regular	Special	
2021	Php 0.35	-	Php 358.2mn	-	June 4, 2021
2022	Php 0.4341	-	Php 444.3 mn	-	May 13, 2022

4. Recent Sales of Unregistered Securities

On January 29, 2014, the Company signed a NFAto issue Php 3 billion (bn) in FRCN, which were issued in two tranches: Php 1 bn on February 3, 2013 and Php 2 bn on March 31, 2014 (2014 Notes). The net proceeds of the issue were used for general corporate purposes, including but not limited to, capital expenditures for existing assets and investments in power generation projects.

On December 4, 2020, the Company signed a NFA to issue Php3 bn worth of FRCN with tenors of two (2) years and five (5) years (2020 Notes). The proceeds from the issuance of the 2020 Notes will be used to finance capital expenditures for existing assets and investments in power generation and/or water infrastructure projects and partly to refinance the existing 7-year 2014 Notes which matured in February 2021. The Company made full drawdown in January 2021. The outstanding 2020 Notes amount to PHP2,950,000,000 after a Php50 mn token amortization paid in January 2022.

Item 6: Management's Discussion and Analysis or Plan of Operation

1. Plan of Operation

For the next 12 months, the Company will continue to oversee its investments in the investee companies.

As a holding company, it shall satisfy its cash requirements through (1) dividends declared and paid by its investee companies and (2) management and service fees paid by investee companies as compensation for consultancy, management, back-office support, and ancillary services provided.

Vivant, through its subsidiaries' business development groups, is continuously on the lookout for opportunities in the power and water industries. The Company has several projects that are in various stages of development.

2. Management's Discussion and Analysis

Management uses the following key performance indicators for the Company and its investee companies:

(i) Equity in Net Earnings (or Loss) of Associates. Equity in net earnings or (loss) of associates is the Company's share in the income or loss of associates, or investee companies accounted for under the equity method. It indicates the profitability of the associates and measures their contribution to the profitability of the parent.

(ii) Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA). EBITDA is calculated by taking operating income and adding back to it interest, depreciation, and amortization expenses. Since EBITDA eliminates the effects of financing and accounting decisions, it can provide a relatively good comparison of the performance of the Company with other players in the industry. It also provides a good measure of the Company's ability to generate cash from operations to cover financial charges and income taxes.

iii) Cash Flow Generated. Cash flow generated indicates the ability of the Company to generate enough cash for operating, investing, and financing activities.

(iv) Debt-to-Equity Ratio (DER). DER gives an indication of the Company's leverage position and is computed by dividing total liabilities with total stockholders' equity.

(v) Current Ratio. Current ratio is computed by dividing current assets with current liabilities. This indicates the liquidity of the Company in the short term and measures the peso amount of current asset available to cover a peso amount of current liability.

Year-to-Date (YTD) March 31, 2023 versus YTD March 31, 2022 (As Restated)

The financial statements as of and for the quarter ended March 31, 2022 are restated to consider the retrospective adjustments due to the following:

1. In 2022, the Company elected to change its policy for accounting its investment in an associate engaged in the power distribution business with respect to the associate's power distribution utility assets, i.e., from the revaluation model to the cost model. PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*, requires that the change in accounting policy is accounted for retrospectively, which impacts the investment in associate and joint ventures, retained earnings, equity in net earnings of associates and joint ventures, and share in revaluation increment of an associate, net of tax.

2. The Company, through wholly owned subsidiaries Vivant Energy Corporation (VEC) and Amberdust Holding Corporation (AHC), acquired two power generation subsidiaries in 2021 and completed the valuation required by the PFRS 3, *Business Combination*, by December 31, 2022. The revised purchase price allocation resulted in a fair value adjustment to Property, Plant and Equipment, and the recognition of intangible assets representing the acquirees' power supply agreements with customer electric cooperatives. As disclosed in the 2022 audited financial statements of the Company, the recognition of these adjustments started in 2021, which was the year of investment.

The table below shows the comparative figures of the key performance indicators for the quarters ended March 31, 2023 and March 31, 2022, as restated.

Key Performance Indicators *Amounts in Php '000, except for ratios*	**YTD March 2023**	**YTD March 2022 (As Restated)**	**YE 2022 Audited**
Equity in Net Earnings of Associates and Joint Ventures	624,973	90,542	
EBITDA	857,887	337,481	
Net increase (decrease) in cash and cash equivalents	(454,556)	(166,383)	
Net cash flows from (used in) operating activities	(164,007)	145,384	
Net cash flows from (used in) investing activities	(110,665)	(192,785)	
Net cash flows from (used in) financing activities	(179,884)	(118,982)	
Debt-to-Equity Ratio (x)	0.45	0.42	0.48
Current Ratio (x)	1.98	5.44	1.87

The Company's share in net earnings of associates and joint ventures as of end-March 31, 2023 amounted to Php 625.0 million (mn), representing a 590% year-on-year (YoY) increase from Php 90.5 mn. This was a result of the following:

- Visayan Electric Company (VECO), the Company's electricity distribution utility, posted a Php 370.4 mn income contribution during the quarter in review from Php 8.6[10] mn as of end-March 31, 2022. This was mainly attributed to the 26% YoY increase in the volume of electricity sold. In the same period last year, the utility's electricity sales volume was severely affected by the prolonged power outage in Cebu that resulted from the devastation caused by Typhoon Odette in December 2021.

- 40%-owned Abovant Holdings, Inc. (AHI) saw a 54% YoY increase in income contribution to Php 110.3 mn. This was driven by the increase in profitability of its associate, Cebu Energy Development Corporation (CEDC). CEDC's robust performance during the quarter in review was on the back of increased dispatch on its bilateral contract (up by 37% YoY). This was tempered by reduced profit on its sale to the Wholesale Electricity Spot Market (WESM) due to a 59% YoY drop in the volume of energy sold to the spot market and higher business taxes.

- 20%-owned Therma Visayas, Inc. (TVI) recorded an income contribution of Php 46.0 mn as of end-March 2023, a reversal from Php 78.9 mn net loss contribution in the same period last year. This was mainly attributed to higher revenue from its WESM sales (up by 1,011% YoY) as volume of energy sold significantly increased by 276% YoY. Increased revenue from bilateral contracts (up by 43%) as volume sales rose by 19% YoY, reduced debt service and higher foreign exchange gains also contributed to the improved net income contribution during the quarter in review. However, this strong showing was offset by lower profit from Retail Electricity Supply (RES) contracts (down by 17% YoY) due to increased cost of power. In the same period last year, TVI experienced plant downtime related to Typhoon Odette.

- 40%-owned Cebu Private Power Corporation (CPPC) brought in Php 5.3 mn in income contribution as of end-March 2023 vis-a-vis Php 2.9 mn in net loss contribution as of end-March 2022. CPPC booked a non-recurring revenue pertaining to the collection of additional compensation on its sale of energy to the WESM. In 2022, power generation companies,

[10] Reported as a net loss contribution of Php 7.8 mn in the SEC 17Q YTD March 2022 report, which accounted the share in the equity earnings from VECO using the revaluation model. In 2022, the Company elected to change its policy in applying the equity method with respect to VECO's power distribution utility assets, i.e., from the revaluation model to the cost model.

including CPPC, were entitled to the additional compensation upon implementation of the secondary price cap by the Electricity Market Operator of the Philippines (IEMOP).

- 50%-owned Calamian Islands Power Corporation (CIPC) posted an income contribution of Php 13.2 mn, recording a growth of 92% YoY. This strong showing was on the back of a 39% YoY expansion in total energy sales volume as of end-March 2023.

The above expansion in earnings contribution were tempered by the following:

1. Income contribution from 50%-owned Delta P, Inc. (DPI) went down by 67% YoY to Php 3.6 mn. The 42% YoY rise in volume of energy sold was not enough to cover for the 35% YoY increase in generation cost, and 191% YoY rise in operating expenses due to a non-recurring business tax payment.

2. 40%-owned Prism Energy, Inc. (Prism Energy), a RES company, saw a 13% YoY decline in its income contribution to Php 0.6 mn as of end-March 2023. This was on account of the 58% YoY decline in the volume of energy sold, coupled with the 27% YoY drop in average selling price per kilowatt hour (kwh).

3. 45%-owned Faith Lived Out Visions 2 Ventures Holdings, Inc. (FLOWS), through its 89.58%-owned subsidiary, Puerto Princesa Water Reclamation and Learning Center, Inc. (PPWRLC), saw a 23% YoY decline in income contribution to Php 0.4 mn as of end-March 31, 2023. The accrual of interest expense for a long-term loan drawn by FLOWS in January 2023 outweighed its equity share in PPWRLC's earnings from wastewater treatment operations (up by 326% YoY).

EBITDA was at Php 857.9 mn as of end-March 2023, 154% higher than Php 337.5[11] mn as of end-March 2022. This was mainly an outcome of the 244% YoY increase in operating income, which stemmed from:

1. Total revenue rose by 50% YoY to Php 1.6 billion (bn), which was attributed to:

    - The Company and 100%-owned VEC booked management and service fees of Php 24.8 mn as of end-March 31, 2023 vis-à-vis nil as of end-March 31, 2022. This was due to the timely finalization of the contracts with an associate and two joint ventures, and a new service level agreement with another associate starting January 2023.

    - 205% YoY increase in engineering service revenue. 60%-owned Watermatic Philippines Corporation (WMP) posted revenue from engineering service contract with non-related parties of Php 6.1 mn during the quarter in review vis-à-vis Php 0.5 mn in the same period last year.

      On the other hand, 100%-owned Corenergy, Inc. (Corenergy) showed a 61% YoY decline in the topline performance of its engineering service operation. Corenergy did not have billable charges as services for new contracts with customers are still on-going.

    - 590% YoY expansion in equity earnings resulting from the increase in the income contributions of four associates and one joint venture as of end-March 2023. These are VECO, AHI, TVI, CPPC and CIPC.

[11] Includes the impact of the change in accounting for the equity share in the net earnings of VECO from revaluation method to cost method.

- Interest income increased by 390% YoY, which was driven by higher interest rates for short-term money market placements.

2. 7% YoY drop in total cost of services. This was mainly driven by the 8% YoY reduction in generation cost. The decreased dispatch of 55.2%-owned 1590 Energy Corporation (1590 EC) led to lower fuel cost. Further, 100%-owned Vivant Solar Corporation (VSC) posted a 29% YoY drop in direct cost due to the non-accrual of the current year's real property taxes (RPT). As of end-March 2022, VSC accrued the RPT for 2022 based on the computation received from the local government unit (LGU) at that time.

   However, the contraction in cost of services was offset by the following:
   - Higher plant repairs and maintenance, and depreciation expense incurred by 1590 EC (the latter resulting from the acquisition of the Bauang Diesel Power Plant (BDPP) in April 2022)

   - Increase in generation cost seen in 65%-owned Isla Norte Power Corporation (Isla Norte) on the back of a 5% YoY increase in the volume of energy sales.

   - Higher direct cost incurred by 100%-owned Corenergy Solar Solutions Corporation (CSSC) given additional customers with new solar energy supply contracts (sales volume up by 519% YoY).

   - Increased volume sales (up by 170% YoY) and customer base of Corenergy's RES business led to higher cost of purchased power (up by 98% YoY). Corenergy also booked depreciation cost related to its solar rooftop business which started in the second quarter of 2022.

Meanwhile, the expansion in EBITDA was tempered by the following:

1. Sale of power declined by 4% YoY to Php 957.3 mn from Php 995.4 mn. This was mainly attributed to the 33% YoY drop in 1590 EC's topline performance to Php 479.7 mn as of end-March 2023 resulting from a 62% YoY reduction in WESM sales.

   However, the revenue contraction was partly mitigated by the improved revenue contribution by the Company's investments in other oil-fired power plants, RES and solar rooftop businesses, as follows:

   Oil-fired Power Plants

   - 90%-owned North Bukidnon Power Corporation (NBPC) brought in revenue contribution of Php 18.1 mn as of end-March 2023, 5% higher YoY, which was attributed to higher fixed fees driven by the behavior of the Philippine Consumer Price Index (CPI).

   - 65%-owned Isla Norte Power Corporation (Isla Norte)[12] shored in a revenue contribution of Php 180.3 mn during the quarter in review from the operation of the 23.3-MW power generation facility. This was 5% higher than the revenue contribution in the same period last year.

[12] On May 19, 2022, Isla Norte Energy Corporation (INEC) and Isla Norte Power Corporation (Isla Norte) entered into a plan of merger with Isla Norte as the surviving company, and that the Securities and Exchange Commission (SEC) subsequently approved the Articles and Plan of Merger on December 29, 2022.

Retail Electricity Supply

- Corenergy showed higher RES revenue (up 132% YoY) as of end-March 2023. This strong showing was due to the increased volume sales (up by 170% YoY) and customer base.

Solar Rooftop

- 100%-owned CSSC, posted a 79% YoY expansion in its topline performance on account of improved customer base during the period in review.

- 100%-owned VSC contributed Php 1.1 mn in revenue as of end-March 2023 from Php 0.8 mn as of end-March 2022 as energy volume sales grew by 42% YoY.

- The solar rooftop component of 100%-owned Corenergy contributed revenue of Php 1.3 mn. This was a result of the commercial operations of their facilities in the second quarter of 2022.

2. Engineering service fees grew by 45% YoY to Php 23.9 mn as of end-March 2023. This was mainly attributed to higher direct costs incurred by WMP as its engineering service operations with non-related parties improved during the quarter in review. Further, Corenergy's engineering service business recorded an 85% YoY increase, mostly in depreciation expense for engineering equipment and engineering service fees to service on-going contracts with customers.

3. Operating expenses rose by 41% YoY.

The Company ended the quarter in review with a net decrease in cash, before considering the effect of changes in the foreign exchange rates, in the amount of Php 454.6 mn. This was 173% higher than the net decrease in cash as of end-March 2022 in the amount of Php 166.4 mn. Financing activities, which significantly accounted for the net decrease in cash, showed a spending of Php 179.9 mn as of end-March 2023 vis-à-vis the net cash outflows of Php 119.0 mn as of end-March 2022. The net cash flows used in investing activities in the amount of Php 110.7 mn and operating activities in the amount of Php 164.0 mn further contributed to the reduction in cash level during the quarter in review.

Operating activities showed a net cash outflow of Php 164.0 mn as of end-March 2023, which was mainly due to the rise in trade receivables (due to accrual of service fees from service level agreements with associates, and improved operations of Isla Norte, VSC, CSSC, and Corenergy). Increased prepayments (due to higher creditable withholding taxes (CWTs) and input VAT booked by the Company, VEC, Isla Norte, and Corenergy, and input VAT booked by 100%-owned Isla Mactan-Cordova Corporation (IMCC) from importation and domestic purchase of goods and services related to the development of a desalination facility), and income taxes paid further contributed to the cash outflow during the quarter in review. As of end-March 2022, the Company generated cash from operating activities in the amount of Php 145.4 mn.

Investing activities ended the quarter in review with a net cash outflow of Php 110.7 mn, which was on account of VEC's investment in a solar plant facility in Bulacan last January 2023, and development costs incurred by IMCC for the construction of a seawater desalination facility. These were offset by dividends received from VECO. This compares to the spending of Php 192.8 mn as of end-March 2022, which was mainly due to 1590 EC's advance payments to a supplier of plant spare parts and supplies and the bid bond for a property acquisition.

Financing activities as of end-March 2023 showed a net cash outflow of Php 179.9 mn, 51% higher than the net cash ouflow of Php 119.0 mn as of end-March 2022. During the quarter in review, the Company, Isla Norte, NBPC, and 90%-owned Bukidnon Power Corporation (BPC) made principal amortization payments for their respective short-term and/or long-term loans. Also, VEC's advances to an associate and finance lease payments by the Company and WMP contributed to the use of cash as of end-March 2023. These were tempered by the collection from an associate for its full payment of an interest-bearing loan from the Company, and proceeds from the short-term loan drawn by VEC in February and March 2023.

Debt-to-Equity ratio went down to 0.45x as of end-March 2023, vis-à-vis as of end-2022 level of 0.48x. While total equity increased by 4%, total liabilities was lower by 3%. The drop in total liabilities was mainly due to the principal amortization payments made by the Company, BPC, NBPC and Isla Norte, payment of trade and other payables accrued as of year-end 2022 (mostly billings for spare parts used by 1590 EC, subcontractors and supplier of materials and equipment for an on-going engineering project of WMP, fuel billings incurred by 1590 EC and Isla Norte, and billings for engineering service contracts engaged by Corenergy for its engineering solutions operations), and amortization of finance lease booked by the Company and WMP.

The Company's current ratio went up to 1.98x as of the quarter in review from year-end 2022 level of 1.87x. Current assets declined by 4%. The lower cash level as of end-March 2023, use of inventories for the operations of 1590EC, Isla Norte, BPC, and NBPC, and drop in advances from shareholders (mainly due to the collection from an associate for its full payment of an interest-bearing loan from the Company) were offset by higher trade and other receivables (due to accrual of service fees from service level agreements with associates, and improved operations of Isla Norte, VSC, CSSC, and Corenergy) and increased prepayments (due to higher CWTs and input VAT booked by the Company, VEC, Isla Norte, and Corenergy, and input VAT booked by 100%-owned IMCC from importation and domestic purchase of goods and services related to the development of a desalination facility). Meanwhile, current liabilities were 10% lower than end-2022 level. This was attributed to the principal amortization payments by the Company, BPC, and NBPC, payment of trade and other payables accrued as of year-end 2022, amortization of finance lease booked by the Company and WMP, payment made by a subsidiary to a minority shareholder for an interest-bearing loan, and payment made by another subsidiary to its minority shareholder for advances made in prior years.

Material Changes in Line Items of Registrant's Income Statement
(YTD March 2023 vs. YTD March 2022)

As of end-March 2023, the Company's total revenues amounted to Php 1.6 bn, recording a 50% YoY increase from Php 1.1 bn.

1. Sale of power declined by 4% YoY to Php 957.3 mn from Php 995.4 mn. This was mainly attributed to the 33% YoY drop in 1590EC's topline performance to Php 479.7 mn as of end-March 2023 resulting from a 62% YoY reduction in WESM sales.

   However, the revenue contraction was mitigated by the improved revenue contribution by the Company's investments in other oil-fired power plants, RES and solar rooftop businesses, as follows:

Oil-fired Power Plants

- 90%-owned NBPC brought in revenue contribution of Php 18.1 mn as of end-March 2023, 5% higher YoY, which was attributed to higher fixed fees driven by the behavior of the Philippine CPI.

- 65%-owned Isla Norte shored in a revenue contribution of Php 180.3 mn during the quarter in review from the operation of the 23.3-MW power generation facility. This was 5% higher than the revenue contribution in the same period last year.

Retail Electricity Supply

- Corenergy showed higher RES revenue (up 132% YoY) as of end-March 2023. This strong showing was due to the increased volume sales (up by 170% YoY) and customer base.

Solar Rooftop

- 100%-owned CSSC, posted a 79% YoY expansion in its topline performance on account of improved customer base during the period in review.

- 100%-owned VSC contributed Php 1.1 mn in revenue as of end-March 2023 from Php 0.8 mn as of end-March 2022 as energy volume sales grew by 42% YoY.

- The solar rooftop component of 100%-owned Corenergy contributed revenue of Php 1.3 mn. This was a result of the commercial operations of their facilities in the second quarter of 2022.

2. The Company and 100%-owned VEC booked management and service fees of Php 24.8 mn as of end-March 31, 2023 vis-à-vis nil as of end-March 31, 2022. This was due to the timely finalization of the contracts with an associate and two joint ventures, and a new service level agreement with another associate starting January 2023.

3. Engineering service income grew by 205% YoY to Php 6.8 mn. 60%-owned WMP posted revenues from a third-party engineering service contract of Php 6.1 mn during the quarter in review vis-à-vis Php 0.5 mn in the same period last year.

   On the other hand, 100%-owned Corenergy showed a 61% YoY decline in the topline performance of its engineering service operation. Corenergy did not have billable charges as services for new contracts with customers are still on-going.

4. The Company's share in net earnings of associates and joint ventures as of March 31, 2023 amounted to Php 625.0 mn, representing a 590% YoY increase from Php 90.5 mn. This was a result of the following:

   - VECO, the Company's electricity distribution utility, posted a Php 370.4 mn income contribution during the quarter in review from Php 8.6 mn as of end-March 31, 2022. This was mainly attributed to the 26% YoY increase in the volume of electricity sold. In the same period last year, the utility's electricity sales volume was severely affected by the prolonged power outage in Cebu that resulted from the devastation caused by Typhoon Odette in December 2021.

- 40%-owned AHI saw a 54% YoY increase in income contribution to Php 110.3 mn. This was driven by the increase in profitability of its associate, CEDC. CEDC's robust performance during the quarter in review was on the back of increased dispatch on its bilateral contract (up by 37% YoY). This was tempered by reduced profit on its sale to the WESM due to a 59% YoY drop in the volume of energy sold to the spot market and higher business taxes.

- 20%-owned TVI recorded an income contribution of Php 46.0 mn as of end-March 2023, a reversal from Php 78.9 mn net loss contribution in the same period last year. This was mainly attributed to higher revenue from its WESM sales (up by 1,011% YoY) as volume of energy sold significantly increased by 276% YoY. Increased revenue from bilateral contracts (up by 43%) as volume sales rose by 19% YoY, reduced debt service and higher foreign exchange gains also contributed to the improved net income contribution during the quarter in review. However, this strong showing was offset by lower profit from RES contracts (down by 17% YoY) due to increased cost of power. In the same period last year, TVI experienced plant downtime related to Typhoon Odette.

- 40%-owned CPPC brought in Php 5.3 mn in income contribution as of end-March 2023 vis-a-vis Php 2.9 mn in net loss contribution as of end-March 2022. CPPC booked a non-recurring revenue pertaining to the collection for additional compensation on its sale of energy to the WESM. In 2022, power generation companies, including CPPC, were entitled to the additional compensation upon implementation of the secondary price cap by the IEMOP.

- 50%-owned CIPC posted an income contribution of Php 13.2 mn, recording a growth of 92% YoY. This strong showing was on the back of a 39% YoY expansion in total energy sales volume as of end-March 2023.

The above expansion in earnings contribution were tempered by the following:

- Income contribution from 50%-owned DPI went down by 67% YoY to Php 3.6 mn. The 42% YoY rise in volume of energy sold was not enough to cover for the 35% YoY increase in generation cost, and 191% YoY rise in operating expenses due to a non-recurring business tax payment.

- 40%-owned Prism Energy, a RES company, saw a 13% YoY decline in its income contribution to Php 0.6 mn as of end-March 2023. This was on account of the 58% YoY decline in the volume of energy sold, coupled with the 27% YoY drop in average selling price per kwh.

- 45%-owned FLOWS, through its 89.58%-owned subsidiary, PPWRLC, saw a 23% YoY decline in income contribution to Php 0.4 mn as of end-March 31, 2023. The accrual of interest expense for a long-term loan drawn by FLOWS in January 2023 outweighed its equity share in PPWRLC's earnings from wastewater treatment operations (up by 326% YoY).

5. Interest income increased by 390%, which was driven by higher interest rates for short-term money market placements.

Total cost of services and operating expenses as of end-March 2023 marginally went up by 2% YoY to Php 891.3 mn from Php 876.1[13] mn. Said movement can be accounted for by the following:

1. Total cost of services was lower by 7% YoY to Php 671.6 mn. This was mainly driven by the 8% YoY decline in generation cost from Php 703.7 mn to Php 647.7 mn. The decreased dispatch of 55.2%-owned 1590 EC led to lower fuel cost. Further, 100%-owned VSC posted a 29% YoY drop in direct cost due to the non-accrual of the current year's RPT. As of end-March 2022, VSC accrued the RPT for 2022 based on the computation received from the LGU at that time.

   However, contraction in cost of services was offset by the following:

   - Higher plant repairs and maintenance, and depreciation expense incurred by 1590 EC (the latter resulting from the acquisition of the BDPP in April 2022)

   - Increase in generation cost seen in 65%-owned Isla Norte on the back of a 5% YoY increase in the volume of energy sales.

   - Higher direct cost incurred by 100%-owned CSSC given the additional customers with new solar energy supply contracts (sales volume up by 519% YoY).

   - Increased volume sales (up by 170% YoY) and customer base of Corenergy's RES business led to higher cost of purchased power (up by 98% YoY). Corenergy also booked depreciation cost related to its solar rooftop business which started in the second quarter of 2022.

   Meanwhile, engineering service fees grew by 45% YoY to Php 23.9 mn as of end-March 2023. This was mainly attributed to higher direct costs incurred by WMP as its engineering service operations with non-related parties improved during the quarter in review. Further, Corenergy's engineering service business recorded an 85% YoY increase, mostly in depreciation expense for engineering equipment and engineering service fees to service on-going contracts with customers.

2. Taxes and licenses significantly grew by 132% YoY to Php 47.1 mn from Php 20.3 mn. Documentary stamp taxes were incurred for infusions made to subsidiaries to fund various power and water infrastructure projects, and short-term loans drawn by VEC.

3. Professional fees were significantly higher by 147% YoY at Php 21.6 mn This was mainly attributable to higher consultancy fees incurred for project development and organizational development during the quarter in review.

4. Management and directors' fees rose to Php 6.8 mn as of end-March 2023 from Php 2.4 mn as of end-March 2022. The increased number of board and committee meetings and higher directors' per diem accounted for the cost expansion.

5. Outside services grew by 32% YoY to Php 5.5 mn. This can be attributed to the increased fee for the payroll outsourcing of a subsidiary and marketing services for another subsidiary.

[13] Reported as Php 869.1 mn in the SEC 17Q YTD March 2022 report. The change is due to finalization of the purchase price allocation under PFRS 3, Business Combination, related to its acquisition of the BPC and NBPC in May 2021.

6. Travel expenses were higher by 59% YoY to Php 3.9 mn. This can be mainly attributed to the increased frequency of business travels for meetings with partners and stakeholders, and site visit for project development. Further to this, fuel expense for fleet cars went up as frequency of fieldwork and employees working on premise increased during the quarter in review.

7. Communication and utilities went up by 6% YoY to Php 2.7 mn. This was mainly due to higher consumption of water and electricity as a result of the increased number of employees working on premise.

8. Rent and association dues as of end-March 2023 was at Php 1.8 mn, 38% higher YoY. Increased assets rental of a subsidiary during the quarter in review mainly accounted for the cost expansion.

9. Representation expenses were lower by 39% YoY to Php 0.7 mn. This was mainly due to reduced spending during the quarter in review.

10. Other operating expenses went up to Php 29.0 mn, posting a 138% increase YoY. This was mainly due to the timing of the donation to Vivant Foundation, Inc. (VFI) and timely receipt of billings for the hosting fees of the Company's Enterprise Resource Planning (ERP). Also, the Company, through a subsidiary, incurred standby-letter-of credit (SBLC) fees for the renewal of a performance bond for the construction of a 15MW bunker-fired power plant in Pampanga.

Vivant booked Php 78.6 mn in other charges as of end-March 2023, recording an increase of 53% from Php 51.4 mn in other charges booked in the same period last year. The following account for the movement:

1. Finance costs on loans saw a 13% YoY expansion to Php 61.8 mn. Debt servicing of three subsidiaries accounted for the cost expansion. Finance cost of Isla Norte came from its short-term and long-term loans drawn in the second semester of 2022. Meanwhile, finance costs of BPC and NBPC increased by 105% YoY and 23% YoY, respectively, due to the refinancing of their long-term loans in the second quarter of 2022 which had higher loan amount and interest rate.

2. Unrealized foreign exchange loss stands at Php 21.6mn as of end-March 2023, a reversal of the unrealized foreign exchange gain of Php 9.2 mn as of end-March 2022. This pertains to the translation of the US Dollar and Euro cash balances of the Company and its subsidiaries.

The increase in other charges were offset by the following:

1. Finance costs on lease liabilities dropped by 97% YoY to Php 0.2 mn. As of end-March 2022, 1590 EC recognized finance costs on lease liability for its lease of the BDPP. In April 2022, the finance lease liability was derecognized resulting from the purchase of the BDPP. Amortization of the finance lease under PFRS 16 recognized by the Company and WMP accounted for the finance cost during the quarter in review.

2. Other income significantly rose by 206% YoY to Php 5.0 mn. This mainly pertains to CSSC's income from the lease of solar panels, one-off billing of a subsidiary for the reimbursement of operating expenses to an associate, and reimbursement received by VEC for various operating expenses.

Taking all of the above into account, the Company recorded a total net income of Php 629.3 mn for the period ending March 31, 2023, which is 409% higher than end-March 2022's net income of Php 123.7[14] mn. Net income attributable to parent, net of the share of the minority shareholders of seven subsidiaries, amounted to Php 573.2 mn as of end-March 2023 from Php 46.8 mn as of end-March 2022.

Changes in Registrant's Consolidated Resources, Liabilities and Shareholders' Equity
(End-March 2023 vs. Year-end 2022)

The Company's total assets as of end-March 2023 amounted to Php 26.8 mn, which was marginally higher than end-2022's level of Php 26.4[15] mn. The following are the material movements in the consolidated assets of the Company during the period in review.

1. Cash and cash equivalents was reduced to Php 4.4 bn as of end-March 2023. Spending for financing activities amounting to Php 179.9 mn and operating activities amounting to Php 164.0 mn, albeit lower than the cash outflows of Php 255.7 mn as of end-2022, mainly drove the decrease in cash. Cash used for investing activities amounted to Php 110.7 mn, 93% lower than the cash outflows of Php 1.6 bn as of end-2022.

2. Trade and other receivables went up by 17% to Php 1.6 bn as of end-March 2023. This was mainly attributed to the accrual of income from service level agreements with associates, and the improved operations of Isla Norte, VSC, CSSC and Corenergy.

3. Advances to associates, joint ventures, and stockholders declined by 33% YoY to Php 196.6 mn. This was on account of the collection from an associate for the full settlement of its interest-bearing loan from the Company. An interest-bearing loan extended by VEC to an associate offset the asset reduction during the quarter in review.

4. Inventories were lower by 7% to Php 166.1 mn as of end-March 2023. This was attributed to the fuel consumption of 1590, Isla Norte, BPC and NBPC, and the use of personal protective equipment by WMP for project site safety.

5. Prepayments and other current assets were higher by 11% to Php 494.3 mn. Accrued revenue from the service level agreements of the Company and VEC, improved operations of Isla Norte and Corenergy resulted to higher CWTs and deferred input VAT. Moreover, IMCC had input VAT during the quarter in review from its importation and domestic purchase of goods and services related to the development of its seawater desalination plant.

6. Property, plant and equipment increased by 12% to Php 6.6 bn, which was mainly attributed to the take-up of the assets of newly-acquired subsidiary, San Ildefonso Alternative Energy Corp. (SIAEC). The asset undergoing construction for a seawater desalination plant (Construction-in-Progress) of wholly-owned IMCC, and various fixed assets acquired by the Company and VEC also contributed to the asset expansion during the quarter in review.

7. Right-of-use asset (ROU) grew by 6% to Php 23.4 mn. This was on account of the renewal of WMP's long-term lease for an office space, reduced by the recurring amortization of the ROUs booked by the Company.

[14] Reported as Php 112.5 mn in the SEC 17Q YTD March 2022 report. The change is mainly due to the restatements of the financial statements as of and for the quarter ended March 31, 2022 to consider the retrospective adjustments briefly described above.
[15] Reported as Php 25.0 mn in the SEC 17Q YTD March 2022 report. The change is mainly due to the restatements of the financial statements as of and for the quarter ended March 31, 2022 to consider the retrospective adjustments briefly described above.

8. Other non-current assets amounted to Php 2.0 bn, 6% higher than end-2022's Php1.9 bn, which was mainly due to the rise in noncurrent VAT booked by 1590 EC and Isla Norte. The take-up of the input VAT of newly-acquired subsidiary, SIAEC, also contributed to the expansion of this account.

Total consolidated liabilities amounted to Php 8.3 bn as of end-March 2023, 3% lower than the end-2022 level of Php 8.5 bn, which was mainly attributed to the principal amortization payments made by the Company, Isla Norte, BPC and NBPC. Other factors include:

1. Trade and other payables declined to Php 1.3 bn as of end-March 2023 from Php 1.5 bn as of end-2022. The movement was attributable to the payment of supplier billings accrued as of year-end 2022, which mostly include billings for spare parts used by 1590 EC, subcontractors and supplier of materials and equipment for an on-going engineering project of WMP, fuel billings incurred by 1590 EC and Isla Norte, and billings for engineering service contracts engaged by Corenergy for its engineering solutions operations.

2. Advances from related parties shrank by 6% to Php 10.2 mn. This is attributed to payment made by a subsidiary to a minority shareholder for an interest-bearing loan, and payment made by another subsidiary to its minority shareholder for advances made in prior years.

The contraction in liabilities was offset by the following:

1. Short-term notes payable was 69% higher at Php 2.0 bn as of end-March 2023 from Php 1.2 bn as of end-2022. The short-term note drawn by VEC in February and March 2023 offset the drop in Isla Norte's short-term note after its full settlement during the quarter in review.

2. Income tax payable rose by 71% to Php 12.9 mn, which was attributed to the taxable earnings of Isla Norte, WMP, BPC, NBPC and rental income of 100%-owned Vivant Realty Ventures Corporation (VRVC).

3. Pension liability as of end-March 2023 was at Php 68.1 mn, a 6% increase from the end-2022 level of Php 64.2 mn. Accrual of pension expenses booked by the Company, VEC and 100%-owned Vivant Infracore Holdings Inc. (VIHI) mainly accounted for the expansion of this account.

4. Deferred income tax liabilities rose by 64% to Php 439.4 mn, which was on account of the take-up of the deferred income tax liabilities of newly acquired subsidiary, SIAEC.

As a result of net income generated, total stockholders' equity increased by 4%, from Php 17.9 bn as of year-end 2022 to Php 18.5 bn as of end-March 2023. Meanwhile, equity attributable to parent was at Php 17.1 bn as of end-March 2023, up by 3% vis-à-vis end-2022's Php 16.5[16] bn.

[16] Reported as Php 17.0 bn the SEC 17Q YTD March 2022 report. The change is mainly due to the restatements of the financial statements as of and for the quarter ended March 31, 2022 to consider the retrospective adjustments briefly described above.

Material Changes in the Consolidated Liquidity and Cash Reserves of Registrant
(End-March 2023 vs. End-March 2022)

Cash and cash equivalents fell by 20% YoY, from Php 5.5 bn as of end-March 2022 to Php 4.4 bn as of end-March 2023.

The Company ended the quarter in review with a net decrease in cash, before considering the effect of changes in the foreign exchange rates, in the amount of Php 454.6 mn. This was 173% higher than the net decrease in cash as of end-March 2022 in the amount of Php 166.4 mn. Financing activities, which significantly accounted for the net decrease in cash, showed a spending of Php 179.9 mn as of end-March 2023 vis-à-vis the net cash outflows of Php 119.0 mn as of end-March 2022. The net cash flows used in investing activities in the amount of Php 110.7 mn and operating activities in the amount of Php 164.0 mn further contributed to the reduction in cash level during the quarter in review.

Operating activities showed a net cash outflow of Php 164.0 mn as of end-March 2023, which was mainly due to the rise in trade receivables (due to accrual of service fees from service level agreements with associates, and improved operations of Isla Norte, VSC, CSSC and Corenergy). Increased prepayments (due to higher CWTs and input VAT booked by the Company, VEC, Isla Norte and Corenergy, and input VAT booked by 100%-owned IMCC from importation and domestic purchase of goods and services related to the development of a desalination facility), and income taxes paid further contributed to the cash outflow during the quarter in review. As of end-March 2022, the Company generated cash from operating activities in the amount of Php 145.4 mn.

Investing activities ended the quarter in review with a net cash outflow of Php 110.7 mn, which was on account of VEC's investment in a solar plant facility in Bulacan last January 2023, and development costs incurred by IMCC for the construction of a seawater desalination facility. These were offset by dividends received from VECO. This compares to the spending of Php 192.8 mn as of end-March 2022, which was mainly due to 1590 EC's advance payments to a supplier of plant spare parts and supplies and the bid bond for a property acquisition.

Financing activities as of end-March 2023 showed a net cash outflow of Php 179.9 mn, 51% higher than the net cash ouflow of Php 119.0 mn as of end-March 2022. During the quarter in review, the Company, Isla Norte, BPC and NBPC made principal amortization payments for their respective short-term and/or long-term loans. Also, VEC's advances to an associate and finance lease payments by the Company and WMP contributed to the use of cash as of end-March 2023. These were tempered by the collection from an associate for its full payment of an interest-bearing loan from the Company, and proceeds from the short-term loan drawn by VEC in February and March 2023.

Financial Ratios

Debt-to-Equity ratio went down to 0.45x as of end-March 2023, vis-à-vis as of end-2022 level of 0.48x. While total equity increased by 4%, total liabilities was lower by 3%. The drop in total liabilities was mainly due to the principal amortization payments made by the Company, BPC, NBPC and Isla Norte, payment of trade and other payables accrued as of year-end 2022 (mostly billings for spare parts used by 1590 EC, subcontractors and supplier of materials and equipment for an on-going engineering project of WMP, fuel billings incurred by 1590 EC and Isla Norte, and billings for engineering service contracts engaged by Corenergy for its engineering solutions operations), and amortization of finance lease booked by the Company and WMP.

The Company's current ratio went up to 1.98x as of the quarter in review from year-end 2022 level of 1.87x. Current assets declined by 4%. The lower cash level as of end-March 2023, use of inventories for the operations of 1590EC, Isla Norte, BPC, and NBPC, and drop in advances from shareholders (mainly due to the collection from an associate for its full payment of an interest-bearing loan from the Company) were offset by higher trade and other receivables (due to accrual of service fees from service level agreements with associates, and improved operations of Isla Norte, VSC, CSSC and Corenergy) and increased prepayments (due to higher CWTs and input VAT booked by the Company, VEC, Isla Norte and Corenergy, and input VAT booked by 100%-owned IMCC from importation and domestic purchase of goods and services related to the development of a desalination facility). Meanwhile, current liabilities were 10% lower than end-2022 level. This was attributed to the principal amortization payments by the Company, BPC and NBPC, payment of trade and other payables accrued as of year-end 2022, amortization of finance lease booked by the Company and WMP, and payment made by a subsidiary for an interest-bearing loan from a minority shareholder, and payment made by another subsidiary to its minority shareholder for advances made in prior years.

Material Events and Uncertainties

- Any known trends or any known demands, commitments, events or uncertainties that will result in or that are reasonably likely to result in the registrant's liquidity increasing or decreasing in any material way. The following conditions shall be indicated: whether or not the registrant is having or anticipates having within the next twelve (12) months any cash flow or liquidity problems; whether or not the registrant is in default or breach of any note, loan, lease or other indebtedness or financing arrangement requiring it to make payments; whether or not a significant amount of the registrant's trade payables have not been paid within the stated trade terms.

  The Company does not expect any liquidity problems and is not in default of any financial obligations.

- Any events that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation.

  None.

- Any material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the company with unconsolidated entities or other persons created during the reporting period.

  The Company does not have any material off-balance sheet transactions, arrangements obligations (including contingent obligations), and other relationships with unconsolidated entities or other persons created during the period in review.

- Any material commitments for capital expenditures, the general purpose of such commitments, and the expected sources of funds for such expenditures.

  The Company has projects in the pipeline, at varying degrees of development.

POWER GENERATION

These projects are being undertaken through wholly-owned subsidiary, VEC.

- VMHI is a joint venture that will serve as the project proponent for the development and implementation of a greenfield power plant project, which will involve the construction and operation of a series of run-of-river hydropower facilities in Barangay Kapitan Ramon in Silay City, Negros Occidental. VMHI will implement the project in phases, where Phase 1 will involve the construction and operation of a 6 MW power plant facility along the Malogo river. The company has finalized the detailed engineering plans of the facility. Vivant, however, has decided to put the project on hold given the prevailing transmission constraint in the Negros grid, which is expected to be resolved upon the completion of the Cebu-Negros-Panay 230kV backbone project of NGCP. VEC holds an effective equity stake of 67% in VMHI.

- CREC is the project proponent for the construction and operation of hybrid facilities to supply Culion Island with a guaranteed dependable capacity of 1.96 MW and to supply Linapacan Island with guaranteed dependable capacity of 0.358 MW. The Culion Power Station will have a configuration of 2.42 MW Diesel Genset, 2.80 MWp Solar PV and a battery storage system while the Linapacan Power Station's installed capacity will be composed of 540 kW Diesel Gensets and 325 kWp Solar PV. A Joint Application for the approval of the PSA was filed by CREC and BISELCO with the ERC on July 17, 2017, which is pending resolution. The Company, through VEC and 100%-owned Vivant Renewable Energy Corporation (VREC), has an effective ownership of 50% in CREC.

- Global Energy Development Corporation (GLEDC) is a special purpose vehicle that was set up to undertake the construction and operation of a 2x335 MW coal fired power plant in La Union. In December 2017, Vivant, through wholly-owned subsidiary VIGC, and Global Business Power Corporation signed a Pre-Development Agreement to jointly participate in this project. The Company, through 100%-owned Vivant Integrated Generation Corporation (VIGC), has an effective ownership of 42.5% in GLEDC.

- La Pampanga Energy Corporation is the an on-grid joint-venture between Vivant Energy and GPI to construct and operate an embedded 15MW bunker-fired power plant in Porac, Pampanga. The capacity of the embedded plant will supply the peaking power and ancillary requirements of PELCO II pursuant to the 15-year PSA awarded to Vivant Energy and GPI after a successful conduct of CSP by PELCO II in 2020. The Company, through VEC, has an effective ownership of 50% in LPEC.

- SIAEC is the project company that will operate a solar power plant facility in San Ildefonso, Bulacan. The facility is undergoing construction with a target capacity of 22 MWp and ancillary facilities. SIAEC is targeting to start commercial operations within 2023. VEC has an effective ownership of 100% in SIAEC.

- The Company, through its subsidiaries' business development Group, continuously looks for opportunities in the power, whether it be via greenfield, brownfield or acquisition. The Company conducts an extensive evaluation process before any proposed project is undertaken. Several factors are assessed and considered, which include but not limited to, the project's land use requirements, access to the grid, fuel supply availability and arrangements, permits and licenses, competitiveness of the plant and presence of potential offtakers. The Company intends to bankroll these projects via a combination of equity (30%) and debt (70%), where debt will be booked at the project company.

WATER INFRASTRUCTURE

These projects are being undertaken through wholly-owned subsidiary, VIHI.

- In August 2020, the SEC approved the incorporation of a 100%-owned subsidiary, through VHHI, that will undertake the proposed seawater desalination project in Cordova, Cebu, and sell bulk water to its intended off-taker, the Metropolitan Cebu Water District ("MCWD"). In June 2021, VHHI was awarded by MCWD with a 25-year Joint Venture Agreement after a successful conduct of a solicited bidding for the Cordova Bulk Water Supply Project. VHHI will build a utility-scale desalination plant that will augment the bulk water supply of MCWD by twenty thousand cubic meters per day of treated and potable water. Development activities for the plant commenced in 2022.

- Vivant, through wholly-owned subsidiary, VIHI, continues to build the organization with focus on water infrastructure. Water plays a crucial role in sustainable development and it is essential, if not the most essential to all forms of life. The growth horizon of the Company focuses on developing more bulk water supply (utilizing seawater desalination technology) and expanding its waste water treatment and water solutions businesses. As it acquires more years of solid performance in the industry, it will also look into the water distribution space and transport infrastructure business.

- Any known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales or revenues or income from continuing operations should be described.

  The overall economic performance of the Philippines is a key factor in the sale of electricity. Thus, the performance of the Company, including its subsidiaries and associates, is affected by the economic state of the country.

  Given the uncontracted portion of the Company's attributable generation capacity, any movement in the spot market price of electricity could have a significant impact on the Company's overall financial performance. Spot price of electricity is mostly determined by the supply and demand situation prevailing in the market.

- Any significant elements of income or loss that did not arise from the registrant's continuing operations

  None.

- Any material changes in estimates of amounts reported in prior interim period of the current financial year and interim period of the prior financial year, respectively.

  None.

- Any seasonal aspects that had a material effect on the financial condition or results of operations

  None.

- Any material events subsequent to the end of the interim period that have not been reflected in the financial statements of the interim period

  None.

For the Year Ended December 31, 2022 versus the Year Ended December 31, 2021 (As Restated)

The financial statements as of and for the year ended December 31, 2021 are restated due to the following:

1. There was a change in accounting policy for accounting the Company's investment in an associate engaged in power distribution business with respect to the associate's power distribution utility assets, i.e., from the revaluation model to the cost model. PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*, requires that the change in accounting policy is accounted for retrospectively, which impacts the investment in associate and joint ventures, retained earnings, equity in net earnings of associates and joint ventures, and share in revaluation increment of an associate, net of tax.

2. As allowed by PFRS 3, *Business Combination,* the assets recognized and liabilities assumed as a result of a subsidiary's acquisition of two power generation subsidiaries in 2021 were based on provisional assessment of the fair value of the assets and liabilities of the acquired companies. After the one-year provisional accounting period, the revised purchase price allocation resulted in a fair value adjustment to Property, Plant and Equipment, and the recognition of intangible assets representing the acquirees' power supply agreements with customer electric cooperatives. The recognition of these adjustments started in 2021, which was the year of investment.

The table below shows the comparative figures of the key performance indicators for the years 2022 and 2021, as restated.

Key Performance Indicators *Amounts in Php '000, except for ratios*	**2022**	**2021 (Restated)**
Equity in Net Earnings of Associates and Joint Ventures	1,941,357	1,838,491
EBITDA	2,380,990	2,816,861
Cash Flow From / (Used in)	(810,510)	761,564
Net cash flows from (used in) operating activities	(255,655)	477,905
Net cash flows from (used in) investing activities	(1,572,793)	567,324
Net cash flows from (used in) financing activities	1,017,938	(283,665)
Debt-to-Equity Ratio (x)	0.48	0.43
Current Ratio (x)	1.87	5.46

The Company's share in the net earnings of associates and joint ventures as of end-December 2022 amounted to Php 1.9 billion (bn), representing a 6% year-on-year (YoY) increase from Php 1.8 bn. This was a result of the following:

1. 40%-owned AHI posted a 13% increase in its income contribution to Php 382.4 million (mn) as of end-2022 from Php 338.2 mn as of end-2021. This was driven by the increase in profitability of its associate, CEDC. CEDC's robust performance during the period in review was on the back of higher revenue on the sale of excess capacity to the WESM and reduced debt service.

2. 40%-owned MPC brought in earnings contribution of Php 373.4 mn as of end-2022, 70% higher vis-à-vis the Php 220.2 mn as of end-2021. This was on account of the 18% YoY growth in the gross profit from bilateral contracts and lower debt service after the principal amortizations of a long-term loan were made during the year in review.

3. 20%-owned TVI recorded an income contribution of Php 380.3 mn as of end-2022, which was 111% higher YoY from Php 180.6 mn. One-off gains resulting from the company's fuel cost management was recognized during the year. TVI was likewise able to take advantage of favorable market conditions at the spot market, which resulted to a 26% expansion in revenue contribution. These offset the lower sales from bilateral contracts (down by 8% YoY) due to the devastation caused by Typhoon Odette in December 2021 and lower revenues from RES contracts (down by 25% YoY) due to increased cost of power.

4. 50%-owned DPI recorded a 45% YoY growth in its income contribution to Php 36.5 mn as of end-2022. This was mainly attributable to the 34% YoY increase in volume of energy sold during the year in review. As the island of Palawan opened up, the local economy has shown recovery with business activities picking up. Moreover, DPI incurred lower cost of repairs during the year in review.

5. 50%-owned CIPC showed an 85% YoY rise in its income contribution to Php 47.5 mn as of end-2022. This was mainly brought about by the 32% YoY rise in volume of energy sold backed by the recovery in economic activities in the islands.

6. 45%-owned FLOWS, through its 89.6%-owned subsidiary, PPWRLC, shored in a fresh income contribution of Php 6.4 mn during the year in review. This was on account of the earnings from the sewage and septage component of its wastewater treatment operations in Palawan, which commenced commercial operations in the first quarter of 2022.

The above improvements in earnings contributions were tempered by the following:

1. VECO, the Company's distribution utility, posted a Php 755.3 mn income contribution during the year in review, a 7% drop from its Php 814.1[17] mn earnings contribution as of end-2021. The devastation caused by Typhoon Odette in December 2021 resulted to a prolonged power outage in Cebu. Restoration works of VECO resulted to phased in energization of its franchise area. The volume of electricity sold in the months of January and February 2022 went down by 29% compared to the same period in 2021. The utility's electricity sales volume recovered starting in March as it posted a 7% YoY increase for the remaining ten (10) months of the year. This, however, was offset by the waiver of certain charges as a financial assistance to its customers and the delayed recovery of generation charges, which resulted to the lower profit contribution for the year.

2. 40%-owned CPPC recorded a Php 31.6 mn net loss contribution during the year in review, a reversal of the Php 221.1 mn net income contribution as of end-2021. Revenue from its sale of energy to the WESM rose by 164% YoY, but this did not fully compensate for the termination of its bilateral contract in August 2021.

3. 40%-owned Prism Energy, a RES company, saw a 77% YoY decline in its income contribution to Php 4.9 mn as of end-2022. Increased cost of purchased power per kilowatt-hour (kWh), which went up by 20% YoY, mainly accounted for this earnings contraction.

[17] Reported as Php 745.6 mn in the SEC 17A FY 2021, which accounted the share in the equity earnings from VECO using the revaluation model. In 2022, the Company elected to change its policy in applying the equity method with respect to VECO's power distribution utility assets, i.e., from the revaluation model to the cost model.

EBITDA as of end-2022 was down by 15% YoY to Php 2.4 bn from Php 2.8 bn[18]. This was mainly an outcome of the 21% YoY decrease in operating income to Php 1.9 bn, which stemmed from:

1. Management and service fees fell by 15% YoY to Php 86.8 mn. This was mainly due to a non-recurring service contract with an associate in 2021. The reduced fee of a service contract with another associate also contributed to the drop in revenue.

2. Engineering service revenue as of end-2022 was at Php 30.1 mn, 27% lower than end-2021's Php 42.0 mn. Wholly-owned Corenergy saw improved topline contribution from its engineering solutions business, which shored in a revenue of Php 30.9 mn as of end-2022. This, however, was offset by the significant reduction in 60%-owned WMP's revenues from third party engagements. In 2022, WMP's revenue from service contracts with external customers was significantly outweighed by the revenue from an Engineering, Procurement and Construction (EPC) contract with another subsidiary through wholly-owned VHHI for the development of a desalination plant. In 2021, WMP had engineering service contracts with external customers, which were completed in the same year.

3. 98% YoY spike in total cost of services as generation cost was 104% higher YoY. This was on the back of the increased dispatch of 55.2%-owned 1590 EC and 65%-owned INPC[19], higher plant repairs and depreciation incurred by 1590 EC, higher cost of purchased power of Corenergy as energy sales went up, and the increased direct costs incurred to service additional customers of 100%- owned CSSC as of end-2022.

   The cost of operating the solar energy supply contracts of 100%-owned VSC starting in January 2022 and Corenergy's solar rooftop business starting in the first quarter of 2022, and a full year's worth of generation cost incurred by 90%-owned BPC and NBPC also contributed to the cost expansion during the year in review. Equity stakes in BPC and NBPC were acquired in May 2021.

4. 18% YoY rise in operating expenses.

However, the reduction in EBITDA was mitigated by the following:

1. Sale of power grew by 44% YoY to Php 4.4 bn from Php 3.1 bn. This can be attributed to the revenue generated by the Company's investments in oil-fired power plants, RES and solar rooftop businesses.

   Oil-fired Power Plants

   - 65%-owned INPC shored in a revenue contribution of Php 752.9 mn (up by 703% YoY) driven by higher energy sales during the period with the completion and operation of its 23.3-MW power generation facility in November 2021.

   - 90%-owned BPC and NBPC brought in revenue contributions of Php 97.2 mn and Php 72.3 mn, respectively, as of end-2022. The Company, through wholly-owned subsidiaries VEC and VIDC acquired both BPC and NBPC in May 2021.

   - 55.2%-owned 1590 EC saw a rise in topline performance to Php 2.8 bn as of end- 2022, 10% higher YoY. This was on account of higher revenue from WESM sales as volume of energy sales went up by 35% YoY.

[18] Includes the impact of the change in accounting for the equity share in the net earnings of VECO from revaluation method to cost method.

[19] On May 19, 2022, INEC and INPC entered into a plan of merger with INPC as the surviving company, and that the Securities and Exchange Commission (SEC) subsequently approved the Articles and Plan of Merger on December 29, 2022.

Retail Electricity Supply

- 100%-owned Corenergy showed higher RES revenues (up 112% YoY) as of end-2022. This strong showing was due to the increased volume sales and customer base.

Solar Rooftop

- 100%-owned CSSC, posted a 78% YoY expansion in its topline performance on account of improved customer base during the period in review.

- 100%-owned VSC and the solar rooftop component of 100%-owned Corenergy contributed fresh revenue of Php 3.5 mn and Php 3.6 mn, respectively. This was a result of the commercial operations of their facilities in in the first quarter of 2022.

2. 6% YoY expansion in equity earnings resulting from the increase in the income contributions of four associates and two joint ventures as of end- 2022. These are AHI, MPC, TVI, DPI, CIPC and FLOWS.

3. Interest income increased by 162%, which was driven by higher interest rates for short-term money market placements.

4. Engineering service fees were 65% lower YoY, which was mainly a consequence of the reduced service billings of WMP. Most of its contracts with external customers were completed in 2021. In 2022, WMP's service contracts with IMCC outweighed its service contracts with external customers. On the other hand, Corenergy saw a significant increase in its engineering cost (up by 523% YoY) to service a robust growth in its engineering solutions business.

The Company ended 2022 with a net decrease in cash, before considering the effect of changes in the foreign exchange rates, in the amount of Php 810.5 mn. This was a shift from the net increase in cash as of end-2021 in the amount of Php 761.6 mn. Investing activities, which significantly accounted for the net decrease in cash, showed a spending of Php 1.6 bn as of end-2022 vis-à-vis the net cash inflows of Php 567.3 mn as of end-2021. The net cash flows used in operating activities amounting to Php 255.7 mn further contributed to the reduction in cash level during the year in review. The net decrease was tempered by the net cash inflows of Php 1.0 bn from financing activities as of end-2022.

Operating activities showed a net cash outflow of Php 255.7 mn as of end-2022, which was mainly from reduced operating results before working capital changes (down by 58% YoY). Increased trade receivables (due to improved operations of 1590 EC, INPC, Corenergy, VSC and CSSC), advance payment to suppliers (mostly for WMP's technical and engineering service providers), and higher interest payments (coming from the short-term loans of 1590 EC, additional loan drawn by INPC, and the refinancing of the long-term loans of BPC and NBPC which had higher loan amount and interest rate) further contributed to the cash outflow during the year in review. As of end-2021, the Company generated cash from operating activities in the amount of Php 477.9 mn.

Investing activities ended the year in review with a net cash outflow of Php 1.6 bn, which was on account of the following:

1. 1590 EC's purchase of the previously leased BDPP;
2. Capital expenditure for the acquisition of a real property and equipment by INPC, pre-development costs incurred by IMCC for a desalination plant, solar projects of CSSC and VSC, and the Company's purchase of other fixed assets; and
3. Additional investments in an associate and a financial asset.

These were offset by dividends received from VECO, AHI, MPC, CIPC and DPI during the year in review.

In 2021, the Company's investing activities posted a net cash inflow of Php 567.3 mn, which was mainly on account of the dividends received from associates and joint ventures, proceeds from the disposal of fixed assets and equity shareholdings in an associate by VEC and VREC, and the sale of an Available-for-sale (AFS) investment by 50.9%-owned HDFE.

Financing activities as of end-2022 generated cash in the amount of Php 1.0 bn, a reversal of the Php 283.7 mn net cash outflow as of end-2021. The inflows during the year in review mainly stemmed from 1590 EC's short-term loan, which was used to settle the advances from its shareholders, and the additional equity infusion made by its minority shareholders to fund the purchase of the BDPP. Also, proceeds from the additional investments of the minority shareholder of INPC, BPC's and NBPC's long-term loan drawn in June 2022 (net of the settlement of another loan), and INPC's long term loan drawn in July 2022 and short term loan drawn in October 2022 were additional sources of cash. Meanwhile, spending as of end-2021 were mainly for the payment of dividends by the Company, 1590 EC and BPC, and lease payments by the Company, 1590 EC and WMP.

Financial Ratios

Debt-to-Equity ratio went up to 0.48x as of end-2022, vis-à-vis as of end-2021 level of 0.43x[20]. Total liabilities increased by 21%, which was mainly attributable to the short-term loan of 1590 EC used to pay off the advances from its shareholders to fund the purchase of the BDPP. Trade and other payables also went up on the back of improved energy operations of 1590 EC, INPC and Corenergy, on-going engineering work for a project of WMP, price increase for spare parts seen in 1590 EC, dividend payable by the Company (unclaimed portion only) and NBPC. The liability expansion was offset by the derecognition of the finance lease liability related to the termination of the lease agreement with the PGLU because of the BDPP acquisition in April 2022. Meanwhile, total equity rose by 9%, which stemmed from the earnings for the period and an unrealized valuation gain on financial assets at fair value through other comprehensive income (FVOCI), net of the dividends declared by the Company during the year in review.

The Company's current ratio declined to 1.87x as of end-2022 from year-end 2021 level of 5.46x. Current liabilities significantly grew by 188% from end-2021 level. The short-term loan of 1590 EC and INPC, the reclassification of the Company's Php 1.0 bn FRCN maturing on January 2023 from noncurrent to current liability, increase in trade and other payables (attributed to improved operations and price increases for fuel and spare parts), and higher income tax payable ((due to increased taxable income from improved operations of Corenergy, INPC, VSC, WMP, BPC, NBPC and rental income of 100%-owned Vivant Realty Ventures Corporation (VRVC)) contributed to the rise in current liabilities. This was offset by the derecognition of the current portion of the finance lease liability booked in 1590 EC. On the other hand, current assets dipped by 2%. The lower cash levels as of end-2022 were offset by the increase in trade receivables given the improved operations of 1590 EC, INPC, Corenergy, CSSC, VSC, BPC and NBPC, purchase of fuel inventories of 1590 EC and INPC, advance payment made by WMP for various technical and engineering services, and advances to an associate and a joint venture for pre-development project requirements.

[20] Reported as 0.39x in the SEC 17A FY2021. The change is attributed to the increase in total liability for the recognition of a deferred tax liability on the net assets of BPC and NBPC booked at fair value (deemed cost) after the finalization of the purchase price allocation under PFRS 3, *Business Combination*. There was also a reduction in the total equity resulting from the derecognition of the share in revaluation increment of an associate due to the change in accounting policy, i.e, from revaluation to cost method.

Material Changes in Line Items of Registrant's Income Statement

As of end-2022, the Company's total revenues amounted to Php 6.5 bn, recording a 29% YoY rise from Php 5.1 bn. The topline performance was attributable to the following:

1. Sale of power grew by 44% YoY to Php 4.4 bn from Php 3.1 bn. This was mainly due to the revenue generated by the Company's investments in oil-fired power plants, RES and solar rooftop businesses.

   Oil-fired Power Plants
   - 65%-owned INPC shored in a revenue contribution of Php 752.9 mn (up by 703% YoY) driven by higher energy sales during the period with the completion and operation of its 23.3-MW power generation facility in November 2021.

   - 90%-owned BPC and NBPC brought in revenue contributions of Php 97.2 mn and Php 72.3 mn, respectively, as of end-2022. The Company, through wholly-owned subsidiaries VEC and VIDC acquired both BPC and NBPC in May 2021.

   - 55.2%-owned 1590 EC saw a rise in topline performance to Php 2.8 bn as of end- 2022, 10% higher YoY. This was on account of higher revenue from WESM sales as volume of energy sales went up by 35% YoY.

   Retail Electricity Supply
   - 100%-owned Corenergy showed higher RES revenues (up 112% YoY) as of end-2022. This strong showing was attributable to increased volume sales and customer base.

   Solar Rooftop
   - 100%-owned CSSC, posted a 78% YoY expansion in its topline performance on account of improved customer base during the period in review.

   - 100%-owned VSC and the solar rooftop component of 100%-owned Corenergy contributed fresh revenue of Php 3.5 mn and Php 3.6 mn, respectively. This was a result of the commercial operations of their facilities in the first quarter of 2022.

2. Management and service fees fell by 15% YoY to Php 86.8 mn. This was mainly due to a non-recurring service contract with an associate in 2021. The reduced fee of a service contract with another associate also contributed to the revenue drop.

3. Engineering service revenue as of end-2022 was at Php 30.1 mn, 27% lower than end-2021's Php 42.0 mn. Wholly owned Corenergy saw improved topline contribution from its engineering solutions business, which shored in a revenue of Php 30.9 mn as of end-2022. This, however, was offset by the significant reduction in 60%-owned WMP's revenues from third party engagements. In 2022, WMP's revenue from service contracts with external customers was significantly outweighed by the revenue from an EPC contract with another subsidiary. In 2021, WMP had engineering service contracts with external customers, which were completed in the same year.

4. Equity in net earnings of associates and joint ventures as of end-December 2022 amounted to Php 1.9 bn, representing a 6% YoY increase from Php 1.8 bn. This was a result of the following:

    - 40%-owned AHI posted a 13% increase in its income contribution to Php 382.4 mn as of end-2022 from Php 338.2 mn as of end-2021. This was driven by the increase in profitability of its associate, CEDC. CEDC's robust performance during the period in review was on the back of higher revenue on the sale of excess capacity to the WESM and reduced debt service.

    - 40%-owned MPC brought in earnings contribution of Php 373.4 mn as of end-2022, 70% higher vis-à-vis the Php 220.2 mn as of end-2021. This was on account of the 18% YoY growth in the gross profit from bilateral contracts and lower debt service after the principal amortizations of a long-term loan were made in during the year in review.

    - 20%-owned TVI recorded an income contribution of Php 380.3 mn as of end-2022, which was 111% higher YoY from Php 180.6 mn. One-off gains resulting from the company's fuel cost management was recognized during the year. TVI was likewise able to take advantage of favorable market conditions at the spot market, which resulted to a 26% expansion in revenue contribution. These offset the lower sales from bilateral contracts (down by 8% YoY) due to the devastation caused by Typhoon Odette in December 2021 and lower revenues from RES contracts (down by 25% YoY) due to increased cost of power.

    - 50%-owned DPI recorded a 45% YoY growth in its income contribution to Php 36.5 mn as of end-2022. This can be attributable to the 34% YoY increase in volume of energy sold during the year in review. As the island of Palawan opened up, the local economy has shown recovery with business activities picking up. Moreover, DPI incurred lower cost of repairs during the year in review.

    - 50%-owned CIPC showed an 85% YoY rise in its income contribution to Php 47.5 mn as of end-2022. This was mainly brought about by the 32% YoY rise in volume of energy sold backed by the recovery in economic activities in the islands.

    - 45%-owned FLOWS, through its 89.58%-owned subsidiary, PPWRLC, shored in a fresh income contribution of Php 6.4 mn during the year in review. This was on account of the earnings from the sewage and septage component of its wastewater treatment operations in Palawan, which commenced commercial operations in the first quarter of 2022.

The above improvements in earnings contributions were tempered by the following:

- VECO, the Company's distribution utility, posted a Php 755.3 mn income contribution during the year in review, a 7% drop from its Php 814.1 mn earnings contribution as of end-2021. The devastation caused by Typhoon Odette in December 2021 resulted to a prolonged power outage in Cebu. Restoration works of VECO resulted to phased in energization of its franchise area. The volume of electricity sold in the months of January and February 2022 went down by 29% compared to the same period in 2021. The utility's electricity sales volume recovered starting in March as it posted a 7% YoY increase for the remaining ten (10) months of the year. This, however, was offset by the waiver of certain charges as a financial assistance to its customers and the delayed recovery of generation charges, which resulted to the lower profit contribution for the year.

- 40%-owned CPPC recorded a Php 31.6 mn net loss contribution during the year in review, a reversal of the Php 221.1 mn net income contribution as of end-2021. Revenue from its sale of energy to the WESM rose by 164% YoY, but this did not fully compensate for the termination of its bilateral contract in August 2021.

- 40%-owned Prism Energy, an RES company, saw a 77% YoY decline in its income contribution to Php 4.9 mn as of end-2022. Increased cost of purchased power per kilowatt-hour (kWh), which went up by 20% YoY, mainly accounted for this earnings contraction.

5. Interest income increased by 162%, which was driven by higher interest rates for short-term money market placements.

Total cost of services and operating expenses as of end-2022 expanded by 43% YoY, from Php 2.6 bn to Php 4.6 bn. Said movement can be accounted for by the following:

1. Total cost of service spiked by 98% YoY to Php 3.7 bn. This can be mainly attributed to the 104% YoY increase in generation cost to Php 3.7 bn from Php 1.8 bn, which resulted from the following cost expansion during the year in review:

    - Increased fuel cost on the back of the rise in fuel consumption by 1590 EC (higher WESM sales) and INPC (servicing of a long-term PSA with a local electric cooperative);

    - Higher cost of purchased power incurred by Corenergy as energy sales volume of its RES business went up by 38% YoY;

    - Hike in the prices of spare parts for plant repairs and higher depreciation seen in 1590 EC;

    - Cost of generation of BPC and NBPC covering a 12-month period. Both subsidiaries were acquired in May 2021;

    - 21% YoY rise in CSSC's cost of service. The installation of additional rooftop facilities led to higher technical services, insurance and depreciation cost;

    - VSC's cost of operating a solar energy supply contract starting in January 2022; and

    - Cost of generation incurred by Corenergy for the operation of its solar rooftop business starting the first quarter of 2022.

    Meanwhile, engineering service fees were 65% lower YoY, which was mainly a consequence of the reduced service billings of WMP since most contracts with external customers were completed in 2021. In 2022, WMP's service contracts with IMCC outweighed its service contracts with external customers. However, Corenergy saw a significant increase in its engineering cost (up by 523% YoY) to service a robust growth in its engineering solutions business.

2. Salaries and employee benefits went up by 21% YoY to Php 390.2 mn from Php 322.4 mn. Increase in headcount, upward adjustment in salary rate, and the payment of the annual performance bonus mainly accounted for the cost expansion. Also, employees had more trainings during the year in review.

3. Professional fees rose by 7% YoY to Php 167.1 mn. This was mainly attributable to higher consultancy fees incurred for project development during the year.

4. Taxes and licenses significantly increased by 96% YoY to Php 78.8 mn from Php 40.2 mn. Documentary stamp taxes were incurred for the infusions made to subsidiaries to fund various power and water infrastructure projects.

5. Depreciation and amortization was 5% higher YoY to Php 54.0 mn. This can be attributed to the depreciation of newly purchased fixed assets.

6. Travel expenses rose by 123% YoY to Php 29.6 mn from Php 13.3 mn. This can be mainly attributed to the increased frequency of business travel brought about by less restrictive travel requirements that started in the second quarter of 2021. Further to this, the oil price hike and higher fuel consumption for fleet cars because of increased face-to-face transactions and more employees working on premise during the year in review contributed to the cost expansion.

7. Management and directors' fees went up by 16% YoY to Php 29.2 mn. The increase in the frequency of board and committee meetings and director's per diem accounted for the cost expansion.

8. Outside services amounted to Php 19.8 mn, 46% lower YoY. In 2021, 1590 EC incurred a non-recurring technical service fee for the overall administration and management of plant operations.

9. Representation expenses rose to Php 14.9 mn as of end-2022, which was a 56% increase from end-2021's Php 9.5 mn. This was mainly due to the increase in face-to-face business meetings with partners and project stakeholders.

10. Communication and utilities were higher by 41% YoY to Php 13.4 mn. This was mainly due to the settlement of delayed billings from the Company's communications service providers covering the fourth quarter of 2021. Higher consumption of water and electricity as a result of the increased number of employees working on premise also contributed to the increase in cost during the year in review.

11. Rent and association dues as of end-2022 dropped to Php 6.5 mn, 25% lower YoY. As of end-2021, the Company settled delayed billings for common use service area (CUSA) and association dues covering various months in 2020.

12. Other operating expenses was at Php 89.5 mn as of end-2022, a 9% increase vis-à-vis Php 81.8 mn as of end-2021. This was mainly attributable to the increased costs for hosting fees for the Company's Enterprise Resource Planning (ERP) and premium for subscriptions to project management and communication software solutions, and higher out-of-pocket expenses related to professional consultancy engagements.

Vivant booked Php 122.8 mn in other charges as of end-2022, vis-à-vis previous year's other charges of Php 31.6[21] mn. This was an outcome of the following account movements:

1. Finance cost for interest bearing loans rose by 57% YoY to Php 259.9 mn. Debt servicing of three subsidiaries accounted for the cost expansion. In 2021, INPC's finance cost was capitalized prior to the start of commercial operation in November 2021. In addition, finance cost of BPC and NBPC as of end-2022 covers twelve months whereas finance cost as of end-2021 covers seven months since equity stakes in both subsidiaries were acquired in May 2021. Meanwhile, the Company's debt service costs related to the FRCN were reduced resulting from the principal amortization payments made during the year in review.

2. The one-off gain of Php 60.4 mn earned as a result of the increase in the fair value of investment properties of three subsidiaries was 43% lower than the Php 106.4 mn in fair value gain for the same investment properties booked in 2021.

3. In 2021, the Company, through its subsidiaries, booked the following one-off gains:

    - VEC booked a gain on bargain purchase of Php 32.1 mn as a result of the finalization of the purchase price allocation under PFRS 3, *Business Combination,* related to its acquisition of the BPC and NBPC in May 2021.

    - VEC and 100%-owned VREC booked a net gain of Php 3.7 mn on the sale of their equity stake in an associate.

    - VEC booked a gain of Php 3.1 mn from the dilution of its equity stake (from 100% to 50%) in a company that will undertake a 15-MW on-grid bunker-fired power plant project in Pampanga.

The above charges were mitigated by the following:

1. 234% YoY increase in unrealized foreign exchange gain to Php 53.8 mn. This significantly pertains to the translation of the US Dollar and Euro cash accounts maintained by the Company and its subsidiaries.

2. Finance cost-lease liabilities significantly dropped to Php 10.8 mn, 79% lower YoY. This was mainly attributable to the derecognition of the finance lease liability booked by 1590 EC resulting from the termination of its lease agreement with the PGLU because of the plant acquisition in April 2021. Amortization of the finance lease liabilities booked by the Company and WMP also contributed to the reduced finance cost.

3. Other income-net rose by 36% YoY to Php 33.7 mn. One-off gain which resulted from the collection of additional proceeds from a share sale transaction entered into and executed by two subsidiaries in 2018, and a one-off billing of a subsidiary for the reimbursement of operating expenses to an associate mainly accounted for the income expansion.

[21] Reported as Php 63.8 mn in the SEC 17A FY 2021. The reduction to Php 31.6 mn is due to the recognition of the gain on bargain purchase amounting to Php 32.1 mn resulting from the finalization of the purchase price allocation for the acquisition of BPC and NBPC in compliance to PFRS 3, *Business Combination*.

As of end-2022, the Company booked a consolidated provision for income tax of Php 89.6 mn, which was 46% lower than previous year's Php 167.1 mn[22]. This was mainly due to the lower 2022 taxable earnings of 1590 EC and INPC.

Taking all of the above into account, the Company recorded a total net income of Php 1.7 bn for the period ending December 31, 2022, which is 24% lower than last year's Php 2.2 bn[23]. Net income attributable to parent, net of the share of the minority shareholders of seven subsidiaries, amounted to Php 1.6 bn, down by 15% YoY.

During the year in review, the Company recognized other comprehensive income (OCI), net of tax, of Php 30.5 mn. This was mainly attributable to the remeasurement gain on employee benefits of the Company, VEC and 1590 EC, and unrealized valuation gain on financial assets at FVOCI booked by a wholly-owned subsidiary.

This compares to the OCI, net of tax, of Php 18.9 mn[24] recognized as of end-2021, which was attributed to the remeasurement gains on the employee benefits of the Company, VEC and 1590 EC, the unrealized valuation gain on financial assets at FVOCI booked by the Company, and share in the remeasurement gains on employee benefits of two associates and a joint venture.

The total comprehensive income as of end-2022 was at Php 1.7 bn. Out of the said amount, Php 1.6 bn was attributable to the equity holders of the parent, which was 14% lower compared to last year's Php 1.9 bn.

Changes in Registrant's Resources, Liabilities, and Shareholders' Equity

The Company's total assets grew by 13%, from end-2021 level of Php 23.4 bn[25] to Php 26.4 bn. The following are the material movements in the consolidated assets of the Company as of end-2022.

1. Cash and cash equivalents was reduced to Php 4.9 bn as of end-2022. Spending for investing activities in the amount of Php 1.6 bn and operating activities in the amount of Php 255.7 mn during the year in review mainly drove the decline in cash. This was offset by the cash inflows from financing activities amounting to Php 1.0 bn.

2. Trade and other receivables went up by 55% YoY to Php 1.4 bn. This was mainly due to the higher trade receivables in 1590 EC, INPC, Corenergy, VSC and CSSC as a result of improved topline performance. This was tempered by the receipt of dividends from DPI and CIPC that were declared in 2021.
3. Advances to associates, joint ventures, and stockholders rose by 6% YoY to Php 294.0 mn. This was on account of the advances made by two subsidiaries to an associate and a joint venture to defray pre-development project expenses.

[22] Reported as Php 171.2 mn in the SEC 17A FY 2021. The change in amount is mainly due to the increase in income tax benefit resulting from the finalization of the purchase price allocation under PFRS 3, *Business Combination*, related to the acquisition of BPC and NBPC in May 2021.
[23] Reported as Php 2.1 bn in the SEC 17A FY 2021. The change is mainly due to the restatements of the financial statements as of and for the year ended December 31, 2021, as briefly described above.
[24] Reported as Php 130.9 mn in the SEC 17A FY 2021 report, which accounted the share in the equity earnings from VECO using the revaluation model. In 2022, the Company elected to change its policy in applying the equity method with respect to VECO's power distribution utility assets, i.e., from the revaluation model to the cost model.

[25] Reported as Php 25.0 bn in the SEC 17A FY 2021 report. The change is due to the restatements in the financial statements as of and for the year ended December 31, 2021, as briefly described above.

4. Inventories were higher by 16% YoY to Php 177.7 mn as of end-2022. This was attributed to the fuel purchases by 1590 EC and INPC on the back of increased volume of energy sales.

5. Prepayments and other current assets rose by 35% YoY to Php 446.3 mn. During the year in review, WMP made advance payments to an engineering and technical services provider for an on-going engineering project. Improved operations of INPC and Corenergy resulted to higher creditable withholding tax (CWT) and deferred input VAT. Moreover, IMCC had excess input VAT in 2022 from its domestic purchase of goods and services related to the development of its desalination plant.

6. Investments in associates and joint ventures amounted to Php 10.6 bn as of end-2022. The Company saw a 6% YoY increase in equity in net earnings of associates and joint ventures during the year in review, which mainly accounted for the 7% increase from end-2021's total investments of Php 9.9 bn.

7. Property, plant, and equipment significantly rose by 74% YoY to Php 5.9 bn, which was mainly attributable to 1590 EC's acquisition of the BDPP. Other capital expenditures that contributed to the asset expansion during the year in review include land acquisition and equipment purchase by INPC, pre-development costs for a seawater desalination plant of wholly-owned IMCC, solar projects of CSSC, and purchase of service vehicles and other assets by the Company.

8. Right-of-use assets (ROU) significantly dropped by 95% YoY to Php 22.1 mn. This was on account of the derecognition of the ROU booked in 1590 EC as the lease contract for the BDPP was terminated resulting from its acquisition of the same asset. This was further reduced by the recurring amortization of the ROUs booked in the Company and WMP.

9. Investment properties amounted to Php 924.0 mn, a 7% YoY increase from Php 863.6 mn. This movement is mainly attributable to the gain recorded from the fair valuation of the investment properties in three subsidiaries.

10. Deferred income tax assets[26] declined to Php 13.8 mn as of end-2022 from Php 20.4 mn as of end-2021. Deferred income tax liability recognized on the unamortized debt issue cost of the long-term loans and unrealized forex gains outweighed the deferred income tax asset on the pension liabilities booked by the Company, 1590 EC and VIHI during the year in review.

11. Other noncurrent assets went up by 22% YoY to Php 1.9 bn, which was mainly attributable to the investment in a financial asset. Rise in noncurrent VAT also contributed to the expansion of this account.

Total consolidated liabilities amounted to Php 8.5 bn as of end-2022, 21% higher than previous year's level of Php 7.0 bn. The increase can be attributed to the following:

1. Short-term notes amounting to Php 1.2 bn was drawn by 1590 EC. Proceeds of which were used to settle the shareholder advances that funded the purchase of BDPP. INPC also had a short term borrowing for working capital requirements during the year in review.

[26] Under International Accounting Standards (IAS) 12*, Income Taxes,* deferred tax assets and deferred tax liabilities can only be offset in the statement of financial position if the entity has the legal right to settle current tax amounts on a net basis and the deferred tax amounts are levied by the same taxing authority on the same entity or different entities that intend to realize the asset and settle the liability at the same time.

2. Trade and other payables grew by 47% to Php 1.5 bn. This was mainly due to:

    - Higher deferred output VAT and increased fuel billings on the back of improved topline performance of 1590 EC and INPC;
    - Increased billings for purchased power, materials and engineering service contracts of Corenergy resulting from improved RES and engineering solutions operations;
    - Increased costs related to the on-going engineering work for a project of WMP;
    - Price increase for spare parts of 1590 EC; and
    - Unclaimed dividends of the Company and the dividend declared by NBPC.

3. Advances from related parties went up to Php 10.9 mn from Php 5.7 mn. This was mainly attributable to advances from the minority shareholders of 50.9%-owned Hijos de F. Escano, Inc. (HDFE) for working capital requirement and of INPC to fund a capital expenditure requirement during the year in review.

4. Income tax payable increased by 87% YoY to Php 7.5 mn, which was due to the taxable earnings of Corenergy, INPC, VSC, BPC, NBPC, WMP and VRVC.

The acquisition of the BDPP resulted to the derecognition of the related finance lease liability and deferred income tax liabilities booked in 1590 EC. However, the reduction in deferred income tax liabilities was tempered by the deferred income tax liabilities related to the gain on fair value remeasurement of investment properties of three subsidiaries. Consequently, current and non-current finance lease liabilities dropped to Php 26.8 mn (down by 93% YoY), and deferred income tax liabilities was reduced to Php 267.4 mn (3% lower YoY).

Other components of equity was lower by 25% to Php 85.5 mn as of end-2022, which can be attributed to the significant movements discussed below.

1. The Company, VEC and 1590 EC recorded re-measurement gains on the employee benefits in the amount of Php 7.1 mn during the year in review. This was a reversal of the remeasurement loss of Php 0.06 mn as of end-2021.

2. The Company, through a subsidiary, booked an unrealized valuation gain on financial assets at FVOCI during the year in review. This resulted to an unrealized valuation gain of Php 26.5 mn as of end-2022, 471% higher than Php 4.6 mn as of end-2021.

As a result of the net income generated, net of the dividends declared during the year in review, total stockholders' equity increased by 9% to Php 17.9 bn as of end-2022 from Php 16.4 bn[27] as of end-2021. Meanwhile, equity attributable to parent ended higher by 8% YoY at Php 16.5 bn as of end-2022.

[27] Reported as Php 18.0 in the SEC 17A FY 2021. The change is mainly due to the restatements of the financial statements as of and for the year ended December 31, 2021, as briefly described above.

Material Changes in Liquidity and Cash Reserves of Registrant

Cash and cash equivalents were lower by 13% from Php 5.7 bn as of end-2021 to Php 4.9 bn as of end-2022.

The Company ended 2022 with a net decrease in cash, before considering the effect of changes in the foreign exchange rates, in the amount of Php 810.5 mn. This was a shift from the net increase in cash as of end-2021 in the amount of Php 761.6 mn. Investing activities, which significantly accounted for the net decrease in cash, showed a spending of Php 1.6 bn as of end-2022 vis-à-vis the net cash inflows of Php 567.3 mn as of end-2021. The net cash flows used in operating activities amounting to Php 255.7 mn further contributed to the reduction in cash level during the year in review. The net decrease was tempered by the net cash inflows of Php 1.0 bn from financing activities as of end-2022.

Operating activities showed a net cash outflow of Php 255.7 mn as of end-2022, which was mainly from reduced operating results before working capital changes (down by 58% YoY). Increased trade receivables (due to improved operations of 1590 EC, INPC, Corenergy, VSC and CSSC), advance payment to suppliers (mostly for WMP's technical and engineering service providers), and higher interest payments (coming from the short-term loan of 1590 EC, additional loan drawn by INPC, and the refinancing of the long-term loans of BPC and NBPC which had higher loan amount and interest rate) further contributed to the cash outflow during the year in review. As of end-2021, the Company generated cash from operating activities in the amount of Php 477.9 mn.

Investing activities ended the year in review with a net cash outflow of Php 1.6 bn, which was on account of the following:

1. 1590 EC's purchase of the previously leased BDPP;
2. Capital expenditure for the acquisition of a real property and equipment by INPC, pre-development costs for a desalination plant, solar projects of CSSC and VSC, and the Company's purchase of other fixed assets; and
3. Additional investments in an associate and a financial asset.

These were offset by dividends received from VECO, AHI, MPC, CIPC and DPI during the year in review.

In 2021, the Company's investing activities posted a net cash inflow of Php 567.3 mn, which was mainly on account of the dividends received from associates and joint ventures, proceeds from the disposal of fixed assets and equity shareholdings in an associate by VEC and VREC, and the sale of an AFS investment by 50.9%-owned HDFE.

Financing activities as of end-2022 generated cash in the amount of Php 1.0 bn, a reversal of the Php 283.7 mn net cash outflow as of end-2021. The inflows during the year in review mainly stemmed from 1590 EC's short-term loan, which was used to settle the advances from its shareholders, and the additional equity infusion made by its minority shareholders to fund the purchase of the BDPP. Also, proceeds from the additional investments of the minority shareholder of INPC, BPC's and NBPC's long-term loan drawn in June 2022 (net of the settlement of another loan), and INPC's long term loan drawn in July 2022 and short term loan drawn in October 2022 were additional sources of cash. Meanwhile, spending as of end-2021 were mainly for the payment of dividends by the Company, 1590 EC and BPC, and lease payments by the Company, 1590 EC and WMP.

Financial Ratios

Debt-to-Equity ratio went up to 0.48x as of end-2022, vis-à-vis as of end-2021 level of 0.43x. Total liabilities increased by 21%, which was mainly due to the short-term loan of 1590 EC used to pay off the advances from its shareholders to fund the purchase of the BDPP. Trade and other payables also went up on the back of improved energy operations of 1590 EC, INPC and Corenergy, on-going engineering work for a project of WMP, price increase for spare parts seen in 1590 EC and dividend payable by the Company (unclaimed portion only) and NBPC. The liability expansion was offset by the derecognition of the finance lease liability related to the termination of the lease agreement with the PGLU because of the BDPP acquisition in April 2022. Meanwhile, total equity rose by 9%, which stemmed from the earnings for the period and an unrealized valuation gain on financial assets at FVOCI, net of the dividends declared by the Company during the year in review.

The Company's current ratio declined to 1.87x as of end-2022 from year-end 2021 level of 5.46x. Current liabilities significantly grew by 188% from end-2021 level. The short-term loan of 1590 EC and INPC, the reclassification of the Company's Php 1.0 bn FRCN maturing on January 2023 from noncurrent to current liability, increase in trade and other payables (attributed to improved operations and price increases for fuel and spare parts), and higher income tax payable (due to increased taxable income from improved operations of Corenergy, INPC, VSC, WMP, BPC, NBPC and VRVC) contributed to the rise in current liabilities. This was offset by the derecognition of the current portion of the finance lease liability booked in 1590 EC. On the other hand, current assets dipped by 2%. The lower cash levels as of end-2022 were offset by the increase in trade receivables given the improved operations of 1590 EC, INPC, Corenergy, CSSC, VSC, BPC and NBPC, purchase of fuel inventories of 1590 EC and INPC, advance payment made by WMP for various technical and engineering services, and advances to an associate and a joint venture for pre-development project requirements.

For the Year Ended December 31, 2021 versus the Year Ended December 31, 2020

The table below shows the comparative figures of the key performance indicators for the year 2021 and 2020.

Key Performance Indicators *Amounts in Php '000, except for ratios*	**2021**	**2020**
Equity in Net Earnings of Associates and Joint Ventures	1,769,960	1,530,892
EBITDA	2,764,460	2,415,610
Cash Flow Generated	761,564	462,774
Net cash flows from operating activities	477,905	103,260
Net cash flows from investing activities	567,324	651,226
Net cash flows used in financing activities	(283,665)	(291,712)
Debt-to-Equity Ratio (x)	0.39	0.38
Current Ratio (x)	5.46	1.33

The Company's share in the net earnings of associates and joint ventures as of end-December 2021 amounted to Php 1.8 bn, representing a 16% year-on-year (YoY) increase from Php 1.5 bn. This was a result of the following:

1. VECO, the Company's distribution utility, recorded a 29% YoY rise in its bottomline contribution, from Php 579.0 mn to Php 745.6 mn. The drop in operating expense (down by 11% YoY) and interest expense (lower by 10% YoY) due to lower debt availments mainly accounted for VECO's expansion in net earnings as of end-2021. Energy sales volume marginally rose by 1% during the year in review.

2. 40%-owned AHI posted a 22% YoY increase in its income contribution to Php 338.2 mn from Php 277.6 mn. This was driven by the increase in profitability of its associate, CEDC. Higher spot market prices resulted to a 78% YoY growth in energy sales of CEDC at the WESM. The lower maintenance costs (down by 46% YoY) and interest expense (21% lower YoY) resulting from principal loan payments further enhanced the company's profitability for the year.

3. 20%-owned TVI showed a 94% YoY rise in its income contribution to Php 180.6 mn from Php 93.2 mn. This was mainly attributed to the 72% YoY rise in volume of energy sold and the spike in spot market prices at the WESM. Further to this, TVI saw a 9% YoY rise in volume of energy sold from contracts with RES customers. Lower debt service cost after a loan prepayment and principal amortization, and reduced operating expenses also contributed to the enhanced profitability.

4. 40%-owned CPPC recorded an earnings contribution of Php 221.1 mn, 109% higher YoY. WESM revenues rose by 324% YoY on the back of a 190% YoY increase in WESM energy sales volume and the spike in spot market prices. Reduced maintenance costs (100% lower YoY) further boosted CPPC's bottomline.

5. 40%-owned Prism Energy, a RES, contributed earnings of Php 21.3 mn, 87% ahead of the Php 11.4 mn in earnings contribution last year. The robust performance can be attributed to the 22% YoY expansion in energy sales arising from the enhanced margin per kilowatt hour (kWh) and lower operating expenses, significantly contracted services (dropped by 26% YoY) and taxes and licenses (a 44% contraction YoY), as of end-2021.

The above improvements in earnings contributions were tempered by the following:

1. 40%-owned MPC brought in earnings contribution of Php 220.2 mn as of end-2021, 47% lower vis-à-vis the Php 412.5 mn as of end-2020. This can be mainly attributed to the 11% YoY decline in the volume of energy sold. The 12% YoY rise in MPC's operating expenses aggravated the unfavorable YoY variance.

2. 50%-owned CIPC saw a 15% YoY reduction in its income contribution from Php 30.3 mn to Php 25.7 mn. This was brought about by the 12% YoY decline in energy sales volume as the COVID-19 pandemic affected the overall power demand in the islands. CIPC also incurred costs in the amount of Php 9.8 mn for the preventive maintenance work done during the first half of 2021.

3. 50%-owned DPI recorded a 33% YoY drop in income contribution from Php 37.4 mn to Php 25.2 mn. The 22% YoY rise in operating expenses mainly accounted for the earnings contraction in 2021. In addition, DPI saw a 6% YoY drop in energy sales volume. This was attributed to the expiry of a PSA for its old plant facility in April 2020 and the decline in electricity demand caused by the COVID-19 pandemic.

EBITDA for the period rose by 14% YoY to Php 2.8 bn from Php 2.4 bn. This was mainly an outcome of the 16% YoY increase in operating income, which stemmed from:

1. Sale of power significantly grew by 64% YoY, from Php 1.9 bn to Php 3.1 bn. This was mainly attributed to the revenue generated by the Company's investments in oil-fired power plants, RES and solar rooftop businesses.

   Oil-fired Power Plants
   - 50% YoY rise in the total energy sales of 55.2%-owned 1590 EC, which was mainly driven by the 126% YoY increase in volume sold at the WESM.

   - 65%-owned INEC shored in a revenue contribution of Php 93.8 mn (up by 289% YoY) from earnings during the testing and commissioning process, and under a 90-day PSA with a local electric cooperative.

   - 90%-owned BPC and NBPC brought in fresh revenue contributions of Php 48.6 mn and Php 41.5 mn, respectively, as of end-2021. The Company, through wholly owned subsidiaries, VEC and AHC, acquired 90% of the outstanding shares of BPC and NBPC in the second quarter of 2021. Both companies own bunker-diesel power plants that serve two local electric cooperatives in Bukidnon.

   Retail Electricity Supply
   - 100%-owned Corenergy showed higher RES revenues (up 169% YoY) as of end-2021. This strong showing was attributed to the rise in contracted capacity to 21.0 MW as of end-2021 from 8.15 MW as of end-2020, which was on the back of additional customers.

   Solar Rooftop
   - 100%-owned CSSC[28], posted a 28% YoY expansion in its volume of energy sales on account of improved customer base during the year in review.

2. 16% YoY rise in equity earnings resulting from the increase in the income contributions of five associates as of end-2021. These are VECO, AHI, TVI, CPPC and Prism Energy.

[28] The Philippine Securities and Exchange Commission approved the change in corporate name from ET Energy Island Corporation (ETEI) to Corenergy Solar Solutions Corporation (CSSC) on August 26, 2021.

However, the rise in EBITDA was tempered by the following:

1. Engineering service income went down by 62% YoY, which was mainly attributed to:

    - A 62% YoY drop in the topline performance of 60%-owned WMP. In 2020, WMP's revenues were driven by non-recurring engineering service contracts for the upgrade of a bulk water treatment facility, which were substantially completed in the same year. These outweighed the revenues from service contracts as of end-2021.
    - Lower revenue from Corenergy's engineering solutions business (down by 63% YoY) in 2021. Corenergy had a one-time engineering supply contract amounting to Php 6.8 mn in 2020.

2. Management and service fees declined by 51% YoY from Php 210.2 mn to Php 102.6 mn due to the non-renewal of some contracts.

3. Interest income dropped by 63% YoY, which was driven by lower rates for short-term investments.

4. 83% YoY increase in total cost of services, which was mainly attributed to the 99% YoY rise in cost of generation. This was on the back of increased dispatch in 1590 EC and INEC, higher cost of purchased power in Corenergy and increased operating expenses to service additional customers of CSSC. The cost of generation incurred by newly acquired BPC and NBPC also contributed to the cost expansion in 2021.

    Meanwhile, engineering service fees went down by 40% YoY to Php 71.0 mn, which was on account of the reduced service contracts of WMP and delayed supplier billings seen in Corenergy during the year in review.

5. 6% YoY rise in operating expenses.

The Company ended 2021 with a net increase in cash, before considering the effect of changes in the foreign exchange rates, in the amount of Php 761.6 mn. This was higher than the net increase in cash as of end-2020 in the amount of Php 462.8 mn. Operating activities posted a significantly higher net cash inflow as of end-2021. The net increase in cash was tempered by the decline in net cash inflows from investing activities (down by 13% YoY) and spending for financing activities as of end-2021.

Operating activities showed a net cash inflow of Php 477.9 mn as of end-2021, which was from improved operating results enhanced by the timing of payment of trade and other payables and accrued expenses. As of end-2020, settlement of trade and other payables and accrued expenses (mostly for accrued expenses in 1590 EC and Vivant Energy) and purchase of inventories mainly accounted for the lower cash inflow of Php 103.3 mn. Cash usage as of end-2021 was attributed to the higher income tax payments resulting from the improved profitability of 1590 EC, Corenergy, CSSC, additional income tax payments of newly acquired subsidiaries, BPC and NBPC, and contributions to the retirement fund of the Company and 1590 EC. This was offset by the lower interest payments made by the Company as of end-2021.

Investing activities generated cash in the amount of Php 567.3 mn, albeit lower than end-2020's Php 651.2 mn. The 13% YoY decline was mainly attributed to the following:

1. Acquisition of equity stakes in BFI (16.81%[29]), BPC (90%) and NBPC (90%);

[29] As of end-2021, equity shareholding equivalent to 16.81% are issued with shares, excluding the Deposits for Future Stocks Subscription (DFFS). BFI has an on-going application with SEC for the increase in authorized capital

2. Capital expenditure for the purchase of equipment and power plant construction of 65%-owned INEC, pre-development costs for a desalination facility of 100%-owned IMCC and solar projects of 100%-owned CSSC
3. Additional equity infusion by wholly-owned VREC in a 35%-owned associate
4. Investment of VEC for its 50% equity stake in a project involving the construction of a 15-megawatt on-grid bunker-fired power plant in Pampanga.

These cash outflows were offset by dividends received from investee companies (VECO, MPC, CPPC, AHI, and Prism Energy), proceeds from the disposal of fixed assets and equity shareholdings in an associate by VEC and VREC, and the sale of an Available-for-sale (AFS) investment by 50.94%-owned HDFE as of end-2021.

Financing activities as of end-2021 showed a net cash outflow of Php 283.7 mn, which was attributed to the dividends paid by the Company, 1590 EC and BPC, and finance lease payments by the Company, 1590 EC and WMP. The net proceeds of the Company's new FRCN issued in January 2021, proceeds from the long-term loan of INEC and infusion from a minority shareholder of INEC tempered the net cash outflows. Meanwhile, the spending as of end-2020, which translated to a net cash outflow of Php 291.7 mn, was on account of the dividend payments to stockholders by the Company and two subsidiaries, and the Company's interest-bearing advances related to the combined sewerage and septage project of an associate.

Financial Ratios

Debt-to-Equity ratio marginally went up to 0.39x as of end-2021 vis-à-vis end-2020 level of 0.38x. Total equity increased by 11%, which was attributed to the earnings, net of the dividends declared by the Company, in 2021. Meanwhile, total liabilities rose by 11%, which mainly stemmed from the issuance of the new FRCN and the long-term loans of INEC, BPC and NBPC. The increase in payable for fuel and output VAT on the back of improved sales, and deferred tax liability on the gain from fair value remeasurement of the three subsidiaries' investment properties and 1590 EC's lease liability also contributed to the increase in total liabilities.

The Company's current ratio improved to 5.46x as of end-2021 from year-end 2020 level of 1.33x. Current assets posted a growth of 13% (mainly attributed to the 16% and 17% rise in cash and cash equivalents and prepayments, respectively), while current liabilities showed a significant decrease of 72% from end-2020 level. The settlement of the Company's FRCN issued in 2014, and the short-term loans of 1590 EC and INEC, amortization of finance lease liability-current portion and decrease in income tax payable contributed to the decline in current liabilities in 2021.

Material Changes in Line Items of Registrant's Income Statement

As of end-2021, the Company's total revenues amounted to Php 5.0 bn, recording a 32% YoY rise from Php 3.8 bn as of end-2020. The topline performance was attributed to the following:

1. Sale of power significantly grew by 64% YoY to Php 3.1 bn. This was mainly attributed to the revenue generated by the Company's investments in oil-fired power plants, RES and solar rooftop businesses.

stock. This treatment compares to the 34.85% equity stake disclosed in the quarterly reports (SEC 17Q 2021), which takes into account the DFFS.
PFRS 28, *Investment in Associates and Joint Ventures*. If the holding is less than 20%, the entity will be presumed not to have significant influence unless such influence can be clearly demonstrated.

Oil-fired Power Plants

- 50% YoY rise in the total energy sales of 55.2%-owned 1590 EC, which was mainly driven by the 126% YoY increase in volume sold at the WESM.

- 65%-owned INEC shored in a revenue contribution of Php 93.8 mn (up by 289% YoY) from earnings during the testing and commissioning process, and under a 90-day PSA with a local electric cooperative.

- 90%-owned BPC and NBPC brought in fresh revenue contributions of Php 48.6 mn and Php 41.5 mn, respectively, as of end-2021. The Company, through wholly owned subsidiaries, Vivant Energy and AHC, acquired 90% of the outstanding shares of BPC and NBPC in the second quarter of 2021. Both companies own bunker-diesel power plants that serve two local electric cooperatives in Bukidnon.

Retail Electricity Supply

- 100%-owned Corenergy showed higher RES revenues (up 169% YoY) as of end-2021. This strong showing was attributed to the rise in contracted capacity to 21.0 MW as of end-2021 from 8.15 MW as of end-2020, which was on the back of additional customers.

Solar Rooftop

- 100%-owned CSSC, posted a 28% YoY expansion in its volume of energy sales on account of improved customer base during the year in review.

2. Management and service fees declined by 51% YoY to Php 102.6 mn. This was due to the non-renewal of some contracts. The Company and VEC had a combined management and service fee income of Php 210.2 mn as of end-2020.

3. Engineering service income went down by 62% YoY, which was mainly attributed to:

    - A 62% YoY drop in the topline performance of 60%-owned WMP. In 2020, WMP's revenues were driven by non-recurring engineering service contracts for the upgrade of a bulk water treatment facility, which were substantially completed in the same year. These outweighed the revenues from service contracts as of end-2021.

    - Lower revenue from Corenergy's engineering solutions business (down by 63% YoY) in 2021. Corenergy had a one-time engineering supply contract amounting to Php 6.8 mn in 2020.

4. The Company's share in the net earnings of associates and joint ventures as of end-December 2021 amounted to Php 1.8 bn, representing a 16% YoY increase from Php 1.5 bn. This was a result of the following:

    - VECO, the Company's distribution utility, recorded a 29% YoY rise in its bottomline contribution, from Php 579.0 mn to Php 745.6 mn. The drop in operating expense (down by 11% YoY) and interest expense (lower by 10% YoY) due to lower debt availments mainly accounted for VECO's expansion in net earnings as of end-2021. Energy sales volume marginally rose by 1% during the year in review.

- 40%-owned AHI posted a 22% YoY increase in its income contribution to Php 338.2 mn from Php 277.6 mn. This was driven by the increase in profitability of its associate, CEDC. Higher spot market prices resulted to a 78% YoY growth in energy sales of CEDC at the WESM. The lower maintenance costs (down by 46% YoY) and interest expense (21% lower YoY) resulting from principal loan payments further enhanced the company's profitability for the year.

- 20%-owned TVI showed a 94% YoY rise in its income contribution to Php 180.6 mn from Php 93.2 mn. This was mainly attributed to the 72% YoY rise in volume of energy sold and the spike in spot market prices at the WESM. Further to this, TVI saw a 9% YoY rise in volume of energy sold from contracts with RES customers. Lower debt service cost after a loan prepayment and principal amortization, and reduced operating expenses also contributed to the enhanced profitability.

- 40%-owned CPPC recorded an earnings contribution of Php 221.1 mn, 109% higher YoY. WESM revenues rose by 324% YoY on the back of a 190% YoY increase in WESM energy sales volume and the spike in spot market prices. Reduced maintenance costs (100% lower YoY) further boosted CPPC's bottomline.

- 40%-owned Prism Energy, a RES, contributed earnings of Php 21.3 mn, 87% ahead of the Php 11.4 mn in earnings contribution last year. The robust performance can be attributed to the 22% YoY rise in energy sales arising from the enhanced margin per kWh and lower operating expenses, significantly contracted services (dropped by 26% YoY) and taxes and licenses (a 44% contraction YoY), as of end-2021.

The above improvements in earnings contributions were tempered by the following:

- 40%-owned MPC brought in earnings contribution of Php 220.2 mn as of end-2021, 47% lower vis-à-vis the Php 412.5 mn as of end-2020. This can be mainly attributed to the 11% YoY decline in the volume of energy sold. The 12% YoY rise in MPC's operating expenses aggravated the unfavorable YoY variance.

- 50%-owned CIPC saw a 15% YoY reduction in its income contribution from Php 30.3 mn to Php 25.7 mn. This was brought about by the 12% YoY decline in energy sales volume as the COVID-19 pandemic affected the overall power demand in the islands. CIPC also incurred costs in the amount of Php 9.8 mn for the preventive maintenance work done during the first half of 2021.

- 50%-owned DPI recorded a 33% YoY drop in income contribution from Php 37.4 mn to Php 25.2 mn. The 22% YoY rise in operating expenses mainly accounted for the earnings contraction in 2021. In addition, DPI saw a 6% YoY drop in energy sales volume. This was attributed to the expiry of a PSA for its old plant facility in April 2020 and the decline in electricity demand caused by the COVID-19 pandemic.

5. Interest income dropped by 63% YoY, which was driven by lower rates for short-term investments.

Total cost of services and operating expenses as of end-2021 expanded by 52% YoY, from Php 1.7 bn to Php 2.6 bn. Said movement can be accounted for by the following:

1. Total cost of services rose by 83% YoY to Php 1.9 bn from Php 1.0 bn. This can be mainly attributed to the 99% YoY increase in generation cost to Php 1.8 bn from Php 896.2 mn, which resulted from the following cost expansion during the period in review:
    - Increased fuel cost on the back of the rise in fuel consumption by 1590 EC (higher WESM sales) and INEC (testing and commissioning of the plant and servicing of an interim PSA with a local electric cooperative);
    - Higher cost of purchased power incurred by Corenergy as its energy sales volume went up by 148% YoY;
    - 34% YoY rise in CSSC's cost of service on account of higher depreciation cost on solar panels with the installation of additional rooftop facilities, and
    - Cost of generation of newly acquired subsidiaries, BPC and NBPC.

    Meanwhile, engineering service fees went down by 40% YoY to Php 71.0 mn, which was on account of the reduced service contracts of WMP and delayed supplier billings seen in Corenergy during the year in review.

2. Salaries and employee benefits went up by 14% YoY to Php 322.4 mn from Php 284.0 mn. Increase in headcount and upward adjustment in salary rate mainly accounted for the cost expansion. Also, the Company saw an increase in health and safety-related expenses as a result of more employees are working on premise.

3. Depreciation and amortization increased by 6% YoY to Php 51.2 mn. This was attributed to the depreciation of newly purchased fixed assets.

4. Taxes and licenses fell by 32% YoY to Php 40.2 mn from Php 58.9 mn. This was mainly attributed to the decline in the 2021 local business taxes. In 2020, the Company and its subsidiaries incurred additional business taxes due to the change of business address. Such expense was not incurred in 2021.

5. Outside services went up by 42% YoY to Php 36.5 mn. Higher technical service fees incurred by 1590 EC (up by 154% YoY) mainly accounted for the increase in cost.

6. Travel expenses rose by 23% YoY to Php 13.3 mn. This can be attributed to the higher frequency of business travel brought about by less restrictive travel requirements that started in the second quarter of 2021.

7. Representation expenses went up by 59% YoY to Php 9.5 mn from Php 6.0 mn. This was mainly due to the increase in face-to-face business meetings with partners and project stakeholders.

8. Communication and utilities went up by 31% YoY to Php 9.5 mn from Php 7.3 mn. This was mainly due to delayed billings from the Company's internet and communications service providers covering various months of 2020. Higher consumption of water and electricity as a result of the increased number of employees working on premise also contributed to the increase in cost as of the year in review.

9. Rent and association dues was higher by 44% YoY to Php 8.6 mn. This resulted from the escalation of common use service area (CUSA) fees and vehicle rental for project- related business activities.

Vivant booked Php 63.8 mn in other charges as of end-2021, vis-à-vis previous year's other charges of Php 187.5 mn. This was an outcome of the following account movements:

1. A one-off gain of Php 106.4 mn was booked in 2021 as a result of the increase in the fair value of investment properties of three subsidiaries. The fair values of the investment properties[30] are updated by obtaining appraisal from an accredited external appraiser every two years.

2. Finance costs on lease liabilities dropped by 30% YoY to Php 52.5 mn, which was a result of the amortization of the finance lease under PFRS 16.

3. Unrealized foreign exchange gain is at Php 16.1 mn as of end-2021. This significantly pertains to the translation of the Company's US Dollar and Euro cash balances.

4. During the period in review, the Company, through its subsidiaries, booked the following one-off gains:

    - VEC and 100%-owned VREC booked a net gain of Php 3.7 mn on the sale of their equity stake in an associate.

    - VEC booked a gain of Php 3.1 mn from the dilution of its equity stake (from 100% to 50%) in a company that will undertake a 15-MW on-grid bunker-fired power plant project in Pampanga.

5. Other income shrank by 56% YoY to Php 24.7 mn. Proceeds from insurance claims last year mainly accounted for the reduction.

As of end-2021, the Company booked a consolidated provision for income tax of Php 171.2 mn, which was 11% higher than the Php 154.4 mn in accrued consolidated income tax provision last year. This was mainly due to the higher earnings of 1590 EC, Corenergy, and CSSC on account of improved performance. Provision for income taxes accrued by newly acquired subsidiaries BPC and NBPC also contributed to the increase.

Taking all of the above into account, the Company recorded a total net income of Php 2.1 bn for the period ending December 31, 2021, which is 26% higher than last year's Php 1.7 bn. Net income attributable to parent, net of the share of the minority shareholders of seven subsidiaries, amounted to Php 1.8 bn, up by 23% YoY.

During the year in review, the Company recognized other comprehensive income (OCI), net of tax, of Php 130.9 mn. This was mainly attributed to the following:

1. Remeasurement gains on the employee benefits of the Company, Vivant Energy and 1590 EC;
2. Share in the revaluation increment and remeasurement loss on employee benefits of an associate;
3. Share in the remeasurement gains on employee benefits of two associates and a joint venture;

[30] Philippine Accounting Standards (PAS) 40, *Investment Property*. Investment property is remeasured at fair value, which 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 measured date.

4. Remeasurement gain on the revaluation of the AFS investment of a subsidiary in compliance with PFRS 931.

This compares to the OCI of Php 386.0 mn recognized as of end-2020 which was attributed to the Company's share in the revaluation increment of an associate and a remeasurement gain on the Company's AFS investment, net of tax.
The total comprehensive income as of end-2021 was at Php 2.3 bn. Out of the said amount, Php 1.9 bn was attributable to the equity holders of the parent, which was 4% higher compared to last year's Php 1.8 bn.

Changes in Registrant's Resources, Liabilities, and Shareholders' Equity

The Company's total assets grew by 11%, from end-2020 level of Php 22.6 bn to Php 25.0 bn. The following are the material movements in the consolidated assets of the Company as of end-2021.

1. Cash and cash equivalents expanded to Php 5.7 bn, up by 16% YoY. This was mainly attributed to higher net cash generated from operating activities of Php 477.9 mn vis-à-vis end-2020 level of Php 103.3 mn. Net cash inflows from investing activities amounted to Php 567.3 mn as of end-2021, posting a decline from end-2020's Php 651.2 mn. Meanwhile, the net cash outflows for financing activities dropped to Php 283.7 mn as of end-2021 from Php 291.7 mn as of end-2020.

2. Trade and other receivables went up by 8% YoY to Php 880.0 mn. This was mainly attributed to the increased trade receivables in 1590 EC, Corenergy and CSSC as a result of improved topline performance. This is tempered by the receipt of dividends from MPC and CPPC that were declared in 2020.

3. Advances to associates, joint ventures, and stockholders rose by 9% to Php 276.6 mn. This was on account of the advances made by three subsidiaries to a joint venture and two associates to defray pre-development project expenses.

4. Inventories were reduced by 31% to Php 152.7 mn as of end-2021 from Php 220.5 mn as of end-2020. Fuel consumption rose proportionately with the increased volume of energy sales by 1590 EC and INEC.

5. Prepayments and other current assets rose by 17% YoY to Php 330.6 mn. During the year in review, 1590 EC advanced payments to suppliers of plant parts and supplies. Increase in the current portion of deferred input VAT and creditable withholding taxes (CWTs) also contributed to the asset expansion.

6. Property, plant, and equipment rose by 47% to Php 3.3 bn, which was mainly attributed to the costs incurred for the construction of an oil-fired power plant by INEC. Project costs incurred for the water desalination plant of wholly-owned IMCC and solar projects of CSSC, and the Company's purchase of service vehicles and other assets also contributed to the increase. Moreover, the booking of fixed assets of newly acquired BPC and NBPC contributed to the expansion of this account.

7. Right-of-use assets was lower by 34% to Php 442.4 mn, which was due to the amortization as of end-2021.

[31] PFRS 9, *Financial Instruments.* Equity securities of a company with the intention to hold these investments for the forseeable future shall be irrevocably designated at Fair Value through Other Comprehensive Income (FVOCI). Gains and losses after initial recognition are presented under Other Comprehensive Income (OCI).

8. Investment properties increased by 14% to Php 863.6 mn. This movement is mainly attributed to the gain recorded from the fair valuation of the investment properties in three subsidiaries.

9. Deferred income tax assets declined by 40% YoY to Php 20.4 mn as a result of the amortization of debt issue cost and unrealized forex gains.

10. Other noncurrent assets went up by 26% YoY to Php 1.5 bn, which was mainly attributed to the goodwill recognized for the purchase of 90%-owned BPC and NBPC, and equity investment in BFI (16.81%). Rise in deferred input VAT and CWTs, net of the current portion, also contributed to the increase.

Total consolidated liabilities rose by 11% to Php 7.0 bn as of end-2021 from end-2020's Php 6.3 bn. This is mainly attributable to the proceeds from the issuance of the new FRCN, net of the full settlement of the old FRCN, the long-term loan of INEC to fund the construction of a power plant, net of the settlement of its short-term notes payable, and the long-term loans of newly acquired BPC and NBPC. Other factors include:

1. Trade and other payables were higher by 18% at Php 1.0 bn as of end-2021. This was mainly attributed to the fuel billings and output VAT that arose from the improved operations of 1590 EC and INEC.

2. Deferred income tax liabilities went up by 8% to Php 205.0 mn, which was an offshoot of the amortization of 1590 EC's finance lease liability under PFRS 16 and the gain on fair value remeasurement of investment properties of three subsidiaries.

The growth in liabilities were tempered by the following:

1. Finance lease liabilities, which includes both current and noncurrent portions, decreased by 46% to Php 358.7 mn. This was mainly attributed to the amortization of the finance lease recognized by the Company, 1590 EC, and WMP under PFRS 16. The adjustment of the finance lease liability relating to the office headquarters brought about by the extension of the lease term also contributed to the decline.

2. Income tax payable was lower by 89% to Php 4.0 mn. This was mainly attributed to the decline in taxable income booked by 1590 EC in the fourth quarter of 2021 vis-à-vis its taxable income as of the same period last year.

3. Short-term note payable of 1590 EC were fully paid by the third quarter of the year in review.

4. Pension liability shrank by 30% to Php 61.5 mn which is substantially due to the contribution made by the Company and 1590 EC to the pension fund during the year in review.

Other components of equity grew by 4% to Php 1.6 bn as of end-2021, which can be attributed to the significant movements discussed below.

1. The Company, Vivant Energy and 1590 EC recorded re-measurement gains on the employee benefits during the year in review. This reduced end-2020's remeasurement loss of Php 13.0 mn as of end-2020 to Php 0.06 mn as of end-2021.

2. The Company, through a subsidiary's sale of its AFS investment, derecognized the fair valuation loss previously booked for the same asset. This resulted to an increase in the unrealized valuation gain on financial assets at fair value through other comprehensive income (FVOCI) by 62% YoY to Php 4.6 mn.

As a result of the net income generated, net of the dividends declared during the year in review, total stockholders' equity increased by 11% to Php 18.0 bn as of end-2021 from Php 16.3 bn as of end-2020. Meanwhile, equity attributable to parent ended higher by 10% YoY at Php 17.0 bn as of end-2021.

Material Changes in Liquidity and Cash Reserves of Registrant

Cash and cash equivalents were higher by 16% from Php 4.9 bn as of end-2020 to Php 5.7 bn as of end-2021.

The Company ended 2021 with a net increase in cash, before considering the effect of changes in the foreign exchange rates, in the amount of Php 761.6 mn. This was higher than the net increase in cash as of end-2020 in the amount of Php 462.8 mn. Operating activities posted a significantly higher net cash inflow as of end-2021. The net increase in cash was tempered by the decline in net cash inflows from investing activities (down by 13% YoY) and spending for financing activities as of end-2021.

Operating activities showed a net cash inflow of Php 477.9 mn as of end-2021, which was from improved operating results enhanced by the timing of payment of trade and other payables and accrued expenses. As of end-2020, settlement of trade and other payables and accrued expenses (mostly for accrued expenses in 1590 EC and Vivant Energy) and purchase of inventories mainly accounted for the lower cash inflow of Php 103.3 mn. Cash usage as of end-2021 was attributed to the higher income tax payments resulting from the improved profitability of 1590 EC, Corenergy, CSSC, additional income tax payments of newly acquired subsidiaries, BPC and NBPC, and contributions to the retirement fund of the Company and 1590 EC. This was offset by the lower interest payments made by the Company as of end-2021.
Investing activities generated cash in the amount of Php 567.3 mn, albeit lower than end-2020's Php 651.2 mn. The 13% YoY decline was mainly attributed to the following:

1. Acquisition of equity stakes in BFI (16.81%), BPC (90%) and NBPC (90%);

2. Capital expenditure for the purchase of equipment and power plant construction of 65%-owned INEC, pre-development costs for a desalination facility of 100%-owned IMCC and solar projects of 100%-owned CSSC
3. Additional equity infusion by wholly-owned VREC in a 35%-owned associate

4. Investment of VEC for its 50% equity stake in a project involving the construction of a 15-megawatt on-grid bunker-fired power plant in Pampanga.

These cash outflows were offset by dividends received from investee companies (VECO, MPC, CPPC, AHI, and Prism Energy), proceeds from the disposal of fixed assets and equity shareholdings in an associate by VEC and VREC, and the sale of AFS investment by 50.94%-owned HDFE as of end-2021.

Financing activities as of end-2021 showed a net cash outflow of Php 283.7 mn, which was attributed to the dividends paid by the Company, 1590 EC and BPC, and finance lease payments by the Company, 1590 EC and WMP. The net proceeds of the Company's new FRCN issued in January 2021, proceeds from the long-term loan of INEC and infusion from a minority shareholder of INEC tempered the net cash outflows. Meanwhile, the spending as of end-2020, which translated to a net cash outflow of Php 291.7 mn, was on account of the dividend payments to stockholders by the Company and two subsidiaries, and the Company's interest-bearing advances related to the combined sewerage and septage project of an associate.

Financial Ratios

Debt-to-Equity ratio marginally went up to 0.39x as of end-2021 vis-à-vis end-2020 level of 0.38x. Total equity increased by 11%, which was attributed to the earnings, net of the dividends declared by the Company, in 2021. Meanwhile, total liabilities rose by 11%, which mainly stemmed from the issuance of the new FRCN and the long-term loans of INEC, BPC and NBPC. The increase in payable for fuel and output VAT on the back of improved sales, and deferred tax liability on the gain from fair value remeasurement of the three subsidiaries' investment properties and 1590 EC's lease liability also contributed to the increase in total liabilities.

The Company's current ratio improved to 5.46x as of end-2021 from year-end 2020 level of 1.33x. Current assets posted a growth of 13% (mainly attributed to the 16% and 17% rise in cash and cash equivalents and prepayments, respectively), while current liabilities showed a significant decrease of 72% from end-2020 level. The settlement of the Company's FRCN issued in 2014, and the short-term loans of 1590 EC and INEC, amortization of finance lease liability-current portion and decrease in income tax payable contributed to the decline in current liabilities in 2021.

For the Year Ended December 31, 2020 versus the Year Ended December 31, 2019

The table below shows the comparative figures of the key performance indicators for the year 2020 and 2019.

Key Performance Indicators *Amounts in Php '000, except for ratios*	**2020**	**2019**
Equity in Net Earnings of Associates and Joint Ventures	1,530,892	2,183,384
EBITDA	2,415,610	3,152,720
Cash Flow Generated	462,774	622,617
Net cash flows from operating activities	103,260	457,253
Net cash flows from investing activities	651,226	966,446
Net cash flows from (used in) financing activities	(291,712)	(801,083)
Debt-to-Equity Ratio (x)	0.38	0.41
Current Ratio (x)	1.33	3.42

The Company's share in net earnings of associates and joint ventures as of end-December 2020 amounted to Php 1.5 bn, representing a 30% Year-on-Year (YoY) decrease from Php 2.2 bn. This was a result of the following:

1. VECO, the Company's distribution utility, saw a 26% YoY drop in its bottomline contribution during the year in review, from Php 785.1 mn to Php 579.0 mn. Electricity sales declined in 2020. This was mainly due to the slowdown in economic activities brought about by the lockdown measures implemented amidst the COVID-19 pandemic. The 11% drop in volume sold during the period in review mainly accounted for VECO's bottomline contraction.

2. 40%-owned MPC brought in contributions of Php 412.5 mn as of end-December 2020, which was 29% YoY lower than the Php 581.9 mn recorded as of end-December 2019. This can be mainly attributed to the 12% YoY reduction in energy sales.

3. 40%-owned AHI posted a 32% YoY decline in its income contribution to Php 277.6 mn from Php 407.7 mn. This was driven by the decrease in profitability of its associate, CEDC. The drop in CEDC's performance during the year in review was mainly on account of the reduced dispatch for its energy-based bilateral contracts (down by 6% YoY). The lower sales at the WESM, resulting from a drop in spot market rates, and increased maintenance costs also contributed to the earnings decline.
4. 20%-owned TVI posted a 42% YoY decrease in its income contribution from Php 162.1 mn to Php 93.2 mn. This can be attributed to interest payments for the company's debt during the year in review. Interest expense was capitalized prior to the start of commercial operations of Unit 1 in April 2019. Adding to this were the costs of replacement power incurred during its scheduled maintenance work in the first quarter of 2020.

5. 40%-owned CPPC recorded an 11% YoY decline in earnings contribution from Php 119.3 mn to Php 105.7 mn. Low volumes and market prices in the WESM mainly accounted for this contraction.

6. 50%-owned DPI showed a 39% YoY reduction in its income contribution from Php 61.5 mn to Php 37.4 mn. The expiry of the company's PSA for its old plant facility in April 2020 and the drop in electricity demand caused by the COVID-19 pandemic accounted for the drop in its bottomline.

7. 50%-owned CIPC contributed earnings of Php 30.3 mn, which was 28% lower than end-2019 level of Php 41.9 mn. This was brought about by the 21% YoY reduction in the volume of energy sold resulting from the COVID-19 pandemic.

8. 40%-owned Prism Energy saw a 68% YoY decrease in earnings contribution to Php 11.4 mn from Php 35.5 mn. Energy sales fell by 35% YoY due to the decline in contracted capacities and the overall adverse effect of the COVID-19 pandemic on electricity consumption. Further to this, the increase in cost of power during the year resulted to reduced profitability.

EBITDA for the period dropped by 23% YoY to Php 2.4 bn from Php 3.2 bn. This was mainly an outcome of the 30% YoY decrease in operating income, which stemmed from:

1. A 47% reduction in the sale of power. This mainly resulted from the 68% YoY contraction of energy sales in 55.2%-owned 1590 EC and the absence of sales in wholly-owned Vivant Energy during the year in review.

   Reduced sales volume of 1590 EC, coupled with the lower spot market prices in the WESM for the sale of its excess capacity as of end-December 2020, brought down its topline performance. In 2019, 1590 EC had increased dispatch from its bilateral contract which was terminated in September 2019. Meanwhile, Vivant Energy's IPPA Agreement with the PSALM was terminated in October 2019.

   The decline in energy sales was mitigated by the higher revenues generated by 100%-owned Corenergy. The increase in RES contracts resulted to a 67% YoY improvement in the energy sales generated during the year. In addition, wholly owned ETEI, a special purpose vehicle for the solar rooftop business, recorded a 20% YoY rise in energy sales for the year in review.

2. 30% drop in equity earnings resulting from the decline in the bottomline of 6 associates and 2 joint ventures during the year in review. These are VECO, MPC, AHI, TVI, CPPC, DPI, CIPC and Prism Energy.

3. 59% YoY drop in interest income driven by lower interest rates for its short-term investments.

However, this drop in EBITDA was mitigated by the following:

1. Management and service fees which showed a 115% YoY spike to Php 210.2 mn. This was attributed to new service level agreements (SLAs) and higher rates for existing SLAs.

2. Engineering service income from contracts entered into by WMP and Corenergy significantly rose to Php 111.1 mn as of end-December 2020 from Php 18.6 mn as of end-December 2019.

3. Other income grew by 35% YoY to Php 56.4 mn from Php 41.9 mn. Proceeds from insurance claims mainly accounted for this increase.

4. 44% YoY reduction in total cost of services and operating expenses, which was mainly attributed to the lower generation cost on the back of lower energy sales of 1590 EC during the year in review.

The Company ended 2020 with a net increase in cash (before considering the effect of changes in the foreign exchange rates) in the amount of Php 462.8 mn, which was 26% lower than last year's net increase in cash of Php 622.6 mn.

Operating activities showed a net cash inflow of Php 103.3 mn as of end-2020, from the net cash inflow of Php 457.3 mn as of end-2019. The reduced net cash inflows were mainly due to the settlement of trade and other payables (mostly for accrued expenses in 1590 EC and Vivant Energy). Higher disbursements for inventories also contributed to the use of cash during the year in review, offset by the collection of trade and other receivables.

Investing activities generated cash in the amount of Php 651.2 mn, which was 33% lower than the net cash inflow of Php 966.4 mn in the same period last year. The costs incurred by 65%-owned INEC for the construction of a 23-MW oil-fired power generation facility mainly accounted for the use of cash during the year in review. Net cash inflows were further reduced by spending related to projects in ETEI and 100%-owned VHHI, and additional investments in three associates and a joint venture. This is tempered by the 43% YoY increase in total dividends received from investee companies (VECO, AHI, MPC, CPPC, DPI, Prism Energy and CIPC), and proceeds from redemption of preferred shares by 50%-owned DPI.

Financing activities as of end-2020 recorded a cash usage of Php 291.7 mn, posting a 64% YoY drop vis-à-vis last year's Php 801.1 mn. The proceeds from the short-term notes payable of 1590 EC and INEC, and the infusions from a minority shareholder of INEC for its new power plant project in the Visayas, as well as from a minority shareholder of 50.94%-owned HDFE for a one-off expense, mainly accounted for the significant decrease in net cash outflow against the end-2019 level. This is tempered by the Company's interest-bearing advances related to the combined sewerage and septage project of an associate, dividend payments by the Company and 2 subsidiaries, and the lease payments by the Company and 1590 EC during the year in review.

Debt-to-Equity ratio was lower at 0.38x as of end-2020 vis-à-vis end-December 2019 level of 0.41x. Total equity increased by 10%, which was attributed to the earnings for the period, net of the Company's dividend declaration in 2020. Meanwhile, total liabilities rose by 3%, which mainly stemmed from the short-term loans of 1590 EC and a bridge financing facility of INEC. Higher accrued income tax of 1590 EC and INEC, and pension liabilities of the Company and Vivant Energy, net of the payment of trade payables (mostly in Vivant Energy and 1590 EC), also contributed to the increase in liabilities.

The Company's current ratio dropped to 1.33x as of end- 2020 from year-end 2019 level of 3.42x. Current liabilities showed a significant increase of 199% from end-2019 level, while current assets only recorded a growth of 16%. The Company's outstanding FRCN in the amount of Php 2.8 bn, which will mature in February 2021, has been recognized as a current liability. Moreover, the availment of short-term notes payable by 1590EC and INEC, and accrued income tax from 1590 EC and INEC also contributed to the rise in current liabilities as of December 31, 2020.

Material Changes in Line Items of Registrant's Income Statement

As of end-2020, the Company's total revenues amounted to Php 3.8 bn, recording a 37% YoY decline from Php 6.0 bn as of end-2019. The topline performance was due to the following:

1. Sale of power at Php 1.9 bn reduced by 47% YoY, which was attributable to:

    - A 68% YoY contraction of energy sales in 55.2%-owned 1590 EC given the lower energy volume and price per kwh from the sale of its excess capacity to the WESM. As of end-2019, 1590 EC had increased dispatch from its bilateral contract which was terminated in September 2019.

- Also, wholly owned Vivant Energy had no energy sales during the year in review after the termination of its IPPA Agreement with PSALM in October 2019.

The decline in energy sales was mitigated by recorded revenue improvements of wholly owned subsidiaries, Corenergy (RES up by 67% YoY) and ETEI (energy sales of solar rooftop projects were up by 20% YoY).

2. The Company's share in the net earnings of associates and joint ventures as of end-December 2020 amounted to Php 1.5 bn, representing a 30% YoY decrease from Php 2.2 bn. This was a result of the following:

    - VECO, the Company's distribution utility, saw a 26% YoY drop in its bottomline contribution during the year in review, from Php 785.1 mn to Php 579.0 mn. Electricity sales declined in 2020. This was mainly due to the slowdown in economic activities brought about by the lockdown measures implemented amidst the COVID-19 pandemic. The 11% drop in volume sold during the period in review mainly accounted for VECO's bottomline contraction.

    - 40%-owned MPC brought in contributions of Php 412.5 mn as of end-December 2020, 29% YoY lower than the Php 581.9 mn recorded as of end-December 2019. This can be mainly attributed to the 12% YoY reduction in energy sales.

    - 40%-owned AHI posted a 32% YoY decline in its income contribution to Php 277.6 mn from Php 407.7 mn. This was driven by the decrease in profitability of its associate, CEDC. The drop in CEDC's performance during the year in review was mainly on account of the reduced dispatch for its energy-based bilateral contracts (down by 6% YoY). The lower sales at the WESM, resulting frm a drop in spot market rates, and increased maintenance costs also contributed to the earnings decline.

    - 20%-owned TVI posted a 42% YoY decrease in its income contribution from Php 162.1 mn to Php 93.2 mn. This can be attributed to interest payments for the company's debt during the period in review. Interest expense was capitalized prior to the start of commercial operations of Unit 1 in April 2019. Adding to this were the costs of replacement power incurred during its scheduled maintenance work in the first quarter of 2020.

    - 40%-owned CPPC recorded an 11% YoY decline in earnings contribution from Php 119.3 mn to Php 105.7 mn. Low volumes and market prices in the WESM mainly accounted for this contraction.

    - 50%-owned DPI showed a 39% YoY reduction in its income contribution from Php 61.5 mn to Php 37.4 mn. The expiry of the company's PSA for its old plant facility in April 2020 and the drop in electricity demand caused by the COVID-19 pandemic accounted for the drop in its bottomline.

    - 50%-owned CIPC contributed earnings of Php 30.3 mn, 28% lower than end-2019 level of Php 41.9 mn. This was mainly attributed to the 21% YoY reduction in the volume of energy sold due to the COVID-19 pandemic.

- 40%-owned Prism Energy saw a 68% YoY decrease in earnings contribution to Php 11.4 mn from Php 35.5 mn. Energy sales fell by 35% YoY due to the decline in contracted capacities and the overall adverse effect of the COVID-19 pandemic on electricity consumption. Further to this, the increase in cost of power during the year resulted to reduced profitability.

3. Management and service fees went up by 115% YoY to Php 210.2 mn due to new SLAs and higher rates for existing SLAs with associates and joint ventures.

4. Engineering service income significantly rose to Php 111.1 mn in 2020 from Php 18.6 mn in 2019. This was mainly attributed to the water engineering service contracts of 60%-owned WMP. Corenergy also shored in revenues from its electrical engineering services, a new service line introduced in 2020.

5. Interest income dropped by 59% YoY to Php 62.2 mn, which mainly resulted from lower interest rates on short-term placements.

Total cost of services and operating expenses as of end-2020 was reduced by 44% YoY, from Php 3.1 bn to Php 1.7 bn. Said movement can be accounted for by the following:

1. Total cost of services dropped by 57% YoY to Php 1.0 bn from Php 2.3 bn. This can be mainly attributed to the 62% YoY contraction in generation cost to Php 896.2 mn as of end-2020 from Php 2.3 bn as of end-2019. Lower energy sales of 1590 EC mainly accounted for this decline.

   Meanwhile, engineering service fees went up to Php 117.7 mn as of end-2020 from Php 1.5 mn as of end-2019. This was mainly attributed to the technical consultancy and materials costs incurred by WMP for its projects during the year in review. Service costs incurred by Corenergy for its engineering services contracts also contributed to the increase.

2. Salaries and employee benefits grew by 40% YoY to Php 284.0 mn from Php 203.0 mn. Upward movement in salaries and bonuses mainly accounted for this increase.

3. Professional fees went down by 9% YoY to Php 157.3 mn from Php 173.7 mn. In 2019, Vivant Energy incurred a non-recurring legal fee in relation to one of its projects.

4. Taxes and licenses were higher by 7% YoY to Php 58.9 mn from Php 55.3 mn. The improved prior year revenues of the Company, 1590 EC, Vivant Energy, CORE, and ETEI resulted to higher local business taxes. Additional business taxes were incurred due to the change of business address by the Company and its subsidiaries. Payment of documentary stamp taxes (DST) were made in 2020 as a result of the share issuance by four subsidiaries, and booking of advances from shareholders by a subsidiary that is developing a new power plant project and another subsidiary for its solar rooftop projects.

5. Depreciation and amortization went up by 52% YoY to Php 48.4 mn from Php 31.9 mn. The increase was attributed to higher depreciation expense due to the purchase of new assets and the depreciation of the right-of-use asset for a lease that was contracted in the fourth quarter of 2019.

6. Management fees rose by 17% YoY to Php 26.0 mn from Php 22.2 mn. This was attributed to the increased frequency of board and committee meetings.

7. Outside services was up by 32% YoY to Php 25.7 mn from Php 19.5, which is materially attributed to the hosting and support fees incurred for the Company's enterprise resource planning (ERP) system and the spot market trading software used by Vivant Energy.

8. Travel expenses saw a drop of 71% YoY to Php 10.8 mn from Php 37.5 mn. This can be attributed to reduced business travel frequency due to government-mandated travel and mobility restrictions imposed during the year.

9. Representation expenses were lower by 30% YoY to Php 6.0 mn from Php 8.6 mn. More virtual meetings were held as a result of travel restrictions and physical distancing requirements brought about by the implementation of community quarantine in the country.

10. Rent and association dues was significantly higher by 65% YoY at Php 5.9 mn from Php 3.6 mn. This resulted from the increase in association dues for the Company's principal office and costs incurred by a subsidiary for the lease involving a future project site.

11. In 2019, a subsidiary involved in the administration of 17 MW of geothermal power incurred a project termination cost in the amount of Php 53.1 mn. Said cost was realized for the termination of its contract with PSALM in 2019.

12. Provision for estimated liability in the amount of Php 32.6 mn was recognized by a subsidiary in 2019, which arose from a prior year sale of investment properties.

13. Other operating expenses rose by 10% YoY to Php 78.3 mn from Php 71.0 mn. This resulted substantially from higher donations to Vivant Foundation Inc (VFI). Higher issuance fees for project-related bid and performance securities, new software subscriptions, and higher repairs expense also contributed to the increase in other expenses.

Vivant booked Php 187.5 mn in other charges during the year in review, vis-à-vis previous year's other income of Php 16.3 mn. This was an outcome of the following account movements:

1. A one-off gain of Php 235.3 mn was booked in 2019 as a result of the increase in the fair value of investment properties in 3 subsidiaries. There was none in 2020.

2. The finance cost on the amortization of the finance lease liability was reduced by 12% YoY to Php 75.3 mn from Php 85.7 mn.

3. An unrealized foreign exchange gain of Php 4.3 mn was taken up in 2020. This pertains to the restatement of the US Dollar and Euro cash balances of the Company and four subsidiaries (Vivant Energy, 1590EC, ETEI, and INEC). This was against an unrealized foreign exchange loss of Php 4.4 mn recorded in 2019.

4. Other income grew by 35% YoY to Php 56.4 mn from Php 41.9 mn. Proceeds from insurance claims mainly accounted for this increase.

The Company posted a 43% YoY drop in accrued consolidated income tax expense to Php 154.4 mn from Php 271.7 mn. This was mainly a result of the decline in 1590 EC's energy sales and the absence of any topline contribution from Vivant Energy in 2020.

Taking all of the above into account, the Company recorded a total net income of Php 1.7 bn for the period ending December 31, 2020, which is 36% lower than last year's Php 2.7 bn. Net income attributable to parent amounted to Php 1.4 bn, down by 38% from end- 2019 level of Php 2.3 bn.

During the period in review, the Company recognized other comprehensive income (OCI) of Php 386.0 mn, which was mainly attributed to the revaluation increment of an associate. Re-measurement gain on the Company's available-for-sale investment (AFS) in compliance with the PFRS 9[32], net of tax, also contributed to the OCI. This compares to the other comprehensive loss of Php 20.3 mn recognized in 2019, which substantially came from the re-measurement loss on employee benefits of 1590 EC and share in the re-measurement loss of associates, net of tax, in compliance with the Philippine Accounting Standards (PAS) 19R. The OCI during the year in review was offset by the re-measurement loss on employee benefits in the Company and Vivant Energy, and share in the re-measurement loss of associates, net of tax, under PAS 19R.

The total comprehensive income as of end-2020 was at Php 2.1 bn. Out of the said amount, Php 1.8 bn was attributable to the equity holders of the parent, which was 21% lower compared to last year's Php 2.3 bn.

Changes in Registrant's Resources, Liabilities, and Shareholders' Equity

The Company's consolidated total assets as of year-end 2020 expanded by 8% to Php 22.6 bn from Php 20.9 bn in 2019. The material movements in the assets of the Company are discussed below.

1. Cash and cash equivalents expanded by 11% YoY to Php 4.9 bn as of end-2020 from Php 4.4 bn as of end-2019. This was attributed to the net cash generated from operating and investing activities.

2. Advances to associates, joint ventures and stockholders significantly went up by 176% YoY to Php 253.1 mn from Php 91.8 mn. The increase was mainly a result of the interest-bearing advances to an associate for a waste-water treatment project that the Company invested in.

3. Inventories-at cost rose by 118% YoY to Php 220.5 mn as of end-2020. This was attributed to the purchase of fuel by 1590 EC and INEC, net of the inventory withdrawals of WMP for a contract project involving an expansion of an existing surface water facility.

4. Prepayments and other current assets rose by 76% YoY to Php 281.9 mn as of end-December 2020 from Php 159.9 mn in 2019. During the year in review, INEC made down payments to contractors for the on-going construction of an oil-fired power generation facility.

5. Property, plant and equipment was higher by 71% YoY to Php 2.3 bn from Php 1.3 bn, which was mainly attributed to the costs of the on-going construction of an oil-fired power plant by INEC. Project costs incurred for the solar projects in ETEI and equipment upgrade in 1590 EC also contributed to the increase.

6. Right-of-use assets was lower by 27% at Php 672.2 mn, which was due to the depreciation as of end-December 2020.
7. Deferred income tax assets increased by 10% at Php 34.0 mn. This was on account of the deferred tax adjustment recognized in relation to the pension liability of the Company.

8. Other noncurrent assets grew by 12% YoY to Php 1.2 bn from Php 1.0 bn. This was mainly attributed to the deferred input VAT on the capital purchases of INEC, development cost, and capitalized debt issue cost pertaining to the arranger fee for the Company's FRCN.

[32] PFRS 9, *Financial Instruments.* Equity securities of a company with the intention to hold these investments for the forseeable future shall be irrevocably designated at Fair Value through Other Comprehensive Income (FVOCI). Gains and losses after initial recognition are presented under Other Comprehensive Income (OCI).

Total consolidated liabilities rose by 3% YoY to Php 6.3 bn as of end-2020 from end-2019's Php 6.1 bn. This was mainly brought about by the following:

1. The availment of a short-term borrowing by 1590 EC for its working capital requirements and a bridge financing facility by INEC for its new power plant project in the Visayas.

2. Income tax payable increased by 131% to Php 37.0 mn, which pertains to the fourth quarter earnings of 1590 EC and INEC.

3. A 30% increase in accrued pension expense by the Company and Vivant Energy.

The rise in liabilities was tempered by the following:

1. Current portion of trade and other payables were lower by 27% to Php 875.8 mn from Php 1.2 bn. This was attributed to the settlement of trade payables and accrued expenses (mostly in Vivant Energy and 1590 EC). The drop in deferred output VAT on the back of collections of trade receivables also contributed to the decrease in payables during the period in review.

2. Advances from related parties decreased by 69% to Php 5.7 mn from Php 18.3 mn due to the reclassification of a liability to a party that ceased to be a related party after its shares were bought out by 2 subsidiaries in 2019.

3. Lease liabilities-net of current portion reduced by 41% from Php 516.3 mn to Php 303.1 mn. This was mainly attributed to the amortization of the finance lease recognized in 1590 EC under PFRS 16.

4. Deferred income tax liabilities went down by 7% to Php 189.8 mn from Php 203.4 mn, which was an offshoot of the amortization of 1590 EC's finance lease liability under PFRS 16.

Other components of equity grew by 26% to Php 1.5 bn as of end-December 2020, which can be attributed to the significant movements discussed below.

1. The Company's share in the revaluation increment of VECO increased by 25% to Php 1.7 bn in 2020 from Php 1.3 bn in 2019.

2. The Company, Vivant Energy and 1590 EC recorded re-measurement losses on the employee benefits resulting to a 27% increase from Php 10.3 mn in 2019 to Php 13.0 mn in 2020.

3. The Company's share in the re-measurement losses on employee benefits of 3 associates increased by 20% from Php 80.4 mn in 2019 to Php 96.2 mn in 2020.

As a result of the net income generated net of the dividends declared during the year in review, the total stockholders' equity increased by 10% to Php 16.3 bn as of end-2020 from Php 14.8 bn as of end-2019. Meanwhile, equity attributable to parent ended higher by 10% YoY at Php 15.4 bn as of end-2020.

Material Changes in Liquidity and Cash Reserves of Registrant

Cash and cash equivalents were higher by 11% from Php 4.4 bn as of end-2019 to Php 4.9 bn as of end-2020.

Operating activities showed a net cash inflow of Php 103.3 mn as of end-2020, from the net cash inflow of Php 457.3 mn as of end-2019. The reduced net cash inflows were mainly due to the settlement of trade and other payables (mostly for accrued expenses in 1590 EC and Vivant Energy). Higher disbursements for inventories also contributed to the use of cash during the year in review, offset by the collection of trade and other receivables.

Investing activities generated cash in the amount of Php 651.2 mn, which was 33% lower than the net cash inflow of Php 966.4 mn in the same period last year. The costs incurred by 65%-owned INEC for the construction of a 23-MW oil-fired power generation facility mainly accounted for the use of cash during the year in review. Net cash inflows were further reduced by spending related to projects in ETEI and 100%-owned VHHI, and additional investments in three associates and a joint venture. This is tempered by the 43% YoY increase in total dividends received from investee companies (VECO, AHI, MPC, CPPC, DPI, Prism Energy and CIPC), and proceeds from redemption of preferred shares by 50%-owned DPI.
Financing activities as of end-2020 recorded a cash usage of Php 291.7 mn, posting a 64% YoY drop vis-à-vis last year's Php 801.1 mn. The proceeds from the short-term notes payable of 1590 EC and INEC, and infusions from a minority shareholder of INEC for its new power plant project in the Visayas as well as from a minority shareholder of 50.94%-owned HDFE for a one-off expense mainly accounted for the significant decrease in net cash outflow against the end-2019 level. This is tempered by the Company's interest-bearing advances related to the combined sewerage and septage project of an associate, dividend payments by the Company and 2 subsidiaries and lease payments by the Company and 1590 EC during the year in review.

Financial Ratios

Debt-to-Equity ratio was lower at 0.38x as of end-2020 vis-à-vis end-December 2019 level of 0.41x. Total equity increased by 10%, which was attributed to the earnings for the period, net of the Company's dividend declaration in 2020. Meanwhile, total liabilities rose by 3%, which mainly stemmed from the short-term loans of 1590 EC and a bridge financing facility of INEC. Higher accrued income tax of 1590 EC and INEC, and pension liabilities of the Company and Vivant Energy, net of the payment of trade payables (mostly in Vivant Energy and 1590 EC), also contributed to the increase in liabilities.

The Company's current ratio dropped to 1.33x as of end- 2020 from year-end 2019 level of 3.42x. Current liabilities showed a significant increase of 199% from end-2019 level, while current assets only recorded a growth of 16%. The Company's outstanding FRCN in the amount of Php 2.8 bn, which will mature in February 2021, has been recognized as a current liability. Moreover, the availment of short-term notes payable by 1590EC and INEC, and accrued income tax from 1590 EC and INEC also contributed to the rise in current liabilities as of December 31, 2020.

Item 7: Financial Statements

The audited financial statements for the fiscal years 2022, 2021 and 2020 are attached as Exhibits "F", "G" and "H", respectively. The corresponding consolidated financial statements for the fiscal years 2022, 2021 and 2020 are attached as Exhibits "F-1", "G-1" and "H-1", respectively. The 2023 first quarter financial statement is attached as Exhibit "I".

PART III – CORPORATE GOVERNANCE

The Company has adopted the Corporate Governance Self-Rating Form of the SEC, the criteria and the rating system therein as a means of measurement or determination of the level of compliance of the Board of Directors and top-level management with its Manual of Corporate Governance.

The Company issued its Revised Manual on Corporate Governance (the "Manual") in 2017 and has substantially complied with the provisions, and the same has been disclosed to the SEC. It has plans to improve corporate governance by adopting good corporate practice recognized in more progressive corporations and incorporating the same in its Manual.

In compliance with the full disclosure rules on the Code of Corporate Governance, the Manual, and the reportorial requirement of the Commission on the extent of compliance by the company with its Manual, the undersigned hereby certifies that the company has substantially complied with the provisions thereof.

As of the date of this Report, there are no changes in the corporate governance structure and practice.

Please refer to the attached Integrated Annual Corporate Governance Report for 2021 (Exhibit "J"), which was filed with the SEC in 2022.

Continuing Education for the Board

In its continuing efforts to update its directors and executive officers with the best practices in corporate governance, the members of the board of directors and the top-level management are encouraged to attend trainings and seminars. In 2022, the Company's directors and executive officers attended an online Advanced Corporate Governance Training conducted by the Institute of Corporate Directors about the evolving perspective of businesses on the sustainability agenda and the best practice measures for building a sustainability-focused board, and strategic information technology governance.

Compliance with The Minimum Public Ownership Requirement

The Company is compliant with the Rule on Minimum Public Ownership, as amended. Based on information that is publicly available to the Company and within the knowledge of its directors it has 24.01% public float as of March 31, 2023, which is the latest practicable date.

Board Performance

In January 2023, the Chairman of the Board initiated the performance evaluation process of the Board. The assessment was conducted with the support of the Institute of Independent Directors as external facilitator. A self-assessment was carried out by the directors to evaluate their individual performance, the performance of the Board as a whole and their respective committees, and the performance of the Chairman of the Board. The evaluation was based on criteria that determines the effectiveness of the Board, compliance with good governance principles of the individual Board of Directors, participation, engagement and contribution in meetings of each director, and performance of the duties and responsibilities of the Board Committees.

(Attachments follow)

VIVANT CORPORATION
Minutes of the 2022 Annual Stockholders' Meeting
Held on June 16, 2022 (Thursday) 9:00 A.M. via
remote communication

Shareholdings represented:

Name of Stockholders	Shares	Percentage
Mai-I Resources Corporation (Represented by Proxy)	464,831,568	45.42%
JEG Development Corporation (Represented by Proxy)	311,524,642	30.44%
GT Capital Holdings, Inc. (Represented by Proxy)	90,913,331	8.88%
Mr. Ramontito E. Garcia – Chairman	48,501	0.0%
Mr. Emil Andre M. Garcia – President and COO	17,701	0.0%
Mr. Arlo Angelo G. Sarmiento - CEO	107,100	0.0%
Mr. Charles Sylvestre A. Garcia	1	0.0%
Mr. Gil A. Garcia	1	0.0%
Mr. Elbert Z. Zosa	1,121,511	0.0%
Mr. Carmelo Maria L. Bautista - Independent	100	0.0%
Mr. Rogelio Q. Lim – Independent	1	0.0%
Mr. Jose Carlitos G. Cruz	100	0.0%
Atty. Jose M. Layug, Jr.	100	0.0%
All Others Shares	17,2330	0.0%
Total Shareholdings Represented in Person and by Proxy	868,581,887	84.74%

I. Call to Order

Atty. Joan Giduquio-Baron, the Assistant Corporate Secretary of the Vivant Corporation (the "Corporation"), announced the rules for the orderly conduct of the virtual Annual Stockholders' Meeting ("ASM") as follows:

1. For proper order, the questions that have been submitted ahead of time will be read by the moderator during the Q&A session scheduled at the end of the meeting. Questions that were not taken up during the meeting may be directed to the Company representative whose contact details will be flashed on the screen.
2. The voting results and proposed resolutions will be shown for each agenda item.

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3. Voting in absentia through the Company's online platform will remain open until the end of this meeting. For purposes of presentation, votes received through proxy, and votes cast through the voting portal as of June 16,2022 will be shown for each relevant agenda item.
4. The results of the votes cast will be reflected in the minutes of this meeting.
5. The proceedings of the ASM will be recorded.

The ASM of Corporation was called to order by the Chairman of the Board, Mr. Ramontito E. Garcia ("REG") at 9:00 A.M. and presided over the same.

The Corporate Secretary, Atty. Jess Anthony N. Garcia ("JNG"), took the minutes of the meeting.

II. Proof of Notice and Determination of Quorum

The Corporate Secretary certified that the Notice and Agenda for this ASM have been sent to stockholders on May 17, 2022 and May 18, 2022 through publication in the business sections of People's Independent Media, Inc. (Malaya) and BusinessWorld Publishing Inc., both newspapers of general circulation, in print and online format, and uploaded to the Corporation's website. The Notice was sent at least twenty-eight (28) days prior to the ASM in accordance with the requirements of the Revised Corporation Code and the Securities Exchange Commission ("SEC") regulations. Through the Notice, stockholders were informed that the Company will hold the ASM virtually and will be accessible and streamed live through the Vivant Portal at www.convene.com/ph/vvt2022/.

Stockholders have also been notified that if they wish to cast their votes, they may also vote through proxy or remotely in absentia through online voting via the Vivant Portal.

Stockholders were given up to the 12:00 noon of June 9, 2022 to submit their proxies to the Office of the Corporate Secretary.

To allow more stockholders to vote, they were informed that the voting portal will remain open until the end of the ASM.

The Corporate Secretary certified that there was a quorum to transact business with the registration of stockholders owning a total of Eight Hundred Sixty Eight Million Five Hundred Eighty One Thousand Eight Hundred Eighty Seven (868,581,887) shares, which constitute 84.74% or more than two-thirds (2/3) of the total issued and outstanding shares entitled to vote. Of these shares that were represented, **Five Hundred Fifty Seven Million Fifty Seven Thousand Two Hundred Forty Five** (557,057,245) shares attended through remote communication or *in absentia* while **Three Hundred Eleven Million Five Hundred Twenty Four Thousand Six Hundred Forty Two** (311,524,642) shares were represented by proxy.

III. Reading and Approval of the Minutes of the Annual Stockholders' Meeting Held onJune 17, 2021

Upon motion duly made and seconded, 100% of the stockholders who registered, representing at least two-thirds (2/3) of the total outstanding and issued shares entitled to vote, moved to dispense with the reading of the minutes. Upon further motion, the same stockholders approved and adopted the following resolutions:

DRAFT

"**WHEREAS**, that the Stockholders of Vivant Corporation (the "Corporation") have reviewed the Minutes of the previous Annual Stockholders' Meeting;

RESOLVED, as it is hereby resolved, that the Stockholders of the Corporation approve the Minutes of the Annual Stockholders' meeting held on June 17, 2021."

Out of a total of One Billion Twenty Three Million Four Hundred Fifty Six Thousand Six Hundred Ninety Eight (1,023,456,698) outstanding shares of the Corporation entitled to vote, Eight Hundred Sixty Eight Million Five Hundred Eighty One Thousand Eight Hundred Eighty Seven (868,581,887) shares were cast in favor of the approval of the minutes of the previous ASM, while no share abstained from voting.

IV. Annual Report of Officers

Mr. Arlo Angelo G. Sarmiento ("AGS"), the Corporation's Chief Executive Officer, presented the CEO's Report. Mr. Emil Andre M. Garcia ("EMG"), the Corporation's President, also presented the President's Report for the Corporation and its wholly-owned subsidiaries.

(Copies of the Reports of the Chief Executive Office and the President have been submitted to the Office of the Corporate Secretary for its files.)

V. Approval of the 2021 Annual Report and Financial Statements

Upon motion duly made and seconded, 100% of the stockholders who registered, representing at least two-thirds (2/3) of the total outstanding and issued shares entitled to vote, approved and adopted the following resolution:

"RESOLVED, as it is hereby resolved, that the Stockholders of Vivant Corporation (the "Corporation") approve, as they hereby approve, the Audited Financial Statements of the Corporation as of December 31, 2021."

Out of a total of One Billion Twenty Three Million Four Hundred Fifty Six Thousand Six Hundred Ninety Eight (1,023,456,698) outstanding shares of the Corporation entitled to vote, Eight Hundred Sixty Eight Million Five Hundred Eighty One Thousand Eight Hundred Eighty Seven (868,581,887) shares were cast in favor of the approval of the 2021 Annual Report and Financial Statements, while no share abstained from voting.

VI. Appointment of External Auditor for 2022

Upon motion duly made and seconded, 100% of the stockholders who registered, representing at least two-thirds (2/3) of the total outstanding and issued shares entitled to vote, approved and adopted the following resolutions:

"WHEREAS, the Stockholders of Vivant Corporation (the "Corporation") have the right to participate in key corporate governance decisions, such as the right to appoint the External Auditors;

DRAFT

RESOLVED, that the Stockholders of the Corporation appoint SyCip Gorres Velayo & Co. as the External Auditors for 2022."

Out of a total of One Billion Twenty Three Million Four Hundred Fifty Six Thousand Six Hundred Ninety Eight (1,023,456,698) outstanding shares of the Corporation entitled to vote, Eight Hundred Sixty Eight Million Five Hundred Eighty One Thousand Eight Hundred Eighty Seven (868,581,887) shares were cast in favor of the approval appoint SyCip Gorres Velayo & Co. as the External Auditors for 2022, while no share abstained from voting.

VII. Election of Directors

Non-Independent Directors

Upon motion duly made and seconded, the stockholders moved to elect the followingseven (7) nominees as regular members of the Board of Directors for the year 2022-2023:

MR. EMIL ANDRE M. GARCIA
MR. GIL A. GARCIA II
MR. CHARLES SYLVESTRE A. GARCIA
MR. RAMONTITO E. GARCIA
MR. ARLO ANGELO G. SARMIENTO
MR. JOSE MARKO ANTON G. SARMIENTO
MS. BRIGETTE CECILE N. GARCIA

Since no objection was made, the motion was carried and all the seven (7) nominees were elected as regular members of the Board based on votes of stockholders represented in person and by proxy.

Out of a total of One Billion Twenty Three Million Four Hundred Fifty Six Thousand Six Hundred Ninety Eight (1,023,456,698) outstanding shares of the Corporation entitled to vote, the following votes were cast:

Director	For	Against	Abstain
Mr. Ramontito E. Garcia	868,581,887	0	0
Mr. Emil Andre M. Garcia	868,581,887	0	0
Mr. Gil A. Garcia II	868,581,887	0	0
Mr. Charles Sylvestre A. Garcia	868,581,887	0	0
Mr. Arlo Angelo G. Sarmiento	868,581,887	0	0
Mr. Jose Marko Anton G. Sarmiento	868,581,887	0	0
Ms. Brigette Cecile N. Garcia	868,581,887	0	0

Independent Directors

Moreover, pursuant to the Revised Securities Regulation Code, the Corporation must elect Independent Directors from a final list of candidates. As provided for in the Information Statement that was distributed, the Corporation had four (4) number of seats to be occupied by Independent Directors. The following were the final candidates as Independent Directors:

DRAFT

MR. CARMELO MARIA LUZA BAUTISTA
MR. JOSE CARLITOS G. CRUZ
MR. JOSEPH LEE SULLIVAN
ATTY. JOSE M. LAYUG, JR.

Since no objection was made, the motion was carried and all the four (4) nominees were elected as Independent Directors based on votes of stockholders represented in person and by proxy.

Out of a total of One Billion Twenty Three Million Four Hundred Fifty Six Thousand Six Hundred Ninety Eight (1,023,456,698) outstanding shares of the Corporation entitled to vote, the following votes were cast:

Director	For	Against	Abstain
Mr. Carmelo Maria Luza Bautista	868,581,887	0	0
Mr. Jose Carlitos G. Cruz	868,581,887	0	0
Mr. Joseph Lee Sullivan	868,581,887	0	0
Atty. Jose M. Layug, Jr.	868,581,887	0	0

Thus, the Chairman of the Board announced that the eleven (11) named nominees have been duly elected as members of the Board of Directors to serve for a term of one (1) year and until their successors will have been qualified and elected.

The voting process complied with the principles of one-share, one vote, and cumulative voting requirements under the Revised Corporation Code.

On behalf of the other directors, the Chairman of the Board thanked the stockholders for their trust and confidence in electing them as members of the Board of Directors.

VIII. <u>Ratification of All Acts and Resolutions of the Board of Directors and Management Adopted for Fiscal Year 2021</u>

Upon motion duly made and seconded, 100% of the stockholders who registered, representing at least two-thirds (2/3) of the total outstanding and issued shares entitled to vote, approved and adopted the following resolution:

> **"RESOLVED,** as it is hereby resolved, that the Stockholders of Vivant Corporation (the "Corporation") approve, ratify, and confirm as they hereby approve, ratify, and confirm, the corporate acts, resolutions, business judgments, and management proceedings entered into or done by the Board of Directors, Corporate Officers, and Management of the Corporation for the past year 2021, including all acts up to June 15, 2022."

Out of a total of One Billion Twenty Three Million Four Hundred Fifty Six Thousand Six Hundred Ninety Eight (1,023,456,698) outstanding shares of the Corporation entitled to vote, Eight Hundred Sixty Eight Million Five Hundred Eighty One Thousand Eight Hundred Eighty Seven (868,581,887) shares were cast in favor of the ratification of the corporate acts and

resolutions of the Board and Management for the fiscal year 2021, while no share abstained from voting.

IX. Other Matters

There was no other matter for discussions but the Assistant Corporate Secretary informed the Chairman that due to the time constraint, only a few questions from the stockholders will be discussed.

The first question was directed to AGS: "Typhoon Odette caused heavy damage in Cebu. Can you share how the company was affected by it, especially in terms of operations and financials?" AGS answered that after the typhoon, Vivant managed to sustain its operations despite difficulties involving logistics and communications. He thanked the Bais who remained resilient and were able to adapt to the challenges at that time.

He added that the Cebu-based employees were also affected by the catastrophe, yet they managed to continue working and even helped in the repacking and distribution of relief goods for the affected communities. He explained that the Q1 2022 financials took a hit. The impact of the prolonged power outage and damages in the 1st quarter were seen in the financials – particularly in VECO's income contribution. There was a drop in the volume of electricity sold and delay in cost recovery of generation charges. TVI's power generation was also down by 15% due to the plant's downtime.

He said that Vivant was executing the recovery plans with Vivant's partner for the affected subsidiaries. He added that Vivant was keeping a positive outlook that Vivant's investments were going to catch up with their performance in 2022.

the second question was directed to EMG: "Vivant Energy was activated few years ago to focus on the power segment of the business. Last year, Infracore was activated as the infrastructure arm of Vivant. Is there any plan to venture into a new industry?" EMG answered that there were no plans to venture into a new industry in the mid-term. Other than power, Vivant wanted to focus on infrastructure, specifically water, because it involved a vital resource. In Vivant's home province of Cebu where there was a widening gap between water supply and demand, Vivant's investments in the water sector were not only critical to existing consumers but also for future investments. He said that Vivant, was always open to opportunities that will help fulfill its mission of improving everyday living. Vivant would remain attentive to the needs of its stakeholders to identify and develop solutions that respond to their needs.

The last question was directed to AGS: "Some companies are taking steps toward ESG. What is Vivant doing in this direction?" AGS answered that Vivant, driven by its mission to bring excellence to industries that improve everyday living, had identified and implemented initiatives that promote and support sustainability. Vivant identified and aligned with 8 out of the 17 UN Sustainable Development Goals. These were evident with Vivant's existing and growing presence in the infrastructure space of power and water, and its social initiatives addressing all stakeholders.

Vivant's commitment to affordable and clean energy was manifested through its goal of expanding its RE portfolio and achieve 1000 MW with at least 30% RE by 2030.

Some of the initiatives undertaken by Vivant in relation to this goal were its

investments into solar rooftop solutions, both through its fully owned subsidiary COREnergy and through its investment in Buskowitz Energy. Through its Business Development Team, Vivant was also working on exploring solar and wind utilities that could help it achieve its target portfolio mix.

Addressing the water crisis situation in Cebu, Vivant had ventured into a bulk water project using seawater desalination technology. This project was seen to provide a sustainable solution to address the supply shortage. Vivant's sustainability efforts have the full support of its teams as green initiatives such as Race to Zero and Green Office Policy were executed to encourage everyone to reduce their carbon footprint in their day- to-day lives. Since its foundation, Vivant had always been mindful of the needs of its communities and the environment.

The Assistant Corporate Secretary then informed everyone that that was the last question that could be accommodated for today's meeting. She likewise said that any additional questions could be sent to corporatesecretary@vivant.com.ph and that the Office of the Corporate Secretary would respond to it as soon as possible.

X. Adjournment

There being no other matter to be discussed, the 2022 ASM was adjourned at 10:00A.M., after motion duly made and seconded.

DRAFT

Certified True and Correct:

ATTY. JESS ANTHONY N. GARCIA
Corporate Secretary

Attested by:

MR. RAMONTITO N. GARCIA
Chairman of the Board

DRAFT

EXHIBIT "B"

Republic of the Philippines
CITY OF MAKATI

UNIVERSITY OF MAKATI

J.P. Rizal Extension, West Rembo, Makati City
Tel. Nos.: 8882-0679 • 8882-0676 • 8883-1867 • 8882-0678 • 8881-7391

OFFICE OF THE PRESIDENT

PERMIT TO PRACTICE

This Office is pleased to permit **ATTY. JOSE M. LAYUG**, UMak School of Law Dean, to engage or practice the legal profession outside the University and beyond the official time.

This authority includes, but is not limited to, appearance in Court; preparation of pleadings, contracts, and other legal forms or documents; service as Notary Public; legal research; attendance in lectures, studies, seminars, and the like, whether here or abroad; rendering consultations to private individuals, entities or institutions; and to receive fees, honoraria or remunerations in view thereof.

This authority takes effect immediately and shall remain in full force and effect unless sooner or later revoked for a cause.

This permit is issued this 1st day of January 2021.

Prof. ELYXZUR C. RAMOS, Ph.D., CESE
OIC President

EXHIBIT "C-1"

Republic of the Philippines }
Makati City } s.s.

CERTIFICATION OF INDEPENDENT DIRECTOR

I, **CARMELO MARIA LUZA BAUTISTA**, Filipino, of legal age and with office address at GT Capital Office, 43rd Floor GT Tower International, 6813 Ayala Ave. cor. H.V. Dela Costa, St. Makati City, Philippines, after having been duly sworn to in accordance with law do hereby declare that:

1. I am a nominee for Independent Director of Vivant Corporation and have been its Independent Director since 2018;

2. I am affiliated with the following companies or organizations:

Company	Position	Period of Service
GT Capital Holdings, Inc.	President/Director	2011-Present
Federal Land, Inc.	Director	2012-Present
Toyota Motor Philippines Corporation	Director	2013-Present
GT Foundation, Inc.	Adviser	2014-Present
Toyota Financial Services Philippines Corporation	Chairman	2017-Present
AXA Philippines	Director	2019-Present
GT Capital Auto and Mobility Holdings, Inc.	Director	2020-Present
Toyota Subic, Inc.	Director	2020-Present
Toyota Manila Bay Corporation	Director	2020-Present
GT Mobility Ventures, Inc.	Director	2020-Present

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of Vivant Corporation, as provided for in Section 38 of the Securities Regulation Code, its Implementing Rules and Regulations and other SEC issuances;

4. I am not related to any director/officer/substantial shareholder of Vivant Corporation and its subsidiaries and affiliates;

5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding;

6. I am not an officer or employee of any government agency, government instrumentality or government-owned and controlled corporation;

7. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and other SEC issuances; and

8. I shall inform the Corporate Secretary of Vivant Corporation of any changes in the abovementioned information within five (5) days from its occurrence;

Done this FEB 09 2023 in Makati City, Philippines.

CARMELO MARIA LUZA BAUTISTA
Affiant – Independent Director

SUBSCRIBED AND SWORN to before me this FEB 09 2023 in Makati City. Affiant personally appeared before me and exhibited to me his Philippine Passport with No. P7256366A issued at DFA – NCR South on May 21, 2018.

Doc. No. 111;
Page No. 21;
Book No. 15;
Series of 2023.

ATTY. MELISSA B. REYES
Notary Public for Makati City until December 31, 2023
Roll No. 41639 / Appointment No. M-228
IBP 221646 / PTR No. 8983545
45/F GT Tower International, Ayala Avenue
Corner H.V. Dela Costa, Makati City

EXHIBIT "C-2"

Republic of the Philippines)
Makati City) S.S

CERTIFICATION OF INDEPENDENT DIRECTOR

I, **JOSE CARLITOS G. CRUZ**, Filipino, of legal age and a resident of 27 Amsterdam St., Merville Park Subdivision, Paranaque City 1709, after having been duly sworn to in accordance with law do hereby declare that:

1. I am a nominee for independent director of Vivant Corporation;

2. I am affiliated with the following companies or organizations:

COMPANY/ORGANIZATION	POSITION/RELATIONSHIP	PERIOD OF SERVICE
MPIC Beneficial Trust Fund	Independent Trustee	Less than a year
Solar Philippines New Energy Corporation	Lead Independent Director	Less than 2 years
SM Prime Holdings, Inc.	Independent Director	Less than 2 years
Asialink Finance Corporation	Independent Director	Less than 2 years
Global Dominion Financing Incorporated	Independent Director	Less than 2 years
South Asialink Finance Corporation	Independent Director	Less than 2 years
MarCoPay Inc.	Independent Director	Less than 2 years
MCP Finance, Inc.	Independent Director	Less than 2 years
MCP Insurance Management and Agency, Inc.,	Independent Director	Less than 2 years
Transnational Diversified Group, Inc.	Independent Director	Less than 3 years
Federal Land, Inc.	Independent Director	Less than 3 years
Solar Philippines Power Project Holdings, Inc	Independent Director	Less than 3 years
Makati Business Club	Board of Trustee	3 years & 6 months
Philippines-Thailand Business Council	Co-Chair	6 years
Association of CPAs in Public Practice	Member	12 years
Management Association of the Philippines	Member	22 years
Philippine Institute of Certified Public Accountants	Member	40 years

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of the Vivant Corporation as provided for in Section 38 of the Securities Regulation Code, its Implementing Rules and Regulations and other SEC issuances.

4. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding.

5. I shall faithfully and diligently comply with my duties and responsibilities as Independent director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and other SEC issuances.

6. I shall inform the Corporate Secretary of Vivant Corporation of any changes in the abovementioned information within five (5) days from its occurrence.

(Signature Page Follows)

Done, this 31st day of January, 2023, in Makati City, Philippines.

JOSE CARLITOS G. CRUZ
Affiant – Independent Director

SUBSCRIBED AND SWORN to before me this 31st day of January, 2023, in Makati City, Philippines, affiant personally appeared before me and exhibited to me his Philippine Passport No. P6593678A issued at DFA Manila on 28 March 2018.

Doc. No. 130 ;
Page No. 26 ;
Book No. I ;
Series of 2023.

ELWELL B. MARIANO
Notary Public for Makati City
Appointment No.M-033 (N) (2022-2023)
Roll No. 71724; IBP No. 258159 / 02-Jan-2023 / Makati City
PTR No. 0565662 / 03-Jan-2023 / Makati City
MCLE Compliance No. VII-0017382 / 06/05/2022
3rd Floor, La Paz Centre Building
Salcedo corner V.A. Rufino Street
Legaspi Village, Makati City

EXHIBIT "C-3"

Republic of the Philippines)
City of Mandaluyong) S.S.

CERTIFICATION OF INDEPENDENT DIRECTOR

I, **JOSE M. LAYUG, JR.**, Filipino, of legal age and a resident of 120 Aquarius Street, Cinco Hermanos Subdivision, Marikina City 1802, after having been duly sworn to in accordance with law, do hereby declare as follows:

1. I am a nominee for Independent Director of **Vivant Corporation**.

2. I am affiliated with the following companies or organizations:

Company	Position	Period of Service
Citicore Energy REIT Corp.	Independent Director	2021 – present
Hacienda Asia Plantations, Inc.	Independent Director	2021 – present
Oriental Petroleum and Minerals Corporation	Independent Director	2022 – present
Puno and Puno Law Offices	Senior Partner	2013 – present
University of Makati School of Law	Dean	2019 – present
Developers of Renewable Energy for AdvanceMent, Inc.	Trustee/President	2018 – present
Philippine Energy Research & Policy Institute	Director	2022 – present

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of Vivant Corporation, as provided for in Section 38 of the Securities Regulation Code, its Implementing Rules and Regulations and other Securities and Exchange Commission issuances.

4. I am not related to any director, officer or substantial shareholder of Vivant Corporation and its subsidiaries and affiliates.

5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding.

6. I am not an officer or employee of any government agency, government instrumentality or government-owned and controlled corporation.

7. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and other SEC issuances.

8. I shall inform the Corporate Secretary of Vivant Corporation of any changes in the abovementioned information within five (5) days from its occurrence;

Done this 6th day of February 2023 in Mandaluyong City, Philippines.

JOSE M. LAYUG, JR.
Affiant

SUBSCRIBED AND SWORN to before me this 6th day of February 2023 in Mandaluyong City. affiant personally exhibited to me his Driver's License No. N01-88-073404 valid until February 19, 2023.

Doc. No. 56 ;
Page No. 13 ;
Book No. I ;
Series of 2023.

SELINA ALESSANDRA M. MIRANDA
NOTARY PUBLIC
ROLL NO. 83210
MANDALUYONG CITY, PHILIPPINES

ATTY. SELINA ALESSANDRA M. MIRANDA
Notary Public for Mandaluyong City
Appointment No. 0935-23 (until December 2024)
33rd Floor, The Podium West Tower
12 ADB Avenue, Ortigas Center, Mandaluyong City 1550
Roll of Attorneys No. 83210
PTR No. 3123936/01.04.2023/Mandaluyong City
IBP No. 230554/06.08.2022/Quezon City

EXHIBIT "C-4"

Republic of the Philippines)
MAKATI CITY) s.s.

CERTIFICATION OF INDEPENDENT DIRECTOR

I, **LAURENCE R. ROGERO**, Filipino, of legal age and a resident of u-18 LGM, Novo Scotia St., Loyola Grand Villas, Quezon City, Philippines after having been duly sworn to in accordance with law do hereby declare that:

1. I am a nominee for Independent Director of Vivant Corporation;

2. I am affiliated with the following companies or organizations:

Company	Position	Period of Service
Ateneo de Manila University	Lecturer	2019 - Present

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of Vivant Corporation, as provided for in Section 38 of the Securities Regulation Code, its Implementing Rules and Regulations and other SEC issuances;

4. I am not related to any director/officer/substantial shareholder of Vivant Corporation and its subsidiaries and affiliates;

5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding;

6. I am not an officer or employee of any government agency, government instrumentality or government-owned and controlled corporation;

7. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and other SEC issuances; and

8. I shall inform the Corporate Secretary of Vivant Corporation of any changes in the abovementioned information within five (5) days from its occurrence;

Done this FEB 10 2023 in MAKATI CITY, Philippines.

LAURENCE R. ROGERO
Affiant

SUBSCRIBED AND SWORN to before me this FEB 10 2023 in MAKATI CITY. Affiant personally exhibited to me his IBP Lifetime Member No. 03277.

Doc. No. 157;
Page No. 31;
Book No. I;
Series of 2023.

ELWELL B. MARIANO
Notary Public for Makati City
Appointment No. M-093 (N) (2022-2023)
Roll No. 71724; IBP No. 256156 / 02-Jan-2023 / Makati City
PTR No. 8555[illegible] / 03-Jan-2023 / Makati City
MCLE Compliance No. VII-0017282 / 06/05/2022
3rd Floor, La Paz Centre Building
Salcedo corner V.A. Rufino Street
Legaspi Village, Makati City

EXHIBIT "D"

Republic of the Philippines
Province of Cebu
OFFICE OF THE VICE-GOVERNOR

AUTHORITY TO ENGAGE IN PRIVATE PRACTICE OF PROFESSION OR OCCUPATION

TO WHOM IT MAY CONCERN:

Pursuant to Section 90 (b) of Republic Act No. 7160, otherwise known as the Local Government Code of 1991, **MRS. MINUEL CARMELA N. FRANCO**, a distinguished member of the Sangguniang Panlalawigan representing the 4th District of the Province of Cebu, is hereby authorized to engage in her occupation and continue to hold her position as Executive Vice-President and Chief Corporate Officer of Vivant Corporation, a domestic corporation organized and existing under and by virtue of Philippine Laws.

It is understood that the authority granted under the Local Government Code shall not prejudice public service or the performance of her public duties. In case of conflict of schedule, public service shall at all times take precedence.

Legislative Building, Provincial Capitol, Cebu City, Philippines, May 2, 2023.

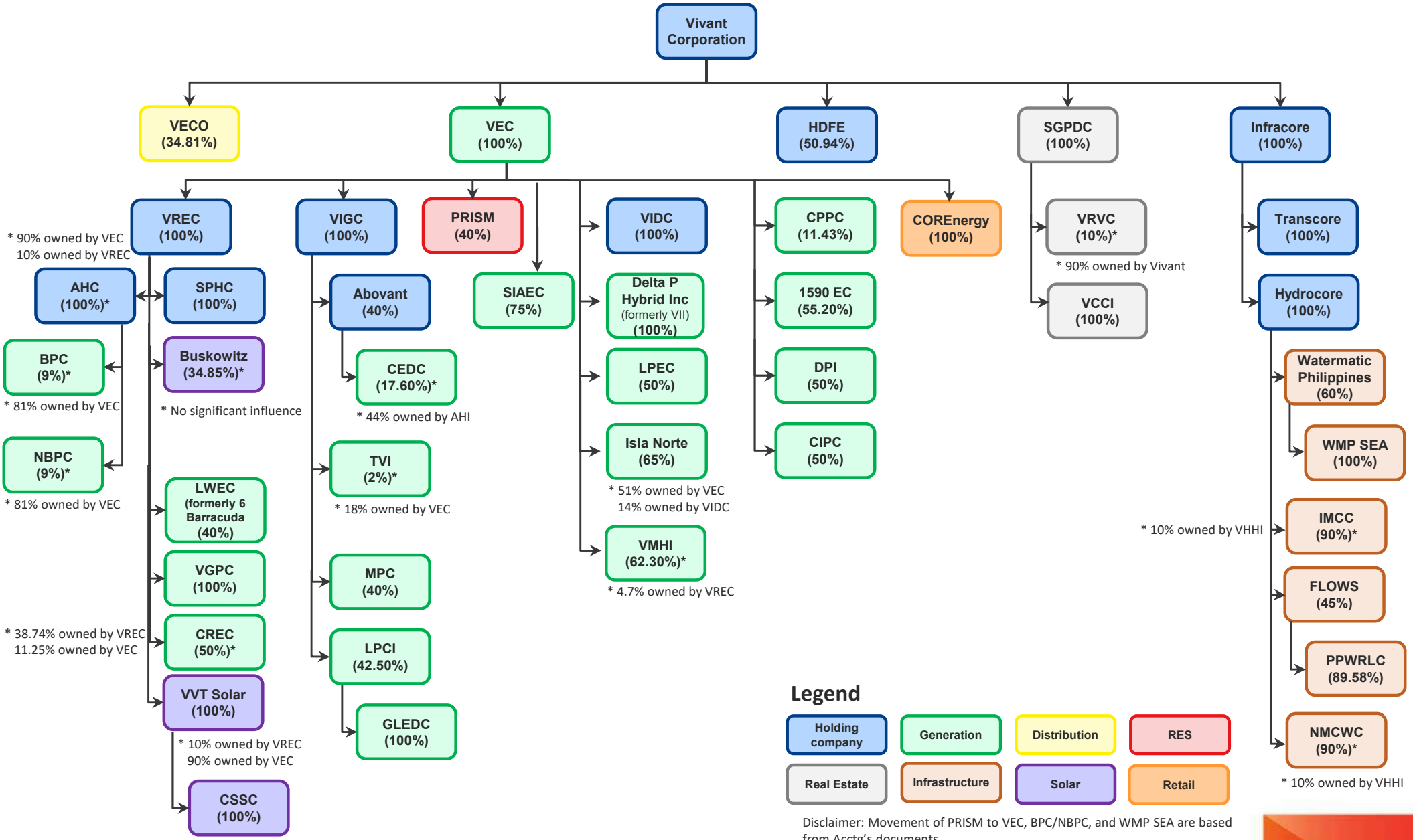
HILARIO P. DAVIDE III
Vice-Governor

4th Floor, Legislative Building, Cebu Provincial Capitol, Cebu City, 6000 • Tel Nos. (032) 253 2759 • Telefax: (032) 254 4164
Website: www.cebu.gov.ph • Email address: vgo.cpg@gmail.gov.ph

EXHIBIT "E"

Vivant corporate structure

Current (effective ownership)



Disclaimer: Movement of PRISM to VEC, BPC/NBPC, and WMP SEA are based from Acctg's documents

Updated as of March 16 2023

EXHIBIT "F"

SECURITIES AND EXCHANGE COMMISSION
SEC Headquarters, 7907 Makati Avenue, Salcedo Village, Barangay Bel-Air, Makati City, 1209, Metro Manila Philippines
Tel: (632) 818-0921 Fax: (632) 818-5293 Email: mis@sec.gov.ph

The following document has been received:

Receiving: Aldrin Pagal
Receipt Date and Time: April 13, 2023 09:27:54 AM

Company Information

SEC Registration No.: 0000175222
Company Name: VIVANT CORPORATION
Industry Classification: J66940
Company Type: Stock Corporation

Document Information

Document ID: OST10413202381005801
Document Type: Financial Statement
Document Code: FS
Period Covered: December 31, 2022
Submission Type: Parent
Remarks: None

Acceptance of this document is subject to review of forms and contents

COVER SHEET

for

AUDITED FINANCIAL STATEMENTS

SEC Registration Number

					1	7	5	2	2	2

COMPANY NAME

V	I	V	A	N	T		C	O	R	P	O	R	A	T	I	O	N													

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

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3	,		O	a	k	r	i	d	g	e		B	u	s	i	n	e	s	s		P	a	r	k	,		A	.	S	
.		F	o	r	t	u	n	a		S	t	r	e	e	t	,		B	r	g	y	.		B	a	n	i	l	a	
D	,		M	a	n	d	a	u	e		C	i	t	y	,		C	e	b	u	,		P	h	i	l	i	p	p	
I	n	e	s		6	0	1	4																						

Form Type	Department requiring the report	Secondary License Type, If Applicable
A A F S	C R M D	N / A

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number	Mobile Number
vivant@vivant.com.ph	(032) 234-2256	N/A

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
1,413	June 16	December 31

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Atty. Joan A. Giduquio-Baron	jbaron@jpgarcialaw.com	(032) 232-0253	0917-5356692

CONTACT PERSON's ADDRESS

9th Floor, Oakridge IT Center 2, Oakridge Business Park, A.S. Fortuna Street, Brgy. Banilad, Mandaue City, Cebu, Philippines

NOTE 1 : *In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.*

2 : *All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.*

VIVANT

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The Management of **VIVANT CORPORATION** is responsible for the preparation and fair presentation of the financial statements, including the schedules attached therein, for the years ended December 31, 2022 and 2021, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

The Board of Directors is responsible for overseeing the Company's financial reporting process.

The Board of Directors reviews and approves the financial statements, including the schedules attached therein, and submits the same to the stockholders.

SyCip Gorres Velayo & Co., the independent auditor appointed by the stockholders for the years ended December 31, 2022 and 2021, has audited the financial statements of the company in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such audit.

CHARLES SYLVESTRE A. GARCIA
Chairman of the Board

ARLO ANGELO G. SARMIENTO
Chief Executive Officer

MINUEL CARMELA N. FRANCO
Chief Financial Officer

Signed this 16th day of March, 2023.

9th Floor Oakridge IT Center 3
Oakridge Business Park, A. S. Fortuna Street
Brgy. Banilad, Mandaue City, Philippines 6014

Tel. no. (6332) 234-2256
Telefax: (6332) 234-2285

www.vivant.com.ph

REPUBLIC OF THE PHILIPPINES)
MANDAUE CITY) S.S.

ACKNOWLEDGMENT

BEFORE ME, a Notary Public for and in Mandaue City appeared on MAR 2 1 2023, 2023 the following:

Name	Competent Evidence of Identification	
	Type/Number	Date of Expiry
Vivant Corporation Represented by:		
CHARLES SYLVESTRE A. GARCIA	Driver's License No. G01-85-007227	04 NOV 2022 / LTO CEBU
ARLO ANGELO G. SARMIENTO	Passport No. P6592337A	27 MAR 2028 / DFA CEBU
MINUEL CARMELA N. FRANCO	Passport No. P9523819B	05 APR 2032 / DFA MANILA

known to me and to me known to be the same person who executed the foregoing Statement of Management's Responsibility for Financial Statements and who acknowledged to me that the same is their true and voluntary act and deed and that of the Corporation/s which they represent.

WITNESS MY HAND AND NOTARIAL SEAL on the date and in the place above given.

NOTARY PUBLIC

ATTY. KRISBEN ZILNER P. BUOT
Notarial Commission No. 2022-22 until 12/31/2023
City of Mandaue and the Municipalities under its Jurisdiction
Unit 3-902, 9 th Floor, ORTC-2 Bldg., Cebridge Business Park,
A.S Fortuna St., Banilad, Mandaue City, 6014
Roll of Attorneys No. 63880
PTR No. 1508802/01-04-2023/Mandaue City
IBP No. 285519/01-11-2023/Cebu Chapter
MCLE Compliance No.VII-0008179; 02/12/2022

Doc. No. 457;
Page No. 93;
Book No. II;
Series of 2023.

ATTY. KRISBEN ZILNER P. BUOT
ROLL NO. 63880
NOTARY PUBLIC
MANDAUE CITY, PHILIPPINES

SyCip Gorres Velayo & Co.
8th Floor JEG Tower @ One Acacia
Acacia Street corner Archbishop Reyes Avenue
Brgy. Kamputhaw, Cebu City 6000
Philippines

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INDEPENDENT AUDITOR'S REPORT

The Board of Directors and the Stockholders
Vivant Corporation
9th Floor, Oakridge IT Center 3
Oakridge Business Park, A.S. Fortuna Street
Brgy. Banilad, Mandaue City, Cebu, Philippines

Report on the Audit of the Parent Company Financial Statements

Opinion

We have audited the parent company financial statements of Vivant Corporation (the Parent Company), which comprise the parent company statements of financial position as at December 31, 2022 and 2021, and the parent company statements of comprehensive income, parent company statements of changes in equity and parent company statements of cash flows for each of the three years in the period ended December 31, 2022, and notes to the parent company financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

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

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the parent company financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Parent Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Parent Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the parent company financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Parent Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the parent company financial statements, including the disclosures, and whether the parent company financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under Revenue Regulations 15-2010 in Note 22 to the parent company financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of the management of Vivant Corporation. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Margem A. Tagalog
Partner
CPA Certificate No. 0098098
Tax Identification No. 206-544-506
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
SEC Partner Accreditation No. 98098-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. 08-001998-138-2021, November 10, 2021, valid until November 9, 2024
PTR No. 9566001, January 3, 2023, Makati City

March 16, 2023

VIVANT CORPORATION
PARENT COMPANY STATEMENTS OF FINANCIAL POSITION

	December 31	
	2022	2021
ASSETS		
Current Assets		
Cash and cash equivalents (Note 6)	**₱1,954,788,202**	₱2,789,920,159
Trade and other receivables (Notes 7 and 14)	**1,699,375,106**	432,441,497
Prepaid expenses and other current assets (Note 8)	**21,272,742**	18,018,833
Total Current Assets	**3,675,436,050**	3,240,380,489
Noncurrent Assets		
Investments in and advances to subsidiaries and associates (Note 9)	**7,995,396,142**	7,649,741,634
Property and equipment (Note 10)	**83,295,220**	88,668,048
Right-of-use assets (Note 21)	**22,223,058**	35,101,179
Deferred income tax assets - net (Note 16)	**15,339,766**	20,083,572
Other noncurrent assets (Note 11)	**158,833,312**	156,363,407
Total Noncurrent Assets	**8,275,087,498**	7,949,957,840
TOTAL ASSETS	**₱11,950,523,548**	₱11,190,338,329
LIABILITIES AND EQUITY		
Current Liabilities		
Trade and other current liabilities (Notes 12 and 14)	**₱51,882,018**	₱73,803,811
Current portion of notes payable (Note 13)	**1,044,763,196**	39,233,441
Current portion of lease liabilities (Note 21)	**14,948,857**	13,342,909
Total Current Liabilities	**1,111,594,071**	126,380,161
Noncurrent Liabilities		
Notes payable - net of current portion (Note 13)	**1,889,818,383**	2,934,581,579
Lease liabilities - net of current portion (Note 21)	**11,864,591**	26,813,448
Pension liability (Note 15)	**35,428,216**	32,330,463
Other noncurrent liabilities (Notes 14 and 15)	**12,493,896**	11,425,702
Total Noncurrent Liabilities	**1,949,605,086**	3,005,151,192
Total Liabilities	**3,061,199,157**	3,131,531,353
Equity		
Capital stock (Note 17)	**1,023,456,698**	1,023,456,698
Additional paid-in capital	**8,339,452**	8,339,452
Remeasurement of employee benefits (Note 15)	**1,826,352**	(2,364,635)
Remeasurement of financial assets at fair value through other comprehensive income (FVOCI; Note 11)	**3,655,000**	3,655,000
Retained earnings (Note 17)		
Appropriated for business expansion	**6,820,897,482**	6,198,363,882
Unappropriated	**1,031,149,407**	827,356,579
Total Equity	**8,889,324,391**	8,058,806,976
TOTAL LIABILITIES AND EQUITY	**₱11,950,523,548**	₱11,190,338,329

See accompanying Notes to Financial Statements.

VIVANT CORPORATION
PARENT COMPANY STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31		
	2022	2021	2020
REVENUES			
Dividend income (Note 9)	**₱1,557,905,614**	₱1,361,755,901	₱1,637,324,284
Revenues from contracts with customers			
Management and service fees (Note 14)	**160,078,728**	152,368,564	133,525,240
Service income (Note 14)	**9,878,094**	9,042,794	5,974,453
Engineering service income	**–**	–	460,644
Interest income (Note 6)	**37,863,232**	18,182,298	40,476,576
	1,765,725,668	1,541,349,557	1,817,761,197
EXPENSES			
Salaries and employee benefits (Notes 15 and 18)	**238,382,868**	201,897,135	165,524,142
Depreciation (Notes 10 and 21)	**39,724,356**	41,275,612	42,682,749
Professional fees (Note 14)	**37,186,086**	40,007,307	125,167,956
Travel	**17,840,670**	6,863,436	5,365,013
Directors' per diem	**14,862,500**	9,300,000	7,613,333
Outside services	**13,238,651**	14,337,098	12,899,739
Supplies	**9,516,051**	9,410,372	5,446,071
Communication and utilities	**8,581,895**	6,978,450	6,721,139
Representation	**6,517,601**	4,019,951	3,978,050
Taxes and licenses	**6,225,589**	6,264,281	5,073,306
Repairs and maintenance	**4,102,732**	4,239,307	3,000,865
Rent and association dues	**3,614,242**	5,148,079	3,748,301
Meetings and conferences	**595,910**	293,119	181,689
Marketing	**490,017**	342,054	526,477
Corporate social responsibility	**125,731**	80,409	94,620
Others (Note 7)	**14,000,498**	14,076,869	8,936,536
	415,005,397	364,533,479	396,959,986
INCOME FROM OPERATIONS	**1,350,720,271**	1,176,816,078	1,420,801,211
FINANCE CHARGES			
Interest expense (Notes 13 and 21)	**135,242,080**	140,608,326	172,712,667
Other financing charges	**349,479**	272,176	178,612
	135,591,559	140,880,502	172,891,279
OTHER INCOME			
Gain on reversal of impairment loss (Note 9)	**29,018,552**	88,142,365	–
Gain on sale of shares of an associate (Note 9)	**–**	–	39,085,242
Other income	**35,921,029**	32,576,736	6,439,846
	64,939,581	120,719,101	45,525,088
INCOME BEFORE INCOME TAX	**1,280,068,293**	1,156,654,677	1,293,435,020
PROVISION FOR INCOME TAX (Note 16)	**9,459,315**	14,571,882	4,738,589
NET INCOME	**1,270,608,978**	1,142,082,795	1,288,696,431

(Forward)

	Years Ended December 31		
	2022	2021	2020
OTHER COMPREHENSIVE INCOME			
Other comprehensive income that will not be reclassified to profit or loss:			
Remeasurement gain on employee benefits (Note 15)	**₱5,587,983**	₱8,459,374	₱373,655
Income tax effect	**(1,396,996)**	(2,695,455)	(112,096)
	4,190,987	5,763,919	261,559
Unrealized valuation gain on financial assets at FVOCI (Note 11)	–	600,000	30,000
Income tax effect	–	187,500	(4,500)
	–	787,500	25,500
Other comprehensive income for the year, net of tax	**4,190,987**	6,551,419	287,059
TOTAL COMPREHENSIVE INCOME	**₱1,274,799,965**	₱1,148,634,214	₱1,288,983,490
EARNINGS PER SHARE (BASIC/DILUTED) (Note 17)	**₱1.241**	₱1.116	₱1.259

See accompanying Notes to Financial Statements.

VIVANT CORPORATION

PARENT COMPANY STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2022, 2021 AND 2020

	Capital Stock	Additional Paid-in Capital	Remeasurement of Employee Benefits (Note 15)	Remeasurement of Financial Assets at FVOCI (Note 11)	Retained Earnings (Note 17)		Total
					Appropriated	Unappropriated	
At January 1, 2022	**₱1,023,456,698**	**₱8,339,452**	**(₱2,364,635)**	**₱3,655,000**	**₱6,198,363,882**	**₱827,356,579**	**₱8,058,806,976**
Net income	**–**	**–**	**–**	**–**	**–**	**1,270,608,978**	**1,270,608,978**
Other comprehensive income	**–**	**–**	**4,190,987**	**–**	**–**	**–**	**4,190,987**
Total comprehensive income	**–**	**–**	**4,190,987**	**–**	**–**	**1,270,608,978**	**1,274,799,965**
Reversal of appropriation for business expansion	**–**	**–**	**–**	**–**	**(1,627,466,400)**	**1,627,466,400**	**–**
Appropriation for business expansion	**–**	**–**	**–**	**–**	**2,250,000,000**	**(2,250,000,000)**	**–**
Cash dividends declared	**–**	**–**	**–**	**–**	**–**	**(444,282,550)**	**(444,282,550)**
At December 31, 2022	**₱1,023,456,698**	**₱8,339,452**	**₱1,826,352**	**₱3,655,000**	**₱6,820,897,482**	**₱1,031,149,407**	**₱8,889,324,391**
At January 1, 2021	₱1,023,456,698	₱8,339,452	(₱8,128,554)	₱2,867,500	₱5,213,900,230	₱1,027,947,280	₱7,268,382,606
Net income	–	–	–	–	–	1,142,082,795	1,142,082,795
Other comprehensive income	–	–	5,763,919	787,500	–	–	6,551,419
Total comprehensive income	–	–	5,763,919	787,500	–	1,142,082,795	1,148,634,214
Reversal of appropriation for business expansion	–	–	–	–	(965,536,348)	965,536,348	–
Appropriation for business expansion	–	–	–	–	1,950,000,000	(1,950,000,000)	–
Cash dividends declared	–	–	–	–	–	(358,209,844)	(358,209,844)
At December 31, 2021	₱1,023,456,698	₱8,339,452	(₱2,364,635)	₱3,655,000	₱6,198,363,882	₱827,356,579	₱8,058,806,976
At January 1, 2020	₱1,023,456,698	₱8,339,452	(₱8,390,113)	₱2,842,000	₱4,449,483,361	₱971,489,778	₱6,447,221,176
Net income	–	–	–	–	–	1,288,696,431	1,288,696,431
Other comprehensive income (loss)	–	–	261,559	25,500	–	–	287,059
Total comprehensive income	–	–	261,559	25,500	–	1,288,696,431	1,288,983,490
Reversal of appropriation for business expansion	–	–	–	–	(1,521,583,131)	1,521,583,131	–
Appropriation for business expansion	–	–	–	–	2,286,000,000	(2,286,000,000)	–
Cash dividends declared	–	–	–	–	–	(467,822,060)	(467,822,060)
At December 31, 2020	₱1,023,456,723	₱8,339,452	₱(8,128,554)	₱2,867,500	₱5,213,900,230	₱1,027,947,280	₱7,268,382,606

See accompanying Notes to Financial Statements.



VIVANT CORPORATION
PARENT COMPANY STATEMENTS OF CASH FLOWS

	Years Ended December 31		
	2022	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**₱1,280,068,293**	₱1,156,654,677	₱1,293,435,020
Adjustments for:			
Dividend income (Note 9)	**(1,557,905,614)**	(1,361,755,901)	(1,637,324,284)
Interest expense (Notes 13 and 21)	**135,242,080**	140,608,326	172,712,667
Depreciation (Notes 10 and 21)	**39,724,356**	41,275,613	42,682,749
Interest income (Note 6)	**(37,863,232)**	(18,182,298)	(40,476,576)
Unrealized foreign exchange loss (gain)	**(33,907,730)**	(11,048,706)	2,530
Gain on reversal of impairment loss (Note 9)	**(29,018,552)**	(88,142,365)	–
Pension expense (Note 15)	**9,753,930**	10,824,812	8,250,605
Gain on disposal of property and equipment (Note 10)	**(574,734)**	(2,977,308)	(25,500)
Gain on pretermination of a lease (Note 21)	**–**	(89,591)	–
Gain on sale of shares of an associate (Note 9)	**–**	–	(39,085,242)
Operating loss before working capital changes	**(194,481,203)**	(132,832,741)	(199,828,031)
Decrease (increase) in:			
Trade and other receivables	**(532,784,226)**	(237,230,087)	(140,613,123)
Prepaid expenses and other current assets	**(3,253,909)**	4,312,514	(14,060,962)
Creditable tax withheld under other noncurrent assets	**(2,469,905)**	(2,508,572)	(4,775,280)
Increase (decrease) in trade and other current liabilities	**(22,285,605)**	18,708,800	18,917,555
Net cash used in operations	**(755,274,848)**	(349,550,086)	(340,359,841)
Interest paid	**(124,799,388)**	(135,578,341)	(168,179,316)
Contributions to the retirement fund	**–**	(27,761,536)	–
Net cash flows used in operating activities	**(880,074,236)**	(512,889,963)	(508,539,157)
CASH FLOWS FROM INVESTING ACTIVITIES			
Dividends received from subsidiaries and associates (Note 9)	**827,495,658**	1,361,755,901	1,650,124,284
Disposals of (additions to):			
Investments in and advances to subsidiaries and associates (Note 9)	**(316,635,956)**	(500,072,653)	(306,664,449)
Property and equipment (Note 10)	**(21,431,326)**	(22,013,501)	(22,603,302)
Other noncurrent assets	**–**	772,023	(1,121,289)
Interest received	**28,011,300**	12,236,165	37,092,877
Proceeds from disposal of property and equipment	**752,413**	3,801,829	–
Net cash flows from investing activities	**518,192,089**	856,479,764	1,356,828,121
CASH FLOWS FROM FINANCING ACTIVITIES			
Payments of:			
Cash dividends (Notes 17 and 20)	**(443,594,871)**	(357,702,924)	(467,156,920)
Payment of notes payable (Notes 13 and 20)	**(50,000,000)**	(2,820,000,000)	(30,000,000)
Lease liabilities (Notes 20 and 21)	**(13,562,669)**	(12,582,549)	(14,244,182)
Proceeds from issuance of notes payable (Notes 13 and 20)	**–**	2,975,444,691	–
Cash flows used in financing activities	**(507,157,540)**	(214,840,782)	(511,401,102)
NET INCRASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(869,039,687)**	128,749,019	336,887,862
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**33,907,730**	11,048,706	(2,530)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**2,789,920,159**	2,650,122,434	2,313,237,102
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 6)	**₱1,954,788,202**	₱2,789,920,159	₱2,650,122,434

See accompanying Notes to Financial Statements.

VIVANT CORPORATION
NOTES TO PARENT COMPANY FINANCIAL STATEMENTS

1. Corporate Information

Vivant Corporation (the "Parent Company" or "Vivant") was incorporated under the laws of the Republic of the Philippines and registered with the Securities and Exchange Commission (SEC) on May 28, 1990. The Parent Company's shares are listed in the Philippine Stock Exchange (PSE) with the symbol VVT.

The Parent Company's primary purpose is to invest in and manage the general business of any other corporation or corporations except management of fund securities portfolios and other similar assets of a managed entity.

The Parent Company is owned by Mai-I Resources Corporation (MRC) and JEG Development Corporation (JDC) with a combined ownership of 75.84% in 2022, 2021 and in 2020. MRC and JDC are entities incorporated and domiciled in the Philippines.

The principal office address of the Parent Company is currently located at 9th Floor, Oakridge IT Center 3, Oakridge Business Park, A.S. Fortuna Street, Brgy. Banilad, Mandaue City, Cebu, Philippines.

Details of the Parent Company's equity interests in its subsidiaries and associates as of December 31 are shown below:

	2022		2021	
	Percentage of Ownership			
	Direct	**Indirect**	Direct	Indirect
Subsidiaries				
Hijos De F. Escaño (HDFE)	**50.94**	**–**	50.94	–
Southern Grove Properties and Development Corp. (SGPDC)	**100.00** [f]	**–**	100.00 [f]	–
Vivant Realty Ventures Corporation (VRVC)	**–**	**100.00** [g]	–	100.00 [g]
Vivant Corporate Center, Inc. (VCCI)	**–**	**100.00** [g]	–	100.00 [g]
Vivant Infracore Holdings Inc. (VIHI)	**100.00**	**–**	100.00	–
Vivant Hydrocore Holdings Inc. (VHHI)	**–**	**100.00** [h]	–	100.00 [h]
Vivant Transcore Holdings Inc. (VTHI)	**–**	**100.00** [h]	–	100.00 [h]
Isla Mactan-Cordova Corporation (IMCC)	**–**	**100.00** [i]	–	100.00 [i]
Watermatic Philippines Corporation (WMP)	**–**	**60.00** [i]	–	60.00 [i]
Watermatic Southeast Asia, Ltd. (WMP SEA)	**–**	**60.00** [l]	–	60.00 [l]
Northern Metro Cebu Water Corporation (NMCWC)	**–**	**100.00** [j]	–	100.00 [j]
Vivant Energy Corporation (VEC)	**100.00**	**–**	100.00	–
Vivant Integrated Generation Corporation (VIGC)	**–**	**100.00** [a]	–	100.00 [a]
Vivant Geo Power Corp. (VGPC)	**–**	**100.00** [b]	–	100.00 [b]
Delta P Hybrid, Inc. (DPHI; formerly Vivant Isla Inc.)	**–**	**100.00** [a] [n]	–	100.00 [a]
Vivant Renewable Energy Corporation (VREC)	**–**	**100.00** [a] [d]	–	100.00 [a] [d]
Corenergy Inc. (Core)	**–**	**100.00** [a]	–	100.00 [a]
Vivant Integrated Diesel Corporation (VIDC)	**–**	**100.00** [a]	–	100.00 [a]
Isla Norte Energy Corp. (INEC)	**–**	**65.00** [a] [e]	–	65.00 [a] [e]
Isla Norte Power Corp. (INPC)	**–**	**65.00** [a] [o]	–	–
Southern Powercore Holding Corp. (SPHC)	**–**	**100.00** [b]	–	100.00 [b]
Amberdust Holding Corporation (AHC)	**–**	**100.00** [b]	–	100.00 [b]
Vivant-Malogo Hydropower, Inc. (VMHI)	**–**	**67.00** [a]	–	67.00 [a]
1590 Energy Corp. (1590 EC)	**–**	**55.20** [a]	–	55.20 [a]
Vivant Solar Corporation (VSC)	**–**	**100.00** [a] [j]	–	100.00 [a] [j]

	2022		2021	
	Percentage of Ownership			
	Direct	**Indirect**	Direct	Indirect
Core Solar Solutions Corporation (CSSC; formerly ET Energy Inc.)	**–**	**100.00** [(a) (c) (m)]	–	100.00 [(a) (c) (m)]
Bukidnon Power Corporation (BPC)	**–**	**90.00** [(k)]	–	90.00 [(k)]
North Bukidnon Power Corporation (NBPC)	**–**	**90.00** [(k)]	–	90.00 [(k)]
Associate				
Visayan Electric Company, Inc. (VECO)	**34.81**	**–**	34.81	–

a. Indirect ownership through VEC
b. Indirect ownership through VREC
c. Ownership interest in CSSC is through VSC.
d. Changed its corporate name from Vics-Bakun Holdings Corporation (Vics-Bakun) to VREC on October 2, 2015.
e. Changed its corporate name from Vivant Powercore Active Inc. (VPAI) to INEC on December 20, 2019.
f. Changed its corporate name from VC Ventures Net, Inc. (VNI) to SGPDC on January 6, 2016.
g. Indirect ownership through SGPDC
h. Indirect ownership through VIHI
i. Indirect ownership through VHHI
j. Changed its corporate name from ET Vivant (ETVVT) to VSC on November 9, 2020.
k. Indirect ownership through AHC
l. Indirect ownership through WMP.
m. Changed its corporate name from ET Energy Inc. (ETEI) to CSSC on August 26, 2021.
n. Incorporated on July 11 2014. Changed its corporate name from Vivant Isla Inc. (VII) to Delta P Hybrid, Inc. on February 16, 2022.
o. Incorporated on February 14, 2022

Subsidiaries

Except for 1590 EC, INEC, INPC, VMHI, Core, VII, VGPC, VIDC, CSSC, BPC, NBPC, WMP, WMP SEA, IMCC, and NMCWC, all subsidiaries are also operating as holding and investing companies, which are primarily engaged in power generation and distribution and water infrastructure. 1590 EC is operating a diesel power plant, while VMHI is in its pre-operating stage of building a hydro power plant in Silay, Negros Occidental. INEC and INPC are operating a diesel power plant in Bantayan, Cebu. BPC and NBPC are operating diesel-fired power plants in Bukidnon. Core is operating as a retail electricity supplier and engineering services provider. WMP provides engineering services, mainly for water infrastructure projects. WMP SEA buys and sells products for waste water and waste water treatment projects. IMCC and NMCWC are in their pre-operating stage of building a seawater desalination facility.

The following sets out a brief information of the Parent Company's subsidiaries and associates:

HDFE

HDFE was incorporated on December 24, 1926, which registration was renewed for another 50 years effective November 26, 1974. The primary purpose of HDFE is to invest in, hold, own, purchase, acquire, lease, contract, operate, improve, develop, grant, sell, exchange, or otherwise dispose of real and personal properties of every kind and description including shares of stocks, bonds and other securities or evidence of indebtedness of any other corporation, association, firm, or entity, domestic or foreign, where necessary or appropriate, and to process and exercise in respect thereof of all the rights, powers and privileges of ownership, including all voting powers of any stock so owned, without acting as, or engaging in, the business of an investment company, or dealer or broker in securities.

The registered office of HDFE is located at Unit 907-908 Ayala Life FGU Center, Mindanao Avenue corner Biliran Road, Cebu Business Park, Barangay Luz, Cebu City, Philippines 6000. The Company's application for amendment on the principal address on the articles of incorporation is ongoing with the SEC. The new registered office once the application for change will be approved is located at 9th Floor, Oakridge IT Center 3, Oakridge Business Park, A.S. Fortuna Street, Brgy. Banilad, Mandaue City, Cebu, Philippines.

SGPDC
On January 6, 2016, the SEC approved the amendment to its Articles of Incorporation changing its name from VC Ventures Net, Inc. to Southern Grove Properties and Development Corp. (SGPDC) and its primary purpose is to engage in real estate business, to hold, construct, develop, manage, administer, sell, convey, encumber, purchase, acquire, rent or otherwise deal in and dispose of all kinds of real property or to act as real estate broker for such fees as may be legal and proper. It has also direct equity shareholdings in VRVC and VCCI, both real estate companies.

The registered office address of SGPDC is located at 9th Floor, Oakridge IT Center 3, Oakridge Business Park, A.S. Fortuna Street, Brgy. Banilad, Mandaue City, Cebu, Philippines.

VRVC
VRVC was incorporated on May 19, 2017. Its primary purpose is to engage in the real estate business. On July 3, 2017, VRVC purchased from HDFE, a company under common control, a parcel of land located at M.J. Cuenco Ave., Tinago Central, Barangay San Roque, Cebu City amounting to ₱27.9 million, with the intention of holding the land for capital appreciation. As of December 31, 2022, VRVC continues to recognize rental income from the purchased investment property.

The registered office of VRVC is located at 9th Floor, Oakridge IT Center 3, Oakridge Business Park, A.S. Fortuna Street, Brgy. Banilad, Mandaue City, Cebu, Philippines.

VCCI
VCCI was incorporated on October 10, 2018 and its primary purpose is to engage in the real estate business. As of December 31, 2022, VCCI has not yet started its operations.

The registered office of VCCI is located at 9th Floor, Oakridge IT Center 3, Oakridge Business Park, A.S. Fortuna Street, Brgy. Banilad, Mandaue City, Cebu, Philippines.

VIHI
VIHI was incorporated on December 18, 2018 and its primary purpose is to purchase, subscribe for or otherwise acquire and own, hold, use, invest in, develop, sell, assign, transfer, lease, take option to, mortgage, pledge, exchange, and in all ways deal with, personal and real property of every kind and description, including share of the capital stock of corporations, bonds, notes, evidence of indebtedness, and other securities, contracts, or obligations of any corporation, domestic or foreign, without however engaging in dealership in securities, in the stock brokerage business or in the business of an investment company, all in accordance with the Corporation Code, the Securities Act and other applicable laws and regulations. As of December 31, 2022, VIHI is operating as a holding company for VTHI and VHHI.

The registered office of VIHI is located at 9th Floor, Oakridge IT Center 3, Oakridge Business Park, A.S. Fortuna Street, Brgy. Banilad, Mandaue City, Cebu, Philippines.

VHHI
VHHI was incorporated on May 20, 2019 and its primary purpose is to purchase, subscribe for or otherwise acquire and own, hold, use, invest in, develop, sell, assign, transfer, lease, take option to, mortgage, pledge, exchange, and in all ways deal with, personal and real property of every kind and description, including share of the capital stock of corporations, bonds, notes, evidence of indebtedness, and other securities, contracts, or obligations of any corporation, domestic or foreign, without however engaging in dealership in securities, in the stock brokerage business or in the business of an investment company, all in accordance with the Corporation Code, the Securities Act and other applicable laws and regulations. As of December 31, 2022, VHHI is operating as a holding company for WMP, IMCC, NMCWC and FLOWS, a holding company.

Details of VHHI's direct and indirect equity holdings are provided in Note 9.

The registered office of VHHI is located at 9th Floor, Oakridge IT Center 3, Oakridge Business Park, A.S. Fortuna Street, Brgy. Banilad, Mandaue City, Cebu, Philippines.

VTHI
VTHI was incorporated on May 20, 2019 and its primary purpose is to purchase, subscribe for or otherwise acquire and own, hold, use, invest in, develop, sell, assign, transfer, lease, take option to, mortgage, pledge, exchange, and in all ways deal with, personal and real property of every kind and description, including share of the capital stock of corporations, bonds, notes, evidence of indebtedness, and other securities, contracts, or obligations of any corporation, domestic or foreign, without however engaging in dealership in securities, in the stock brokerage business or in the business of an investment company, all in accordance with the Corporation Code, the Securities Act and other applicable laws and regulations. As of December 31, 2022, VTHI has not yet started its operations.

The registered office of VTHI is located at 9th Floor, Oakridge IT Center 3, Oakridge Business Park, A.S. Fortuna Street, Brgy. Banilad, Mandaue City, Cebu, Philippines.

IMCC
IMCC was incorporated on August 14, 2020. Its primary purpose is to plan, layout (by duly licensed engineers), build, fund, operate and maintain a seawater desalination facility, ground and surface water treatment facility, waste water treatment facility, and water distribution systems; and to negotiate and sell bulk water to the water districts, private entities and consumers. As of December 31, 2022, IMCC has not yet started its operations.

The registered office of IMCC is located at 9th Floor, Oakridge IT Center 3, Oakridge Business Park, A.S. Fortuna Street, Brgy. Banilad, Mandaue City, Cebu, Philippines.

WMP
WMP was incorporated on July 23, 2019 as a water treatment engineering company primarily engaged in the design, supply (which includes detailed design, procurement, and assembly), installation, commission, operation and maintenance of water treatment and waste water treatment plant to be owned by WMP or for third parties. WMP also engages in bulk water supply agreements using water sourced from ground water, surface water, or desalinated water. As of December 31, 2020, WMP has already started its operations.

The registered office of WMP is located at Unit 907-908 Ayala Life-FGU Center, Cebu Business Park, Brgy. Luz, Cebu City, Cebu, Philippines.



WMP SEA
WMP SEA was incorporated on July 1, 2021 according to the Companies Law 5769-1999, as a limited liability company under the laws of the Republic of Israel. Its primary purpose is to buy and sell products for waste water and waste water treatment projects. As of December 31, 2021, WMP SEA has already started operations.

The registered office of WMP SEA is located at Industrial Park Bar Lev Rd., Misgav, Israel.

NMCWC
NMCWC was incorporated on March 18, 2021. Its primary purpose is to develop, layout (by duly licensed engineers), build, fund, operate and maintain a seawater desalination facility, ground and surface water treatment facility, waste water treatment facility, and water distribution systems; and to negotiate and sell bulk water to the water districts, private entities and consumers. As of December 31, 2022, NMCWC has not yet started its operations.

The registered office of NMCWC is located at 9th Floor, Oakridge IT Center 3, Oakridge Business Park, A.S. Fortuna Street, Brgy. Banilad, Mandaue City, Cebu, Philippines.

VEC
VEC was incorporated on January 25, 2005 and its primary purpose is to establish, maintain and operate power plants of any kind and such other sources that may be a viable source of electric light, heat and power system and to sell to the general public, electricity as the corporation may determine. Its principal office is located at 9th Floor, Oakridge IT Center 3, Oakridge Business Park, A.S. Fortuna Street, Brgy. Banilad, Mandaue City, Cebu.

Details of VEC's direct and indirect equity holdings are provided in Note 9.

VIGC
VIGC was incorporated on November 5, 2008 with the primary purpose of holding investments in power generation companies. It has direct equity shareholdings in Minergy Power Corporation (MPC), Therma Visayas, Inc. (TVI) and LPCI, entities engaged in the power generation business and Abovant Holdings, Inc. (AHI), a holding entity.

The registered office of VIGC is located at 9th Floor, Oakridge IT Center 3, Oakridge Business Park, A.S. Fortuna Street, Brgy. Banilad, Mandaue City, Cebu, Philippines.

VGPC
VGPC was incorporated on April 23, 2014. Its primary purpose is to establish, maintain, own, and operate geothermal, thermal, hydroelectric, solar, wind, coal, diesel power plants and such other sources that may be viable source of electric light, heat and power system and to sell and/or trade electricity for light, heat and power purposes within cities, municipalities and provinces of the Philippines as the corporation may determine and enter into business activity that now or hereafter may be necessary, incidental, proper, advisable or convenient in furtherance of or otherwise relating to such purpose. As of December 31, 2022, VGPC is still in the pre-operating stage.

The registered office of VGPC is located at 9th Floor, Oakridge IT Center 3, Oakridge Business Park, A.S. Fortuna Street, Brgy. Banilad, Mandaue City, Cebu, Philippines.



DPHI
DPHI, formerly VII, was incorporated on July 11, 2014. Its primary purpose is to engage in business of owning, acquiring, commissioning, operating, maintaining, evaluating, developing, constructing, holding, and selling power generation facilities and related facilities, or any other business activity that now or hereafter may be necessary, incidental, proper, advisable or convenient in furtherance of or otherwise relating to such purpose. As of December 31, 2022, DPHI is still in the pre-operating stage.

On February 16, 2022, the application the change the name of VII to Delta P Hybrid, Inc. was approved by the SEC.

The registered office of DPHI is located at 9th Floor, Oakridge IT Center 3, Oakridge Business Park, A.S. Fortuna Street, Brgy. Banilad, Mandaue City, Cebu, Philippines.

VREC
VREC was incorporated on January 8, 2010 with the primary purpose of holding investments in power generation companies. On October 2, 2015, the SEC approved its application for change in corporate name from Vics Bakun Holdings Corporation to VREC. It also has direct equity shareholdings in VGPC, SPHC, AHC, VSC, CREC, and LWEC as of December 31, 2022.

The registered office of VREC is located at 9th Floor, Oakridge IT Center 3, Oakridge Business Park, A.S. Fortuna Street, Brgy. Banilad, Mandaue City, Cebu, Philippines.

Core
Core was incorporated on December 14, 2012. Its primary purpose is to buy, source and obtain electricity from generating companies or from the wholesale electricity spot market to sell, broker, market or aggregate electricity to the end users, to provide services necessary in connection with the supply or delivery of electricity thereof, distribution utilities and other entities in the electric systems by a duly licensed electrical engineer, the conduct of energy examinations, inspections, assessments, maintenance, testing and commissioning, as amended dated May 31, 2019. As of December 31, 2022, Core has entered into Retail Supply Contracts and engineering service contracts with various customers.

The registered office of Core is located at 9th Floor, Oakridge IT Center 3, Oakridge Business Park, A.S. Fortuna Street, Brgy. Banilad, Mandaue City, Cebu, Philippines.

VIDC
VIDC was incorporated on August 7, 2015. Its primary purpose is to establish, maintain, acquire, own, hold, and operate diesel powered generating facilities. As of December 31, 2022, VIDC is the holding company of INEC and INPC.

The registered office of VIDC is located at 9th Floor, Oakridge IT Center 3, Oakridge Business Park, A.S. Fortuna Street, Brgy. Banilad, Mandaue City, Cebu, Philippines.

INEC
INEC was incorporated on June 13, 2016. Its primary purpose is to engage in the business of exploring, developing and utilizing renewable energy resources, and establishing, acquiring, maintaining, commissioning, owning and operating geothermal, thermal, hydroelectric, solar, wind, coal, diesel plants and such other sources that may be a viable source of electric light, heat and power system.



As of December 31, 2021 and prior to the merger with Isla Norte Power Corporation (INPC) on December 29, 2022, INEC is effectively 65%-owned by VEC and 35%-owned by GPI through a consortium formed by VIDC.

INEC started its interim commercial operations on August 11, 2020, and the same ended on August 10, 2021. This stems from the signing of the Interim Power Supply Agreement (IPSA) with Bantayan Island Electric Cooperative Inc. (BANELCO) to supply a portion of its energy requirement. This operation, emergency in nature, is independent and different from the 15-year Power Supply Agreement (PSA) with BANELCO, which did not commence commercial operations as of December 31, 2022.

Pending the approval of INEC's Power Supply Agreement (PSA) application, the Energy Regulatory Commission (ERC) issued a Notice of Resolution dated November 4, 2021 that contained a directive to Bantayan Electric Cooperative, Inc. (BANELCO) to source out power from any supplier which it deems fit, to ensure the continuous and unhampered supply of power within its franchise area. Thus, on November 7, 2021, INEC and BANELCO signed an IPSA for a period of 90 days, reckoned from the date of the issuance of the resolution, to supply the whole of BANELCO's energy requirement.

The registered office of INEC is at 9th Floor, Oakridge IT Center 3, Oakridge Business Park, A.S. Fortuna, Brgy. Banilad, Mandaue City, Cebu, Philippines 6014.

INPC

Isla Norte Power Corporation (INPC) was incorporated on February 14, 2022. Its primary purpose is to engage in the business of exploring, developing and utilizing renewable energy resources, and establishing, acquiring, maintaining, commissioning, owning and operating geothermal, thermal, hydroelectric, solar, wind, coal, diesel plants and such other sources that may be a viable source of electric light, heat and power system, and selling and/or trading electricity for light, heat and power purposed within the cities, municipalities, and provinces of the Philippines.

On May 9, 2022, the members of the respective boards of directors of INEC and INPC, separately and unanimously approved a plan of merger with INPC as the surviving entity. The plan and articles of merger was approved by SEC on December 29, 2022.

The terms further provide that INPC shall become the owner of the rights, assets, privileges and other properties of INEC and shall assume all the debts and liabilities of the same as of the effective merger date in the manner as though the Company has itself incurred such liabilities and obligations.

On December 29, 2022, upon effective date of the merger, INEC ceased to exist, yet its operations continued under INPC.

The registered office of INPC is at 9th Floor, Oakridge IT Center 3, Oakridge Business Park, A.S. Fortuna, Brgy. Banilad, Mandaue City, Cebu, Philippines 6014.

SPHC

SPHC was incorporated on April 20, 2017. Its primary purpose is to engage in the business of holding investments in power generation companies. As of December 31, 2022, SPHC has not yet started its commercial operations.

The registered office of SPHC is at 9th Floor, Oakridge IT Center 3, Oakridge Business Park, A.S. Fortuna, Brgy. Banilad, Mandaue City, Cebu, Philippines 6014.

AHC
AHC was incorporated on August 16, 2017. Its primary purpose is to engage in the business of a holding company. As of December 31, 2022, AHC is the holding company of BPC and NBPC.

In May 2021, VEC and AHC acquired 81% and 9% ownership of BPC equivalent to 66,825,000 and 7,425,000 common stocks with par value of ₱1.00 per share, respectively. In May 2021, VEC and AHC also acquired 81% and 9% ownership of NBPC equivalent to 9,720,000 and 1,080,000 common stocks with par value of ₱10.00 per share, respectively.

On June 28, 2021, VREC assigned its 45,000 common shares in AHC with par value of ₱1.00 per share to VEC.

The registered office of AHC is at 9th Floor, Oakridge IT Center 3, Oakridge Business Park, A.S. Fortuna, Brgy. Banilad, Mandaue City, Cebu, Philippines 6014.

VMHI
VMHI was incorporated on June 8, 2012. Its primary purpose is to engage in the business of owning, acquiring, operating, generating, collecting and distributing electricity.

VMHI is in its starting phase or pre-operational stage as a power generating entity that will implement a greenfield power plant project, involving the construction and operation of a series of run-of-river hydropower facility in Barangay Capitan Ramon in Silay City, Negros Occidental. VMHI will implement the project in phases, where Phase 1 will involve the construction and operation of a six (6) MW power plant facility along the Malogo river. The project has concluded its detailed engineering design. A tender process is underway for the construction to coincide with the project timetable, but subject to adjustments that may be brought about by regulations from the grid system operator.

On March 8, 2017, bidding for the award of the Engineering, Procurement, Construction and Commissioning ("EPCC") contract was conducted. However, the National Grid Corporation of the Philippines (NGCP) issued a prohibition to the power plants from connecting to the Negros Island Grid.

As of December 31, 2022, notwithstanding the successful bidding, the Company has withheld the awarding of the EPCC contract to implement the detailed engineering design since NGCP has not yet started the construction of its 230 kV backbone project.

The registered office of VMHI is at 9th Floor, Oakridge IT Center 3, Oakridge Business Park, A.S. Fortuna, Brgy. Banilad, Mandaue City, Cebu, Philippines.

1590 EC
1590 EC was incorporated and started operations on July 30, 2010. It is primarily engaged in power generation and operates a 225 MW diesel-fired power plant in Bauang, La Union. 1590 EC is also partly-owned by GPI, Eco Utilities Ventures Holdings Company, Inc. (EUVHCI) and ICS Renewables Holdings, Inc. (ICS), among others.

The registered office of the Company is located at 9th Floor, Oakridge IT Center 3, Oakridge Business Park, A.S. Fortuna Street, Brgy. Banilad, Mandaue City, Cebu, Philippines.

VSC
VSC, formerly ET Vivant, was incorporated on April 4, 2018 primarily to engage in developing and constructing solar power generation and related facilities for lighting and power purposes and whole-selling the electric power to the wholesale electricity spot market, private distribution utilities, private electric cooperatives and other off-takers and selling and/or trading electricity for light, heat and power purposes. VSC has direct equity shareholding in CSSC, an entity engaged in the solar power generation business. As of December 31, 2021, VSC has started its commercial operations.

The registered office of the Company is located at 9th Floor, Oakridge IT Center 3, Oakridge Business Park, A.S. Fortuna Street, Brgy. Banilad, Mandaue City, Cebu, Philippines.

CSSC
CSSC, formerly ETEI, was incorporated on January 11, 2017 with the primary purpose to explore, develop, build, construct, install, commission, rehabilitate, maintain, own, manage, operate and invest in, bid for or otherwise acquire power generating plants and related facilities and to engage in the business of generating, marketing, selling and supplying electricity generated from solar photovoltaic systems and components; planning and construction of photovoltaic power plants and to provide consulting services associated with photovoltaic power plants, provided that it shall not operate a public utility. In January 2019, CSSC has started its commercial operations.

On August 26, 2021, the application to change the name of ETEI to CSSC was approved by the SEC.

The registered office of the Company is located at 9th Floor, Oakridge IT Center 3, Oakridge Business Park, A.S. Fortuna Street, Brgy. Banilad, Mandaue City, Cebu, Philippines.

BPC
BPC was incorporated to develop, construct, erect assemble, commission, own, operate, maintain, rehabilitate, and manage facilities used in the generation of electricity including but not limited to facilities that utilize renewable energy sources and other power generating plants and related facilities. BPC has two (2) operating power plants in Bukidnon and have started commercial operations on February 26, 2016 for Plant 1 and February 26, 2017 for Plant 2.

On October 16, 2014, BPC entered into a PSA with First Bukidnon Electric Cooperative (FIBECO) to supply a maximum of 4.4 MW from its 2 x 2.4 MW power plant located at Barangay Barandias, Bukidnon at a specific contract rate for a period of 15 years commencing from March 15, 2015. ERC has granted a provisional approval on its rate application on August 3, 2015. The second power supply agreement was entered into with FIBECO on July 24, 2015 for a contracted capacity of 2 MW from its 2.5 MW Fuel power plant located at Barangay Mabuhay, San Fernando, Bukidnon, for a period of 15 years starting from April 15, 2016. ERC's final approval on its rate application was dated June 6, 2017.

In May 2021, VEC and AHC acquired 81% and 9% ownership of BPC equivalent to 66,825,000 and 7,425,000 common stocks with par value of ₱1.00 per share, respectively.

The registered office address of BPC is at National Highway Barandias, Pangantucan, Bukidnon.

NBPC
NBPC was incorporated to develop, construct, erect, assemble, commission, own, operate, maintain, rehabilitate and manage facilities used in the generation of electricity including but not limited to facilities that utilize renewable energy sources and other power generating plants and related facilities. NBPC has started its commercial operations on September 26, 2018.

In yIn May 2021, VEC and AHC acquired 81% and 9% ownership of NBPC equivalent to 9,720,000 and 1,080,000 common stocks with par value of ₱10.00 per share, respectively.

The registered office address of NBPC is at 2nd Floor Z-Gas Building, Purok 6A, South Poblacion, Maramag, Bukidnon.

Associate. VECO qualifies as an associate of the Parent Company.

VECO
VECO was incorporated on February 22, 1961 and whose corporate term was extended for another 50 years after the expiration on February 23, 2012. VECO is a power distribution entity, the primary activities of which are to establish, maintain and operate electric light, heat and power systems and to sell to the general public electricity for light, heat and power purposes.

VECO serves the electrical power needs of four cities (Cebu, Mandaue, Talisay and Naga) and four municipalities (Minglanilla, San Fernando, Consolacion and Lilo-an) of the greater part of Metro Cebu by virtue of legislative franchise grants.

The registered office address of VECO is at J. Panis Street, Banilad, Cebu City, Philippines.

The parent company financial statements as of December 31, 2022 and 2021 and for each of the three years in the period ended December 31, 2022 were approved and authorized for issuance by the Board of Directors (BOD) on March 16, 2023.

2. Basis of Preparation and Statement of Compliance

Basis of Preparation
The parent company financial statements have been prepared on a historical cost basis except for financial assets at FVOCI, which have been measured at fair value. The financial statements are presented in Philippine Peso (₱), the Parent Company's functional currency. All values are rounded to the nearest Peso except as otherwise indicated.

The Parent Company also prepares and issues consolidated financial statements for the same period as these separate financial statements presented in accordance with Philippine Financial Reporting Standards (PFRSs). These may be obtained at 9th Floor, Oakridge IT Center 3, Oakridge Business Park, A.S. Fortuna Street, Brgy. Banilad, Mandaue City, Cebu, Philippines.

Statement of Compliance
The parent company financial statements have been prepared in compliance with PFRSs.

3. 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 in 2022. The Parent Company has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

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

- Amendments to PFRS 3, *Business Combinations, 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 to avoid the issue of potential 'day 2'gains or losses arising for liabilities and contingent liabilities that would be within the scope of PAS 37, *Provisions, Contingent Liabilities and Contingent Assets* or Philippine-IFRIC 21, *Levies*, if incurred separately.

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

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

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

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

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

- *Annual Improvements to PFRSs 2018–2020 Cycle*

  - Amendments to PFRS 1, *First-time Adoption of Philippine Financial Reporting Standards, Subsidiary as a First-time Adopter*

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

- Amendments to PFRS 9, *Financial Instruments, Fees in the '10 per cent' Test for Derecognition of Financial Liabilities*

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

Standards Issued but not yet Effective

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

Effective beginning on or after January 1, 2023

- Amendments to PAS 1, *Presentation of Financial Statements*, and PFRS Practice Statement 2, *Making Materiality Judgments, 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.

- Amendments to PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors, 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.

- Amendments to PAS 12, *Income Taxes, 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 a material impact on the financial statements of the Parent Company.

Effective beginning on or after January 1, 2024

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

  The amendments clarify:

  - That only covenants with which an entity must comply on or before reporting date will affect a liability's classification as current or noncurrent;
  - That classification is unaffected by the likelihood that an entity will exercise its deferral right; and
  - That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

  The amendments are effective for annual reporting periods beginning on or after January 1, 2024 and must be applied retrospectively.

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

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

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

  The amendments are not expected to have a material impact to the financial statements of the Parent Company.



Deferred Effectivity

- Amendments to PFRS 10, *Consolidated Financial Statements*, and PAS 28, *Investments in Associates and Joint Ventures, 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 (renamed Financial and Sustainability Reporting Standards Council in 2022) deferred the original effective date of January 1, 2016 of the said amendments until the IASB completes its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

4. Summary of Significant Accounting Policies

Current and Noncurrent Classification

The Parent Company presents assets and liabilities in the parent company statement of financial position based on current/noncurrent classification. An asset is current when it is:

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

All other assets are classified as 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 months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Parent Company classifies all other liabilities as noncurrent.

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

Fair Value Measurement

The Parent Company measures financial instruments, such as, cash on hand and in banks, short-term placements, trade and other receivables, trade and other payables, notes payable and non-financial assets such as investment properties and financial assets at FVOCI, at fair value at each reporting date.

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 by the Parent Company.

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

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

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

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

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

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

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



Financial Instruments

Initial Recognition and Subsequent Measurement

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

  - Financial assets measured at amortized cost;
  - Financial assets measured at fair value through profit or loss (FVPL);
  - Financial assets measured at FVOCI, where cumulative gains or losses previously recognized are reclassified to profit or loss; and
  - Financial assets measured at FVOCI, where cumulative gains or losses previously recognized are not reclassified to profit or loss.

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

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

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

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



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

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

  As at December 31, 2022 and 2021, the Parent Company has financial assets at amortized cost consisting of cash and cash equivalents, trade and other receivables, and receivable from RFM Corporation included under "Other noncurrent assets" (see Notes 6, 7 and 11).

- *Financial Assets at FVPL.* Financial assets at FVPL are measured at FVPL unless these are measured at amortized cost or at FVOCI. Included in this classification are equity investments held for trading and debt instruments with contractual terms that do not represent solely payments of principal and interest. Financial assets held at FVPL are initially recognized at fair value, with transaction costs recognized in the consolidated statement of comprehensive income as incurred. Subsequently, they are measured at fair value and any gains or losses are recognized in the consolidated statement of comprehensive income. 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 FVPL, irrespective of the business model.

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

  The Parent Company assesses whether embedded derivatives are required to be separated from host contracts when the Parent Company first becomes party to the contract. An embedded derivative is separated from the host financial liability or nonfinancial contract and accounted for as a derivative if all of the following conditions are met:

  - the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics of the host contract;
  - a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and
  - the hybrid or combined instrument is not recognized as at FVPL.

  For derivatives embedded in financial asset host contracts, the Parent Company applies the financial asset classification and measurement requirements to the entire instrument. No embedded derivatives in financial asset host contracts are recognized separately in the financial statements.

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.

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

As at December 31, 2022 and 2021, the Parent Company has no financial assets at FVPL.

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

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

  Dividends are recognized in profit or loss only when:

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

  As at December 31, 2022 and 2021, the Parent Company has financial assets at FVOCI amounting to ₱8.0 million, which is presented as part of "Other noncurrent assets" (see Note 11).

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

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

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

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

Where a financial liability is designated at FVPL, the movement in fair value attributable to changes in the Parent Company's own credit quality is calculated by determining the changes in credit spreads above observable market interest rates and is presented separately in other comprehensive income. This category also includes derivative financial instruments entered into by the Parent Company 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.

The Parent Company's financial liabilities include accounts payable, accrued interest, accrued expenses and advances from related parties (under "Trade and other current liabilities"), interest-bearing loans (under "Notes payable") and lease liabilities (see Notes 12, 13 and 21).

Impairment of Financial Assets. The Parent Company recognizes ECL for the following financial assets that are not measured at FVPL:

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

No ECL is recognized on equity investments.

ECLs are measured in a way that reflects the following:

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

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

- *Stage 1: 12-month ECL*. For credit exposures where there have not been significant increases in credit risk since initial recognition and that are not credit-impaired upon origination, the portion of lifetime ECLs that represent the ECLs that result from default events that are possible within the 12-months after the reporting date are recognized.

- *Stage 2: Lifetime ECL - not credit-impaired*. For credit exposures where there have been significant increases in credit risk since initial recognition on an individual or collective basis but are not credit-impaired, lifetime ECLs representing the ECLs that result from all possible default events over the expected life of the financial asset are recognized.



- *Stage 3: Lifetime ECL - credit-impaired*. Financial assets are credit-impaired when one or *more* events that have a detrimental impact on the estimated future cash flows of those financial assets have occurred. For these credit exposures, lifetime ECLs are recognized and interest revenue is calculated by applying the credit-adjusted effective interest rate to the amortized cost of the financial asset.

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

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

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

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

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

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

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

- *Offsetting Financial Instruments.* Financial assets and financial liabilities are offset and the net amount is reported in the parent company statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Derecognition of Financial Assets and Liabilities

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

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

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

  Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Parent Company's continuing involvement is the amount of the transferred asset that the Parent Company may repurchase, except that in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, the extent of the Parent Company's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

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

Cash and Cash Equivalents

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

Prepaid Expenses and Other Current Assets

Prepayments and other current assets are recognized and carried at cost, less any impairment in value. These are recognized as assets when it is probable that any future economic benefit associated with the item will flow to or from the entity and the item has a cost or value that can be measured with reliability. An asset is not recognized in the parent company statement of financial position when expenditure has been incurred for which it is considered improbable that economic benefits will flow to the entity beyond the current accounting period. Instead, such a transaction results in the recognition of an expense in the parent company statement of comprehensive income.



Investments in and Advances to Subsidiaries and Associates

A subsidiary is an entity over which the Parent Company has the power to govern the financial and operating policies generally accompanying a shareholding of more than half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Parent Company controls another entity.

An associate is an entity over which the Parent Company has significant influence and which is neither a subsidiary nor a joint venture. 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.

Investments in and advances to subsidiaries and associates are carried at cost, less impairment in value, in the parent company financial statements.

The Parent Company recognizes income from the investments only to the extent that the Parent Company receives distributions or establishes a right to receive distributions from accumulated profits of the subsidiaries and associates arising after the date of acquisition. Distributions received in excess of such profits are regarded as a recovery of investment and are recognized as a reduction of the cost of the investment.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation and impairment losses, if any.

Initially, an item of property and equipment is measured at its cost, which comprises its purchase price and any directly attributable costs of bringing the asset to the location and condition for its intended use. Subsequent expenditures are added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the originally assessed standard of per performance, will flow to the Parent Company. The costs of day-to-day servicing of an asset are recognized as an expense in the period in which they are incurred.

Depreciation is computed using the straight-line method over the assets' estimated useful lives. Leasehold improvements are depreciated using the straight-line method over the estimated useful life of the improvements or the term of the lease, whichever is shorter. The estimated useful lives are as follows:

	Number of Years
Condominium units and improvements	5–40
Transportation equipment	5
Office furniture and equipment	2–10
Leasehold improvements	3–10
Other equipment	3–5

The useful lives and depreciation method are reviewed at each reporting date to ensure that such useful lives and depreciation method are consistent with the expected pattern of economic benefits from those assets.

Fully depreciated assets are retained in the accounts until they are no longer in use and no further charge for depreciation is made in respect to those assets.

When an asset is disposed of, or is permanently withdrawn from use and no future economic benefits are expected from its disposal, the cost and the related accumulated depreciation and impairment losses, if any, are removed from the accounts and any resulting gain or loss arising from the retirement or disposal is recognized in profit or loss.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Construction in progress represents structures under construction and is stated at cost. This includes cost of construction and other direct costs. Borrowing costs that are directly attributable to the construction of property and equipment are capitalized during the construction period. Property and equipment under construction are not depreciated until such time as the relevant assets are completed and put into operational use.

Leases

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

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

Right-of-use Assets. The Parent Company recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. Unless the Parent Company is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term as follows:

	Number of Years
Land	15
Office space	1–4

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

Lease Liabilities. At the commencement date of the lease, the Parent Company recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. 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 Parent Company and payments of penalties for terminating a lease, if the lease term reflects the Parent Company 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 Parent Company uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short-term Leases. The Parent Company applies the short-term lease recognition exemption to its short-term leases of office space and lot (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). Lease payments on short-term leases are recognized as expense on a straight-line basis over the lease term.

Foreign-currency-denominated Transactions

Transactions in foreign currencies are recorded using the exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are restated using the rate of exchange at reporting date. Exchange gains and losses arising from foreign currency transactions and translations of foreign-currency-denominated monetary assets and liabilities are credited or charged to current operations.

Impairment of Nonfinancial Assets

As at December 31, 2022 and 2021, the Parent Company has investments in subsidiaries and associates, property and equipment and right-of-use assets which are classified as nonfinancial assets subject to impairment.

The Parent Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Parent Company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset 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 to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples or other available fair value indicators.

Impairment losses of continuing operations are recognized in the parent company statement of comprehensive income in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Parent Company estimates the assets or CGU's recoverable amount.

A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the parent company statement of comprehensive income unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.



Equity

Capital Stock. Capital stock is recognized as issued when the stock is paid for or subscribed under a binding subscribing agreement and is measured at par value for all issued shares.

Additional Paid-in Capital. Consideration received in excess of par value are recognized as additional paid-in capital, net of incremental costs that are directly attributable to the issuance of new shares.

Retained Earnings. Retained earnings consist of appropriated and unappropriated balances. Appropriated retained earnings are restricted for specific purposes and/or are not available for dividend declaration. Unappropriated retained earnings are not restricted and include the cumulative balance of net income or loss, any dividend distributions, prior period adjustments and effects of any change in accounting policy.

Revenue Recognition

Revenue is measured based on the consideration to which the Parent Company expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

Revenue is recognized when the Parent Company satisfies a performance obligation by transferring a promised good or service to the customer, which is when the customer obtains control of the good or service. A performance obligation may be satisfied at a point in time or over time. The amount of revenue recognized is the amount allocated to the satisfied performance obligation. The Parent Company has concluded that it is the principal in its revenue arrangements because it controls the goods or services before these goods or services are transferred to the customer.

The following specific recognition criteria must also be met before revenue is recognized:

Revenues from Contracts with Customers

- *Management and Service Fees.* Revenue from management and service fees, arising from services involving consultancy, management, technical, and services covered by Service Level Agreements (SLAs), are recognized over time when the related services are rendered based on the terms of the management and service contracts.

- *Service Income.* Revenue from service income arising from intercompany charges are recognized over time when the related services are rendered based on agreed hourly billing rates.

- *Engineering Service Income.* Revenue from engineering services, arising from engagement with customers availing technical and engineering expertise and covered by service contracts, are recognized over time when the services are rendered.

For the years ended December 31, 2022, 2021 and 2020, the Parent Company has no variable consideration and the timing of revenue recognition currently does not result in any contract assets or liabilities and there are no unfulfilled performance obligations at any point in time.

Dividends. Dividends are recognized when the Parent Company's right to receive the payment is established.

Interest Income. Interest income is recognized as the interest accrues, taking into account the effective yield on the asset.



Other Income. Other income includes services to third party, rental income from short-term leases and gain on disposal of property and equipment. These are generally recognized when earned. Rental income is recognized on a straight-line basis over the term of the lease while gain on disposal of property and equipment is recognized as the difference between the consideration and the book value of the property and equipment disposed.

Expense Recognition

Expenses are decreases in economic benefits during the accounting period in the form of outflows or decrease of assets or incurrence of liabilities that result in decreases in equity, other than those relating to distributions to equity participants. Expenses are recognized in the parent company statement of comprehensive income when incurred.

Provisions

Provisions are recognized when the Parent Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Parent Company expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain.

The expense relating to any provision is presented in the parent company statement of comprehensive income, net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a borrowing cost.

Pension Benefits

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.

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 the parent company statement of comprehensive income. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuaries.

Net interest on the net defined benefit liability 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 the parent company statement of comprehensive income.

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 parent company statement of comprehensive income in subsequent periods.

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

Taxes

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

Deferred Income Tax. Deferred income tax is provided using the liability method on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred income tax liabilities are recognized for all taxable temporary differences, except:

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

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

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

- where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

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

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted as of the reporting date. Income tax relating to items recognized directly in equity is recognized in equity and not in the parent company statement of comprehensive income.

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

Value-Added Tax (VAT). Revenues, expenses, and assets are recognized net of the amount of VAT, if applicable.

When VAT from sales of services (output VAT) exceeds VAT passed on from purchases of goods or services (input VAT), the excess is recognized as payable in the parent company statement of financial position. When VAT passed on from purchases of goods or services (input VAT) exceeds VAT from sales of services (output VAT), the excess is recognized as an asset in the parent company statement of financial position to the extent of the recoverable amount.

Contingencies

Contingent liabilities are not recognized in the parent company 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 parent company financial statements but disclosed when an inflow of economic benefits is probable.

Events After the Reporting Period

Post year-end events that provide additional information about the Parent Company's position at the reporting date (adjusting events) are reflected in the parent company financial statements. Post year-end events that are not adjusting events are disclosed when material.

Earnings Per Share

Basic earnings per common share is calculated by dividing net income for the year attributable to the common stockholders of the Parent Company by the weighted average number of common shares issued and outstanding during the year, after retroactive adjustments for any stock dividend declared.

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

As of December 31, 2022 and 2021, the Parent Company does not have dilutive common stock equivalents.



5. Significant Accounting Judgments, Estimates and Assumptions

The preparation of the parent company financial statements in compliance with PFRSs requires the Parent Company to make judgments, estimates and assumptions that affect the amounts reported in the parent company financial statements and related notes. In preparing these parent company financial statements, the Parent Company made its best judgments and estimates of certain amounts, giving due consideration to materiality. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability in future periods.

The Parent Company believes that the following represent a summary of these significant accounting estimates and the related impact and associated risks in the parent company financial statements.

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

Estimating Allowance for Impairment of Losses on Investments in and Advances to Subsidiaries and Associates. Investments in and advances to subsidiaries and associates are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. In 2022 and 2021, there was an increase in the carrying value of HDFE's investment properties being appraised. Thus, a reversal of prior impairment was recognized in 2022 and 2021 amounting to ₱29.0 million and ₱88.1 million, respectively.

Estimating Provision for Pension Liability. The costs of defined benefit pension plans, as well as the present value of the pension obligation, are determined using actuarial valuations. An actuarial valuation involves making various assumptions. These include the determination of the discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined benefit obligations are highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

The pension liability as of December 31, 2022 and 2021 amounted to ₱35.4 million and ₱32.3 million, respectively (see Note 15).

Further details about the assumptions used are provided in Note 15.

Estimating Realizability of Deferred Income Tax Assets. The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of such deferred income tax assets to be utilized. The Parent Company's assessment on the recognition of deferred income tax assets on deductible temporary differences is based upon the likely timing and level of future taxable profits determined from the tax planning strategies of the Parent Company.

Deferred income tax assets amounted to ₱31.1 million and ₱30.1 million as of December 31, 2022 and 2021, respectively. Deferred income tax assets have not been recognized on net operating loss carry-over (NOLCO) of ₱997.8 million and ₱961.8 million as of December 31, 2022 and 2021, respectively, because management believes that it is not probable that sufficient taxable profit will be available to allow all or part of the deferred income tax assets to be utilized (see Note 16).



Estimating the Incremental Borrowing Rate for Lease Liability. The Parent Company cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Parent Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Parent Company 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Parent Company estimates the IBR using observable inputs when available and is required to make certain entity-specific estimates.

The Parent Company's lease liabilities amounted to ₱26.8 million and ₱40.2 million as of December 31, 2022 and 2021, respectively (see Note 21).

6. Cash and Cash Equivalents

	2022	2021
Cash on hand and in banks	**₱55,222,533**	₱668,507,724
Short-term investments	**1,899,565,669**	2,121,412,435
	₱1,954,788,202	₱2,789,920,159

Cash in banks earn interest at the respective bank deposit rates. Short-term investments are cash equivalents and made for varying periods of up to three months depending on the immediate cash requirements of the Parent Company and earn interest at the respective short-term investment rates.

Interest income recognized from cash in banks and short-term investments amounted to ₱37.9 million, ₱18.2 million and ₱40.5 million in 2022, 2021 and 2020, respectively. Accrued interest receivable amounted to ₱8.1 million and ₱4.3 million as of December 31, 2022 and 2021, respectively (see Note 7).

7. Trade and Other Receivables

	2022	2021
Trade receivables:		
Related parties (see Note 14)	**₱8,689,366**	₱26,016,461
Third parties	**–**	198,000
Dividends receivable (Notes 9 and 14)	**730,409,956**	–
Advances to related parties (see Note 14)	**931,891,891**	383,373,087
Accrued interest receivable (see Note 6)	**8,066,005**	4,326,578
Advances to employees	**2,938,640**	3,551,687
Others (see Note 14)	**19,799,220**	16,985,607
	1,701,795,078	434,451,420
Less allowance for impairment and credit losses	**2,419,972**	2,009,923
	₱1,699,375,106	₱432,441,497

Trade receivables represent amounts owed by third parties and related parties for consultancy, management, technical and other related services rendered by the Parent Company. These are noninterest-bearing and collectible within 10 to 30 days.

Advances to employees pertain to cash advanced to the Parent Company's employees for official business expenses which are subject to liquidation upon completion of the purpose for which the cash is advanced.

Other receivables arise from transactions other than those related to the Parent Company's normal course of business such as nontrade intercompany charges, receivable from government agencies and others.

The following table shows the movement in the allowance for impairment losses of receivables:

	2022	2021
At January 1	**₱2,009,923**	₱732,935
Provision	**615,795**	1,276,988
Write-offs	**(205,746)**	–
At December 31	**₱2,419,972**	₱2,009,923

The Parent Company recognized provision for estimated credit losses in 2022 and 2021 amounting to ₱0.6 million and ₱1.3 million, respectively, as a result from performing collective impairment tests using the simplified approach, presented under "Others" as part of "Expenses" in the parent company statements of comprehensive income.

8. Prepaid Expenses and Other Current Assets

	2022	2021
Prepayments	**₱10,903,067**	₱8,468,932
Input VAT	**3,162,321**	3,163,739
Others	**7,207,354**	6,386,162
	₱21,272,742	₱18,018,833

Prepayments include prepaid rentals and advance payments for health insurance coverage and all risks of direct physical loss or damage to the Parent Company's properties. Others include unused office supplies.

9. Investments in and Advances to Subsidiaries and Associates

The components of the carrying values of investments accounted for under the cost method and advances to subsidiaries and associates are as follows:

	Nature of Business	**Ownership**	**2022**	Ownership	2021
Investments in Subsidiaries					
VEC	Holding Company/ Power generation	**100.00**	**₱5,532,915,995**	100.00	₱5,532,915,995
VIHI	Holding company	**100.00**	**605,336,770**	100.00	605,336,770
HDFE	Holding company	**50.94**	**760,507,362**	50.94	760,507,362
SGPDC	Real estate	**100.00**	**66,750,000**	100.00	66,750,000
VRVC*	Real estate	**–**	**26,156,250**	–	26,156,250
			6,991,666,377		6,991,666,377
Less allowance for impairment loss			**340,554,303**		369,572,855
			6,651,112,074		6,622,093,522
Investments in Associate					
VECO	Power distribution	**34.81**	**919,693,137**	34.81	919,693,137
			919,693,137		919,693,137
Advances for Future Stock Subscription					
HDFE			**16,811,225**		16,811,225
VIHI			**407,779,706**		91,143,750
			424,590,931		107,954,975
			₱7,995,396,142		₱7,649,741,634

*Only preferred shares issued

Subsidiaries

VEC, VIHI, HDFE, and SGPDC qualify as the Parent Company's subsidiaries. The relevant operations of the subsidiaries are as follows:

VEC

VEC is a holding company with the following direct and indirect equity shareholdings:

	2022		2021	
	Percentage of Ownership			
	Direct	**Indirect**	Direct	Indirect
Subsidiaries				
VIGC	**100.00**	**–**	100.00	–
VREC	**100.00**	**–**	100.00	–
Core	**100.00**	**–**	100.00	–
Delta P Hybrid, Inc. (DPHI; formerly VII)	**100.00**	**–**	100.00	–
VIDC	**100.00**	**–**	100.00	–
AHC	**100.00**	**–**	–	100.00
INEC	**1.00**	**64.00**	1.00	64.00
INPC	**–**	**65.00**	–	–
1590 EC	**55.20**	**–**	55.20	–
VMHI	**20.00**	**47.00**	20.00	47.00
VGPC	**–**	**100.00**	**–**	100.00
BPC	**81.00**	**9.00**	81.00	9.00
NBPC	**81.00**	**9.00**	81.00	9.00
SPHC	**–**	**100.00**	–	100.00
VSC	**–**	**100.00**	–	100.00
CSSC	**–**	**100.00**	–	100.00

(Forward)

	2022		2021	
	Percentage of Ownership			
	Direct	**Indirect**	Direct	Indirect
Associates				
Cebu Private Power Corporation	**40.00**	**–**	40.00	–
Prism Energy, Inc. (PEI)	**40.00**	**–**	40.00	–
LPCI	–	**42.50**	–	42.50
Global Luzon Energy Development Corporation (GLEDC)	**–**	**42.50**	–	42.50
AHI	**–**	**40.00**	–	40.00
MPC	**–**	**40.00**	–	40.00
LWEC	**–**	**40.00**	–	40.00
CREC	**–**	**35.00**	–	35.00
TVI	**18.00**	**2.00**	18.00	2.00
Joint Ventures				
Calamiam Islands Power Corp. (CIPC)	**50.00**	**–**	50.00	–
Delta P, Inc. (DPI)	**50.00**	**–**	50.00	–
LPEC	**50.00**	**–**	50.00	–

VEC declared dividends to the Parent Company amounting to ₱730.4 million in 2022, ₱631.8 million in 2021, and ₱862.8 million in 2020 (see Note 14). As of December 31, 2022, dividends receivable from VEC amounted to ₱730.4 million (see Note 7).

In 2020, the Parent Company made an additional investment in VEC amounting to ₱169.0 million, which represents 168,953,224 preferred shares with par value of ₱1.00 per share. In 2020, the Parent Company also transferred its shares in PEI in exchange for 47,517,642 preferred shares in VEC. The additional investment in VEC was valued at the fair value of PEI shares amounting to ₱47.5 million (see Note 1). A gain of ₱39.1 million was recognized in the parent company statement of comprehensive income in 2020 in relation to this transfer (see Note 9).

In 2021, the Parent Company made an additional investment in VEC amounting to ₱102.0 million, which represents 101,997,654 preferred shares with par value of ₱1.00 per share.

HDFE
As of December 31, 2022 and 2021, an appraisal of HDFE's investment properties showed an increase in their fair market values, thereby increasing the carrying value of the Parent Company's investment in HDFE. Reversal of allowance for impairment loss was recognized in the parent company statements of comprehensive income amounting to ₱29.0 million and ₱88.1 million in 2022 and 2021, respectively.

In 2020, the Parent Company made advances for future stock subscription to HDFE amounting to ₱16.8 million.

VIHI
VIHI is a holding company with the following direct and indirect equity shareholdings:

	2022		2021	
	Percentage of Ownership			
	Direct	**Indirect**	Direct	Indirect
Subsidiaries				
VHHI	**100.00**	**–**	100.00	–
WMP	**–**	**60.00**	–	60.00
WMP SEA	**–**	**60.00**	–	60.00
IMCC	**–**	**100.00**	–	100.00
NMCWC	**–**	**100.00**	–	100.00
VTHI	**100.00**	**–**	100.00	–
Associates				
Faith Lived Out Visions 2 Ventures Holdings, Inc. (FLOWS)	**–**	**45.00**	–	45.00
Puerto Princesa Water Reclamation and Learning Center, Inc. (PPWRLC)	**–**	**40.31**	–	40.31

In 2020, the Parent Company made additional investments in VIHI amounting to ₱120.9 million, which represents 12,090,000 common shares and 108,810,000 preferred shares with par value of ₱1.00 per share.

In 2021, the Parent Company made additional investments in VIHI amounting to ₱306.9 million, which represents 30,524,375 common shares and 276,406,875 preferred shares with par value of ₱1.00 per share, and advances for future stock subscriptions amounting to ₱91.1 million for issuance of 9,283,125 common shares and 81,860,625 preferred shares, both with par value of ₱1.00 per share.

In 2022, the Parent Company made additional investments in VIHI amounting to ₱316.6 million, which represents advances for future stock subscriptions for issuance of 31,663,597 common shares and 284,972,359 preferred shares, both with par value of ₱1.00 per share. As of December 31, 2022, VIHI is gathering the documentary requirements for its application to SEC for the increase in authorized capital stock.

SGPDC
In 2021, SGPDC's application for the increase in authorized capital stock was approved by the SEC on May 20, 2021. Thus, the advances for future stock subscription were converted to equity amounting to ₱61.8 million, which represents 1,675,000 common shares with par value of ₱1.00 per share and 60,075,000 preferred shares with par value of ₱1.00 per share.

VRVC
In 2018, the Parent Company made advances for future stock subscription to VRVC amounting to ₱26.2 million. VRVC's application for the increase in authorized capital stock was approved by the SEC on March 25, 2021. Thus, the advances for future stock subscription were converted to preferred shares.

Associate

VECO
VECO declared cash dividends to the Parent Company amounting to ₱827.5 million, ₱730.0 million, and ₱741.3 million in 2022, 2021 and 2020, respectively (see Note 14).

10. **Property and Equipment**

Construction in progress mainly includes costs for renovation and improvements of the office in 2022 and 2021.

	2022						
	Condominium Units and Improvements	**Transportation Equipment**	**Office Furniture and Equipment**	**Leasehold Improvements**	**Other Equipment**	**Construction in Progress**	**Total**
Cost							
At January 1	**₱36,421,603**	**₱51,054,580**	**₱75,641,885**	**₱53,475,723**	**₱8,470,697**	**₱6,155,980**	**₱231,220,468**
Additions	**–**	**8,360,982**	**9,874,067**	**–**	**240,764**	**2,955,513**	**21,431,326**
Disposals	**–**	**(3,089,603)**	**(573,074)**	**–**	**–**	**–**	**(3,662,677)**
At December 31	**36,421,603**	**56,325,959**	**84,942,878**	**53,475,723**	**8,711,461**	**9,111,493**	**248,989,117**
Accumulated Depreciation							
At January 1	**24,655,969**	**28,406,263**	**58,781,149**	**22,508,589**	**8,200,450**	**–**	**142,552,420**
Additions	**487,127**	**8,100,307**	**9,171,805**	**8,731,385**	**135,851**	**–**	**26,626,475**
Disposals	**–**	**(2,911,943)**	**(573,055)**	**–**	**–**	**–**	**(3,484,998)**
At December 31	**25,143,096**	**33,594,627**	**67,379,899**	**31,239,974**	**8,336,301**	**–**	**165,693,897**
Net Book Value	**₱11,278,507**	**₱22,731,332**	**₱17,562,979**	**₱22,235,749**	**₱375,160**	**₱9,111,493**	**₱83,295,220**

	2021						
	Condominium Units and Improvements	Transportation Equipment	Office Furniture and Equipment	Leasehold Improvements	Other Equipment	Construction in Progress	Total
Cost							
At January 1	₱36,421,603	₱49,430,399	₱67,663,092	₱53,095,723	₱8,511,303	₱7,532,208	₱222,654,328
Additions	–	13,542,857	4,463,229	380,000	114,750	3,512,665	22,013,501
Transfers	–	–	4,888,893	–	–	(4,888,893)	–
Disposals	–	(11,918,676)	(1,373,329)	–	(155,356)	–	(13,447,361)
At December 31	36,421,603	51,054,580	75,641,885	53,475,723	8,470,697	6,155,980	231,220,468
Accumulated Depreciation							
At January 1	24,168,842	30,997,800	50,123,378	13,677,412	8,177,645	–	127,145,077
Additions	487,127	8,653,452	9,880,267	8,831,177	178,160	–	28,030,183
Disposals	–	(11,244,989)	(1,222,496)	–	(155,355)	–	(12,622,840)
At December 31	24,655,969	28,406,263	58,781,149	22,508,589	8,200,450	–	142,552,420
Net Book Value	₱11,765,634	₱22,648,317	₱16,860,736	₱30,967,134	₱270,247	₱6,155,980	₱88,668,048

11. **Other Noncurrent Assets**

	2022	2021
Creditable tax withheld	**₱140,374,145**	₱137,904,240
Financial assets at FVOCI	**8,000,000**	8,000,000
Others - net of allowance for impairment loss of ₱46.1 million	**10,459,167**	10,459,167
	₱158,833,312	₱156,363,407

Creditable Tax Withheld

These pertain to taxes withheld by customers on income payments to the Parent Company for sales of services that can be applied against its income tax liabilities.

Financial Assets at FVOCI

As of December 31, 2022 and 2021, the carrying values of the financial assets at FVOCI are as follows:

	2022	2021
Cost:		
Cebu Country Club, Inc.	**₱3,400,000**	₱3,400,000
Tower Club, Inc.	**300,000**	300,000
	3,700,000	3,700,000
Fair value remeasurement gain (loss):		
Cebu Country Club, Inc.	**4,600,000**	4,600,000
Tower Club, Inc.	**(300,000)**	(300,000)
	4,300,000	4,300,000
	₱8,000,000	₱8,000,000

Cebu Country Club, Inc. In 2012, the Parent Company acquired proprietary ownership shares in the Cebu Country Club, Inc. The non-listed equity security is stated at fair value based on the published buying and selling prices of these shares.

Tower Club, Inc. In 2014, the Parent Company acquired proprietary ownership shares in the Tower Club, Inc. The non-listed equity security is stated at fair value based on the published buying and selling prices of these shares. On September 25, 2020, the shareholders of Tower Club agreed to shorten its corporate life and permanently close by January 2022.

Fair value hierarchy disclosures for the Parent Company's financial assets at FVOCI are provided in Note 19.

Others

Others include receivable from RFM Corporation, the Parent Company's previous owner, which has been fully provided with allowance for impairment losses as of December 31, 2022 and 2021. Also included in this account are security deposits with various tenants and other parties.

12. Trade and Other Current Liabilities

	2022	2021
Accounts payable	**₱14,202,195**	₱11,355,151
Accrued interest (see Note 13)	**17,846,679**	18,170,546
Advances from related parties (see Note 14)	**2,273,178**	20,455,608
Dividends payable (see Note 20)	**5,014,686**	4,327,007
Accrued taxes payable	**4,561,768**	7,417,954
Deferred output VAT - net	**2,432,282**	3,993,182
Accrued expenses	**1,263,860**	4,384,623
Others	**4,287,370**	3,699,740
	₱51,882,018	₱73,803,811

Accounts payable consist mainly of liabilities for payroll, professional fees and other expenses.

Accrued taxes payable are accruals for documentary stamp tax, VAT, and withholding taxes on wages and on certain income tax payments.

Accrued expenses includes accruals for legal fees, securities and transfer fees and other expenses. Others include contributions payable to government agencies**.**

13. **Notes Payable**

	2022	2021
2021 Fixed Rate Corporate Notes (FRCN)		
₱1.0 billion at 3.4510% interest per annum	**₱1,000,000,000**	₱1,000,000,000
₱2.0 billion at 4.3000% interest per annum	**1,950,000,000**	2,000,000,000
	2,950,000,000	3,000,000,000
Less unamortized debt issue costs	**15,418,421**	26,184,980
	2,934,581,579	2,973,815,020
Less current portion - net of unamortized debt issue costs of ₱5.2 million in 2022 and ₱10.8 million in 2021	**1,044,763,196**	39,233,441
	₱1,889,818,383	₱2,934,581,579

The Parent Company entered into a Notes Facility Agreement (Agreement) to issue ₱3.0 billion in Fixed Rate Corporate Notes (FRCN or the Notes) on January 29, 2014 to fund its equity investments in power generation projects, to include, but not limited to, MPC and TVI.

The FRCN was fully subscribed by a consortium of local banks and was issued in two tranches and has a maturity of seven (7) years from the drawdown date. The Notes are unsecured. The first drawdown amounting to ₱1.0 billion was made on February 3, 2014. The second drawdown amounting to ₱2.0 billion was made on March 31, 2014. The Notes are payable at 1% based on the principal amount of the notes in the first six (6) years and 94% at maturity on February 3, 2021. The Notes were settled on said date.

On December 4, 2020, the Parent Company signed an Agreement to issue ₱3.0 billion worth of FRCN with tenors of two (2) years and five (5) years. The proceeds from the issuance of the Notes will be used to finance capital expenditures for existing assets and investments in power generation and/or water infrastructure projects and partly to refinance the existing 7-year FRCN which matured in February 2021.

The Parent Company issued an FRCN last January 27, 2021 amounting to ₱3.0 billion to fund its equity investments in power generation and infrastructure projects. The FRCN was fully subscribed by a consortium of local banks and was issued in two tranches and has a maturity of seven (7) years from the drawdown date. The Notes are unsecured.

The first tranche is for a term of two years and payable on January 27, 2023 while the second tranche is for a term of five years and will mature on January 27, 2026 with principal payment of ₱50.0 million for the first four years and a balloon payment of ₱1.8 billion on maturity.

Repayments of outstanding principal amounts are scheduled as follows:

	2022	2021
Within one year	**₱1,050,000,000**	₱50,000,000
More than one year but not more than five years	**1,900,000,000**	2,950,000,000
	₱2,950,000,000	₱3,000,000,000

On January 27, 2023, the first tranche on the loan matured and was settled.

The Agreement requires that the Parent Company shall not permit its debt-to-equity ratio to exceed 2.5:1. The debt-to-equity ratio is based on the Parent Company's debt and consolidated equity. In addition, the Agreement requires the current ratio to not fall below 1.25:1 and is based on the consolidated current assets and consolidated current liabilities. The Parent Company has complied with these ratio requirements as of December 31, 2022 and 2021.

Interest expense recognized in the parent company statements of comprehensive income related to these notes payable amounted to ₱122.7 million, ₱128.1 million, and ₱164.6 million in 2022, 2021 and 2020, respectively, and the related accrued interest expense as of December 31, 2022 and 2021 amounted to ₱17.8 million and ₱18.2 million, respectively (see Note 12).

Debt issue costs were incurred in connection with the financing arrangements. These costs are amortized, using the EIR method, over the term of the related loans. The Parent Company has recognized amortization of debt issue costs amounting to ₱10.8 million, ₱10.2 million, and ₱4.8 million in 2022, 2021 and 2020, respectively. These are presented under "Interest expense" in the parent company statements of comprehensive income.

14. Related Party Transactions

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

In the normal course of business, the Parent Company enters into transactions with related parties principally consisting of the following:

		2022			
		Outstanding Balance			
Category	Volume	Receivable	Payable	Terms	Conditions
Subsidiaries					
Dividend income (see Note 9):					
VEC	**₱730,409,956**	**₱730,409,956**	**₱–**	**15-30 days; noninterest-bearing**	**Unsecured**
Management and service fees income (see Note 14a):					
HDFE	**840,000**	**–**	**–**	**15-30 days; noninterest-bearing**	**Unsecured**
INEC	**–**	**3,586,330**	**–**	**15-30 days; noninterest-bearing**	**Unsecured**
VEC	**110,909,232**	**–**	**–**	**15-30 days; noninterest-bearing**	**Unsecured; no impairment**
VIHI	**45,269,496**	**4,225,153**	**–**	**15-30 days; noninterest-bearing**	**Unsecured; no impairment**
WMP	**900,000**	**–**	**–**	**15-30 days; noninterest-bearing**	**Unsecured; no impairment**
Service income (see Note 14a):					
VEC	**2,973,732**	**1,490,524**	**125**	**15-30 days; noninterest-bearing**	**Unsecured; no impairment**
1590EC	**297,599**	**37,445**	**–**	**15-30 days; noninterest-bearing**	**Unsecured**
CSSC (formerly ETEI)	**77,572**	**2,763,753**	**–**	**15-30 days; noninterest-bearing**	**Unsecured; no impairment**
CORE	**559,562**	**987,822**	**–**	**15-30 days; noninterest-bearing**	**Unsecured; no impairment**

(Forward)

	2022				
		Outstanding Balance			
Category	Volume	Receivable	Payable	Terms	Conditions
HDFE	~~₱30,540~~	~~₱–~~	~~₱–~~	15-30 days; noninterest-bearing	Unsecured; no impairment
IMCC	668,037	407,958	–	15-30 days; noninterest-bearing	Unsecured; no impairment
INEC	454,448	1,725,348	–	15-30 days; noninterest-bearing	Unsecured; no impairment
INPC	25,227	28,254	–	15-30 days; noninterest-bearing	Unsecured; no impairment
NMCWC	96,521	271,742	–	15-30 days; noninterest-bearing	Unsecured; no impairment
VIHI	1,394,457	1,389,973	–	15-30 days; noninterest-bearing	Unsecured; no impairment
VHHI	–	–	125,563	15-30 days; noninterest-bearing	Unsecured; no impairment
VSC	21,221	23,768	–	15-30 days; noninterest-bearing	Unsecured; no impairment
BPC	78,803	928,160	–	15-30 days; noninterest-bearing	Unsecured; no impairment
NBPC	20,018	873,567	–	15-30 days; noninterest-bearing	Unsecured; no impairment
VREC	18,884	–	–	15-30 days; noninterest-bearing	Unsecured; no impairment
SGPDC	351,659	116,133	–	15-30 days; noninterest-bearing	Unsecured; no impairment
VMHI	–	154,311	–	15-30 days; noninterest-bearing	Unsecured; no impairment
VRVC	187,140	109,844	–	15-30 days; noninterest-bearing	Unsecured; no impairment
WMP	2,505,206	5	–	15-30 days; noninterest-bearing	Unsecured; no impairment
Advances (see Note 14c):					
VEC	2,625,179	1,857,888	1,570,372	15-30 days; noninterest-bearing	Unsecured; no impairment
1590 EC	43,150	16,481	–	15-30 days; noninterest-bearing	Unsecured; no impairment
AHC	1,792	–	–	15-30 days; noninterest-bearing	Unsecured; no impairment
VGPC	178	–	–	15-30 days; noninterest-bearing	Unsecured; no impairment
SGPDC	2,795	9,924,285	–	15-30 days; noninterest-bearing	Unsecured; no impairment
VRVC	7,937	–	–	15-30 days; noninterest-bearing	Unsecured; no impairment
VMHI	1,200	1,200	–	15-30 days; noninterest-bearing	Unsecured; no impairment
VIGC	1,360	1,360	–	15-30 days; noninterest-bearing	Unsecured; no impairment
CORE	71,408	117,603	1,691	15-30 days; noninterest-bearing	Unsecured; no impairment
HDFE	267,362	550,114	–	15-30 days; noninterest-bearing	Unsecured; no impairment
INEC	60,237	141,014	6	15-30 days; noninterest-bearing	Unsecured; no impairment
INPC	12,415	12,415	–	15-30 days; noninterest-bearing	Unsecured; no impairment
NBPC	16,065	26,937	–	15-30 days; noninterest-bearing	Unsecured; no impairment
BPC	77,322	87,579	–	15-30 days; noninterest-bearing	Unsecured; no impairment
VCCI	1,076	–	–	15-30 days; noninterest-bearing	Unsecured; no impairment
IMCC	567,636,628	567,636,628	–	15-30 days; noninterest-bearing	Unsecured; no impairment
VIHI	954,134	201,020,308	701,109	15-30 days; noninterest-bearing	Unsecured; no impairment

(Forward)

		2022			
		Outstanding Balance			
Category	Volume	Receivable	Payable	Terms	Conditions
VTHI	₱1,836	₱–	₱–	15-30 days; noninterest-bearing	Unsecured; no impairment
CSSC (Formerly ETEI)	8,029	8,975	–	15-30 days; noninterest-bearing	Unsecured; no impairment
VII	1,138	–	–	15-30 days; noninterest-bearing	Unsecured; no impairment
VREC	2,019	943	–	15-30 days; noninterest-bearing	Unsecured; no impairment
VSC (Formerly ETVVT)	304	–	–	15-30 days; noninterest-bearing	Unsecured
Transferred pension obligations (see Note 14d)					
VEC	–	–	11,425,702	On Demand; noninterest-bearing	Unsecured
VIHI	1,068,194	–	1,068,194	On Demand; noninterest-bearing	Unsecured
Lease liabilities (see Note 14e)					
SGPDC	413,189	–	3,435,049	15-30 days; noninterest-bearing	Unsecured
Associates					
Dividend income (see Note 9):					
VECO	827,495,658	–	–	15-30 days; noninterest-bearing	Unsecured
Advances (see Note 14c):					
LPCI	–	300	–	15-30 days; noninterest-bearing	Unsecured; no impairment
GLEDC	–	30,609	–	15-30 days; noninterest-bearing	Unsecured; no impairment
CREC	–	258	–	15-30 days; noninterest-bearing	Unsecured; no impairment
Interim Financing Agreement (see Note 14f)					
FLOWS	–	150,000,000	–	On Demand; interest-bearing	Unsecured
Service income (see Note 14a)					
GLEDC	–	25,101	–	15-30 days; noninterest-bearing	Unsecured; no impairment
VECO	–	616	–	15-30 days; noninterest-bearing	Unsecured; no impairment
Joint Ventures					
Management and service fees income (see Note 14a):					
DPI	–	732,109	–	15-30 days; noninterest-bearing	Unsecured; no impairment
Service income (see Note 14a):					
CIPC	46,587	51,246	–	15-30 days; noninterest-bearing	Unsecured
DPI	56,019	5,400,743	–	15-30 days; noninterest-bearing	Unsecured; no impairment
LPEC	14,862	37,038	–	15-30 days; noninterest-bearing	Unsecured; no impairment
Advances (see Note 14c):					
CIPC	17,978	11,615	–	15-30 days; noninterest-bearing	Unsecured; no impairment
DPI	55,002	400,414	–	15-30 days; noninterest-bearing	Unsecured; no impairment
LPEC	1,440	2,289	–	15-30 days; noninterest-bearing	Unsecured; no impairment
Stockholders					
Professional fees (see Note 14b):					
JDC	2,700,063	–	–	15-30 days; noninterest-bearing	Unsecured
MRC	4,050,094	–	–	15-30 days; noninterest-bearing	Unsecured
Advances (see Note 14c):					
Shareholder	–	42,676	–	15-30 days; noninterest-bearing	Unsecured; no impairment

	2021				
		Outstanding Balance			
Category	Volume	Receivable	Payable	Terms	Conditions
Subsidiaries					
Dividend income (see Note 9):					
VEC	₱631,800,000	₱ –	₱ –	15-30 days; noninterest-bearing	Unsecured
Management and service fees income (see Note 14a):					
HDFE	840,000	67,900	–	15-30 days; noninterest-bearing	Unsecured
INEC	3,202,080	3,586,330	–	15-30 days; noninterest-bearing	Unsecured
VEC	101,413,680	9,296,254	–	15-30 days; noninterest-bearing	Unsecured; no impairment
VIHI	43,752,804	12,000,868	–	15-30 days; noninterest-bearing	Unsecured; no impairment
WMP	900,000	333,000	–	15-30 days; noninterest-bearing	Unsecured; no impairment
Service income (see Note 14a):					
VEC	1,418,948	329,723	–	15-30 days; noninterest-bearing	Unsecured; no impairment
1590EC	21,207	5,945	–	15-30 days; noninterest-bearing	Unsecured
ETEI	58,008	2,706,447	–	15-30 days; noninterest-bearing	Unsecured; no impairment
CORE	142,811	226,909	–	15-30 days; noninterest-bearing	Unsecured; no impairment
HDFE	4,414	–	–	15-30 days; noninterest-bearing	Unsecured; no impairment
IMCC	689,096	459,822	–	15-30 days; noninterest-bearing	Unsecured; no impairment
INEC	164,938	1,379,723	–	15-30 days; noninterest-bearing	Unsecured; no impairment
NMCWC	64,900	72,688	–	15-30 days; noninterest-bearing	Unsecured; no impairment
SGPDC	500,427	228,225	–	15-30 days; noninterest-bearing	Unsecured; no impairment
VIHI	4,156,808	78,485	–	15-30 days; noninterest-bearing	Unsecured; no impairment
VHHI	1,755	–	125,563	15-30 days; noninterest-bearing	Unsecured; no impairment
VMHI	–	154,311	–	15-30 days; noninterest-bearing	Unsecured; no impairment
VRVC	141,455	158,430	–	15-30 days; noninterest-bearing	Unsecured; no impairment
VSC	123,575	–	–	15-30 days; noninterest-bearing	Unsecured; no impairment
WMP	–	376,450	–	15-30 days; noninterest-bearing	Unsecured; no impairment
BPC	764,979	841,477	–	15-30 days; noninterest-bearing	Unsecured; no impairment
NBPC	760,062	851,270	–	15-30 days; noninterest-bearing	Unsecured; no impairment
Advances (see Note 14c):					
VEC	20,712,096	1,731,643	19,653,483	15-30 days; noninterest-bearing	Unsecured; no impairment
1590 EC	491,977	5,343	–	15-30 days; noninterest-bearing	Unsecured; no impairment
SGPDC	3,307	9,924,254	–	15-30 days; noninterest-bearing	Unsecured; no impairment
VRVC	722	722	–	15-30 days; noninterest-bearing	Unsecured; no impairment
VMHI	521	210	–	15-30 days; noninterest-bearing	Unsecured; no impairment

(Forward)

		2021			
		Outstanding Balance			
Category	Volume	Receivable	Payable	Terms	Conditions
VIGC	₱1,180	₱580	₱–	15-30 days; noninterest-bearing	Unsecured; no impairment
CORE	50,613	47,885	–	15-30 days; noninterest-bearing	Unsecured; no impairment
HDFE	59,899	448,831	–	15-30 days; noninterest-bearing	Unsecured; no impairment
INEC	125,996	80,777	6	15-30 days; noninterest-bearing	Unsecured; no impairment
IMCC	48,878	6,199	–	15-30 days; noninterest-bearing	Unsecured; no impairment
NBPC	10,992	10,872	–	15-30 days; noninterest-bearing	Unsecured; no impairment
BPC	10,257	10,257	–	15-30 days; noninterest-bearing	Unsecured; no impairment
NMCWC	3,325	–	–	15-30 days; noninterest-bearing	Unsecured; no impairment
VIHI	202,613,188	200,678,471	802,119	15-30 days; noninterest-bearing	Unsecured; no impairment
VHHI	198,833	–	–	15-30 days; noninterest-bearing	Unsecured; no impairment
VREC	480	260	–	15-30 days; noninterest-bearing	Unsecured; no impairment
ETEI	1,080	946	–	15-30 days; noninterest-bearing	Unsecured; no impairment
VSC (Formerly ETVVT)	159	50	–	15-30 days; noninterest-bearing	Unsecured
WMP	20,105,477	20,000,000	–	15-30 days; noninterest-bearing	Unsecured; no impairment
Transferred pension obligations (see Note 14d)					
VEC	5,278,376	–	11,425,702	On Demand; noninterest-bearing	Unsecured
Lease liabilities (see Note 14e)					
SGPDC	413,189	–	3,453,471	15-30 days; noninterest-bearing	Unsecured
Associates					
Dividend income (see Note 9):					
VECO	729,955,901	–	–	15-30 days; noninterest-bearing	Unsecured
Advances (see Note 14c):					
LPCI	–	300	–	15-30 days; noninterest-bearing	Unsecured; no impairment
GLEDC	–	30,609	–	15-30 days; noninterest-bearing	Unsecured; no impairment
CREC	–	258	–	15-30 days; noninterest-bearing	Unsecured; no impairment
Interim Financing Agreement (see Note 14f)					
FLOWS	–	150,000,000	–	On Demand; interest-bearing	Unsecured
Service income (see Note 14a)					
GLEDC	–	25,101	–	15-30 days; noninterest-bearing	Unsecured; no impairment
Joint Ventures					
Management and service fees income (see Note 14a):					
DPI	–	732,109	–	15-30 days; noninterest-bearing	Unsecured; no impairment
Service income (see Note 14a):					
CIPC	5,798	6,378	–	15-30 days; noninterest-bearing	Unsecured
DPI	5,405	5,339,121	–	15-30 days; noninterest-bearing	Unsecured; no impairment
LPEC	18,208	20,393	–	15-30 days; noninterest-bearing	Unsecured; no impairment

(Forward)

		2021			
		Outstanding Balance			
Category	Volume	Receivable	Payable	Terms	Conditions
Advances (see Note 14c):					
CIPC	₱208,416	₱5,372	₱–	15-30 days; noninterest-bearing	Unsecured; no impairment
DPI	313,945	345,413	–	15-30 days; noninterest-bearing	Unsecured; no impairment
LPEC	2,572	1,159	–	15-30 days; noninterest-bearing	Unsecured; no impairment
Stockholders					
Professional fees (see Note 14b):					
JDC	5,524,165	–	–	15-30 days; noninterest-bearing	Unsecured
MRC	8,286,248	–	–	15-30 days; noninterest-bearing	Unsecured
Advances (see Note 14c):					
Shareholder	–	42,676	–	15-30 days; noninterest-bearing	Unsecured; no impairment

The transactions above are generally settled in cash.

a. Management and service fees and service income from subsidiaries, associates and joint ventures represent compensation for consultancy, managementand other related services rendered by the Parent Company to and for the use of the Parent Company's facilities in accordance with the terms of the respective agreements with the related parties. Services covered by SLAs or management contracts are recognized as part of the "Management and service fees" account while those not within the scope of work in the SLAs and rendered to the subsidiaries, associates and joint ventures on irregular basis are recognized as part of the "Service income" account in the parent company statements of comprehensive income.

b. The Parent Company entered into agreements with MRC and JDC, its stockholders, to perform consultancy services. For the consideration of the services rendered by MRC and JDC, the Parent Company will pay management fees agreed upon by the parties, without need for further demand. These are recognized as part of "Professional fees" in the parent company statements of comprehensive income.

c. Advances to and from subsidiaries, associates, joint ventures and shareholders pertain to advances for working capital and project requirements. Advances to shareholder pertains to the life insurance plan advanced by the Parent Company for a member of its BOD.

d. In 2021, the Parent Company reacquired pension obligations from VEC due to employee transfers amounting to ₱5.3 million. In 2022, the Parent Company released pension obligations to VIHI due to employee transfers amounting to ₱1.1 million.

e. In 2017, the Parent Company entered into lease agreements as lessee with SGPDC to lease a parcel of land for a period of seventeen (17) years and four (4) months from September 1, 2017 to December 31, 2034.

f. On February 14, 2020, the Parent Company entered into an Interim Financing Agreement (IFA) with FLOWS for the development of a combined sewerage and septage facility serving the City of Puerto Princesa. The IFA is for a term of four (4) months or until June 13, 2020 at an interest rate of 5.7810% per annum. On June 13, 2020, the IFA was extended for three months or until September 13, 2020 at an interest of 6.2595%, 4.2578% and 4.3016% per annum on the first, second and third month, respectively. FLOWS is in the process of securing bank refinancing of the interim loan as of December 31, 2022. The loan was subsequently paid in February 2023.

The retirement fund (the Fund) of the Parent Company is in the form of a trust being maintained and managed by a trust and investment entity in the Philippines. The Fund, which is invested mostly in fixed income securities, has a carrying amount and fair value of ₱22.7 million and ₱43.4 million as of December 31, 2022 and 2021, respectively (see Note 15). Actual contributions of the Parent Company to the fund amounted to nil in 2022 and ₱27.8 million in 2021.

Compensation and Benefits of Key Management Personnel

The compensation of the Parent Company's key management personnel by benefit type follows:

	2022	2021	2020
Short-term employee benefits	**₱138,988,012**	₱126,171,515	₱109,123,867
Post-employment pension benefits	**8,120,745**	7,267,643	6,237,048
	₱147,108,757	₱133,439,158	₱115,360,915

15. Retirement Plan

The Parent Company has a funded, noncontributory, defined benefit pension plan ("the Plan") covering all regular, permanent employees. The Plan provides lump sum benefits upon a member's normal retirement. The benefits are based on the member's final monthly salary and length of service with the Parent Company.

The Fund is administered by a trust and investment entity in the Philippines under the supervision of a trustee. The trustee is responsible for the investment strategy of the plan.

The existing regulatory framework, Republic Act (RA) 7641, *The Retirement Pay Law*, requires a provision for retirement pay to qualified private sector employees in the absence of any retirement plan in the entity, provided however that the employee's retirement benefits under any collective bargaining and other agreements shall not be less than those provided under the law. The law does not require minimum funding of the plan.

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

The components of the pension expense recognized under "Salaries and employee benefits" in the parent company statements of comprehensive income follow:

	2022	2021	2020
Current service cost	**₱8,105,076**	₱9,071,965	₱6,035,415
Net interest cost	**1,648,854**	1,752,847	2,215,190
	₱9,753,930	₱10,824,812	₱8,250,605

Remeasurement effects recognized in the parent company statements of comprehensive income follow:

	2022	2021	2020
Remeasurement gain on defined benefit obligation	**₱7,660,909**	₱9,126,706	₱–
Remeasurement gain (loss) on plan assets	**(2,072,926)**	(667,332)	373,655
	₱5,587,983	₱8,459,374	₱373,655

The Parent Company's pension liability as of December 31, 2022 and 2021 follows:

	2022	2021
Present value of defined benefit obligation	**₱58,155,763**	₱75,762,674
Fair value of plan assets	**(22,727,547)**	(43,432,211)
Pension liability	**₱35,428,216**	₱32,330,463

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

	2022	2021
At January 1	**₱75,762,674**	₱68,012,639
Current service cost	**8,105,076**	9,071,965
Interest cost on defined benefit obligation	**3,154,577**	2,526,400
Benefits paid from retirement fund	**(20,137,461)**	–
Remeasurement loss (gain) due to:		
Changes in financial assumptions	**(7,567,769)**	(15,788,783)
Experience adjustments	**(93,140)**	6,662,077
Acquired obligation due to employee transfers (see Note 14)	**(1,068,194)**	5,278,376
At December 31	**₱58,155,763**	₱75,762,674

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

	2022	2021
At January 1	**₱43,432,211**	₱15,564,454
Benefits paid from retirement fund	**(20,137,461)**	–
Loss on return on plan assets	**(2,072,926)**	(667,332)
Interest income included in net interest cost	**1,505,723**	773,553
Contributions to the retirement fund	**–**	27,761,536
At December 31	**₱22,727,547**	₱43,432,211

Changes in the amounts recognized in the parent company statements of financial position for pension liability follow:

	2022	2021
At January 1	**₱32,330,463**	₱52,448,185
Pension expense	**9,753,930**	10,824,812
Remeasurement gain	**(5,587,983)**	(8,459,374)
Acquired obligation due to employee transfers (see Note 14)	**(1,068,194)**	5,278,376
Contributions to the retirement fund	**–**	(27,761,536)
At December 31	**₱35,428,216**	₱32,330,463

The major categories of the plan assets are as follows:

	2022	2021
Unquoted investments:		
Unitized investment trust funds (UITF)	**₱22,727,406**	₱43,432,082
Cash and cash equivalents	**141**	129
	₱22,727,547	₱43,432,211

The control and administration of the fund vest on the trustee. The trustee shall have the full and complete power and authority to hold, manage, administer, convert, sell, assign, alter, divide, invest, and reinvest the fund without distinction between principal and income, to the same extent and with the same effect as might be lawfully done by persons who own and control property and may thus exercise every power and right with respect to each item of property in this trust authority specified in the agreement and expressly conferred upon it by law.

The overall investment policy and strategy of the Parent Company's defined benefit pension plan is guided by the objective of providing the necessary funding for the benefits payable under the plan and achieving such liquidity as deemed appropriate in the circumstances.

The Parent Company does not expect to contribute to the Fund in 2023.

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

	2022	2021
Discount rate	**7.24%**	5.10%
Future salary increase rate	**6.00%**	5.00%

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

	Increase (Decrease)	Increase (Decrease) in the Present Value of Defined Benefit Obligation	
		2022	2021
Discount rate	+100 basis points	**(₱5,870,751)**	(₱5,629,583)
	–100 basis points	**6,756,510**	6,552,202
Future salary increase rate	+100 basis points	**6,980,771**	6,862,423
	–100 basis points	**(6,157,308)**	(6,016,049)

The average duration of the defined benefit obligation at the end of the reporting period is 13.5 years and 15.7 years as of December 31, 2022 and 2021, respectively.

The expected benefit payment assumes that all actuarial assumptions will materialize. Shown below is the maturity analysis of the undiscounted benefit payments as of December 31:

	2022	2021
Less than one year	**₱957,042**	₱27,816,466
More than 1 year to 5 years	**8,987,706**	5,231,320
More than 5 years to 10 years	**55,588,343**	30,699,726
More than 10 years to 15 years	**131,711,493**	88,575,839
More than 15 years to 20 years	**59,353,813**	72,621,911
More than 20 years	**135,081,724**	98,460,211
	₱391,680,121	₱323,405,473

16. Income Tax

	2022	2021	2020
Final (at 20% and 7.5%)	**₱6,112,505**	₱3,480,619	₱7,976,967
Deferred	**3,346,810**	11,091,263	(3,238,378)
	₱9,459,315	₱14,571,882	₱4,738,589

The reconciliation of the income tax expense computed at the statutory tax rate to provision for income tax reported in the parent company statements of comprehensive income follows:

	2022	2021	2020
Income before income tax	**₱1,280,068,293**	₱1,156,654,677	₱1,293,435,020
Income tax computed at the statutory tax rate	**₱320,017,073**	₱289,163,669	₱388,030,506
Adjustments to income tax resulting from:			
Nontaxable dividend income	**(389,476,404)**	(340,438,975)	(491,197,285)
Unrecognized deferred income tax assets on NOLCO	**85,391,899**	75,466,411	106,319,008
Nontaxable gains	**(15,770,136)**	(22,057,989)	–
Nondeductible expenses	**10,695,107**	7,998,592	5,080,458
Interest income subjected to final tax	**(7,510,729)**	(4,212,382)	(11,471,065)
Impact of CREATE Law	**–**	5,171,937	–
Final taxes paid	**6,112,505**	3,480,619	7,976,967
	₱9,459,315	₱14,571,882	₱4,738,589

The components of the Parent Company's net deferred income tax assets as of December 31 are as follows:

	2022	2021
Deferred income tax assets on:		
Allowance for impairment losses	**₱11,602,774**	₱11,602,774
Pension liability	**16,931,916**	14,760,483
Net acquired and transferred obligation due to employee transfers	**3,123,473**	2,856,424
Unrealized foreign exchange loss	**60,698**	60,698
	31,718,861	29,280,379
Deferred income tax asset (liability) on pension liability recognized in other comprehensive income	**(608,784)**	788,212
	31,110,077	30,068,591
Deferred income tax liabilities on:		
Unrealized foreign exchange gain	**11,270,706**	2,793,774
Unamortized debt issue costs	**3,854,605**	6,546,245
	15,125,311	9,340,019
Deferred income tax liability on unrealized valuation gain of financial assets at FVOCI recognized in other comprehensive income	**645,000**	645,000
	15,770,312	9,985,019
Net deferred income tax assets	**₱15,339,766**	₱20,083,572

On September 30, 2020, the Bureau of Internal Revenue (BIR) issued Revenue Regulations No. 25-2020 to implement Section 4(bbbb) of RA No. 11494, otherwise known as "Bayanihan to Recover as One Act". This RR provides that the net operating loss of the business or enterprise 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.

As of December 31, 2022, the Parent Company has incurred NOLCO in taxable year 2022 and years prior to 2020 which can be claimed as deductions from the regular taxable income for the next three (3) consecutive taxable years, as follows:

Year Incurred	Availment Period	Amount	Additions	NOLCO Expired	NOLCO Applied Current Year	NOLCO Unapplied
2019	2020–2022	₱305,529,801	₱–	₱305,529,801	₱–	₱–
2022	2023–2025	–	341,567,594	–	–	341,567,594
		₱305,529,801	₱341,567,594	₱305,529,801	₱–	₱341,567,594

As of December 31, 2022, the Parent Company has incurred NOLCO in taxable years 2021 and 2020 which can be claimed as deduction from the regular taxable income for the next five (5) consecutive taxable years pursuant to the Bayanihan to Recover as One Act, as follows:

Year Incurred	Availment Period	Amount	Additions	NOLCO Expired	NOLCO Applied Current Year	NOLCO Unapplied
2020	2021–2025	₱354,396,692	₱–	₱–	₱–	₱354,396,692
2021	2022–2026	301,865,641	–	–	–	301,865,641
		₱656,262,333	₱–	₱–	₱–	₱656,262,333

As of December 31, 2022 and 2021, the Parent Company did not recognize deferred income tax assets on NOLCO and unamortized past service cost of ₱15.4 million because management believes that it is not probable that sufficient taxable profit will be available to allow all or part of the deferred income tax assets to be utilized.

Enactment of Corporate Recovery and Tax Incentives for Enterprises (CREATE) Bill into Law
President Rodrigo Duterte signed into law on March 26, 2021 the Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act to attract more investments and maintain fiscal prudence and stability in the Philippines. RA 11534 or the CREATE Act introduces reforms to the corporate income tax and incentives systems. It took effect 15 days after its complete publication in the Official Gazette or in a newspaper of general circulation or April 11, 2021.

The following are the key changes to the Philippine tax law pursuant to the CREATE Act which have an impact on the Parent Company:

- Effective July 1, 2020, regular corporate income tax (RCIT) rate is reduced from 30% to 25% for domestic and resident foreign corporations. For domestic corporations with net taxable income not exceeding ₱5 million and with total assets not exceeding ₱100 million (excluding land on which the business entity's office, plant and equipment are situated) during the taxable year, the RCIT rate is reduced to 20%.

- Minimum corporate income tax (MCIT) rate reduced from 2% to 1% of gross income effective July 1, 2020 to June 30, 2023.

- Imposition of improperly accumulated earnings tax (IAET) is repealed.

As clarified by the Philippine Financial Reporting Standards Council in its Philippine Interpretations Committee Q&A No. 2020-07, the CREATE Act was not considered substantively enacted as of December 31, 2020 even though some of the provisions have retroactive effect to July 1, 2020. The passage of the CREATE Act into law on March 26, 2021 was considered as a non-adjusting subsequent event. Accordingly, current and deferred taxes as of and for the year ended December 31, 2020 were computed and measured using the applicable income tax rates as of December 31, 2020 (i.e., 30% RCIT / 2% MCIT) for financial reporting purposes.

Applying the provisions of the CREATE Act, the Parent Company would have been subjected to lower regular corporate income tax rate of 25% effective July 1, 2020.

- This did not affect the provision for current income tax for the year ended December 31, 2020 and creditable tax withheld as of December 31, 2020 since the Parent Company incurred gross loss and NOLCO and thus, was not in a taxable position.

- This resulted in lower net deferred income tax assets as of December 31, 2020 by ₱5.5 million, lower benefit from deferred tax for the year then ended by ₱5.2 million, lower accumulated remeasurement on employee benefits - net of tax by ₱0.6 million and higher accumulated remeasurement of financial assets at FVOCI - net of tax by ₱0.3 million. These adjustments have been recognized in the 2021 financial statements.



17. **Equity**

Capital Stock

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

Authorized capital stock - ₱1 par value	2,000,000,000
Issued and outstanding shares	1,023,456,698
Unissued shares	976,543,302

The Parent Company's issued capital stock originally consists of 224,880,067 common shares and 600,000,000 preferred shares that were listed in the Philippine Stock Exchange (PSE) since 2003 and 198,576,631 preferred shares that were approved for listing by the PSE on June 29, 2004. In June 2005, the SEC approved the amendment to Article VII that relates to the conversion of the Parent Company's preferred shares to common shares. As of December 31, 2022 and 2021, the Parent Company's issued capital stock all consists of common shares.

The Parent Company has 1,413 stockholders as of December 31, 2022, 1,415 stockholders as of December 31, 2021, and 1,425 stockholders as of December 31, 2020, and has complied with the Minimum Public Ownership requirement of the PSE for listed entities as of the same dates.

Appropriation of Retained Earnings for Business Expansion

Out of the 2016 retained earnings appropriation, the Parent Company made additional investment of ₱606.0 million in 2017 in two power plant projects in the Visayas and Mindanao, which amount was then reverted to unappropriated retained earnings in 2017.

In a BOD meeting held on December 21, 2017, the BOD has determined that the Parent Company's operation require to continue the existing appropriations amounting to ₱2.2 billion for the investment in the two ongoing power plants in Visayas and Mindanao and a rooftop solar installation project starting 2018. In the same BOD meeting, a resolution was approved allocating and restricting part of its retained earnings amounting to an additional ₱1.3 billion to be used for future investments in these projects which are expected to be completed starting 2018.

Out of the 2017 retained earnings appropriation, the Parent Company made additional investment of ₱1.2 billion in 2018 on the power plant projects in the Visayas and in the rooftop solar installation project, which amount was then reverted to unappropriated retained earnings in 2018.

In a BOD meeting held on December 12, 2018, the BOD has determined that the Parent Company's operation require to continue the existing appropriations amounting to ₱2.3 billion for the investments in the two ongoing power plant projects in the Visayas, one ongoing power plant project in Mindanao and a rooftop solar installation project. In the same BOD meeting, a resolution was approved allocating and restricting part of its retained earnings amounting to additional ₱1.7 billion to be used for the investment in one ongoing power plant project in the Visayas estimated to start commercial operations in 2021, new power generation projects in Luzon and the Visayas, and for infrastructure projects in the Visayas starting 2019.

Out of the 2018 retained earnings appropriation, the Parent Company reverted its prior appropriations amounting to ₱2.1 billion on the power plant projects in the Visayas and Mindanao due to its completion in 2019 and made additional investment amounting ₱31.6 million in 2019 on the new power generation project in Luzon, rooftop solar installation project, and infrastructure projects in Visayas.

In a BOD meeting held on November 13, 2019, the BOD has determined that the Parent Company's operation require to continue the existing appropriations amounting to ₱1.8 billion to provide appropriations for the investment in the new power generation project in the Visayas, and the ongoing solar installations projects and infrastructure projects in the Visayas. In the same BOD meeting, a resolution was approved allocating and restricting part of its retained earnings amounting to additional ₱2.6 billion to be used for the investment in the new power generation project in the Visayas estimated to start commercial operations in 2021, solar rooftop installations projects, ongoing power plant project in Luzon, and ongoing infrastructure projects in Visayas.

Out of the 2019 retained earnings appropriation, the Parent Company made additional investments of ₱1.5 billion in 2020 on the new power generation project in the Visayas, ongoing solar installations projects and infrastructure projects in Visayas, which amount was then reverted to unappropriated retained earnings in 2020.

In a BOD meeting held on November 13, 2020, the BOD has determined that the Parent Company's operation require to continue the existing appropriations amounting to ₱3.0 billion to provide appropriations for the investment in the ongoing power generation projects in the Visayas, solar installation projects, and infrastructure projects in Visayas. In the same BOD meeting, a resolution was approved allocating and restricting part of its retained earnings amounting to additional ₱2.3 billion to be used for investment in the new power generation projects in Luzon and Mindanao and on-going projects on power generation, solar rooftop installation, and infrastructure projects in Visayas.

Out of the 2020 retained earnings appropriation, the Parent Company made additional investments of ₱1.0 billion in 2021 on the new power generation project in Mindanao, and on-going power generation projects, solar installation projects and on-going infrastructure projects in the Visayas, which amount was then reverted to unappropriated retained earnings in 2021.

In a BOD meeting held on November 12, 2021, the BOD has determined that the Parent Company's operation require to continue the existing appropriations amounting to ₱4.2 billion to provide appropriations for the investment in the new power generation projects in Luzon, on-going power generation projects in the Visayas, and solar installation projects and infrastructure projects in Luzon and the Visayas. In the same BOD meeting, a resolution was approved allocating and restricting part of its retained earnings amounting to additional ₱2.0 billion to be used for the investment in the on-going and new infrastructure projects in Luzon and the Visayas starting in 2022.

Out of the 2021 retained earnings appropriation, the Parent Company made additional investments of ₱1.6 billion in 2022 on the power generation project in the Visayas, solar installation projects and infrastructure projects in Luzon and the Visayas, which amount was then reverted to unappropriated retained earnings in 2022.

In a BOD meeting held on November 11, 2022, the BOD has determined that the Parent Company's operation require to continue the existing appropriations amounting to ₱4.6 billion to provide appropriations for the investment on the new power generation projects in Luzon, solar installation projects in Luzon and the Visayas, and infrastructure project in the Visayas. In the same BOD meeting, a resolution was approved allocating and restricting part of its retained earnings amounting to additional ₱2.25 billion to be used for the investment in the on-going and new infrastructure projects in the Visayas, and new power generation projects in Luzon and the Visayas starting in 2023.

Dividends

The BOD declared cash dividends to its stockholders as follows:

	2022	2021	2020
Date of declaration	**May 13, 2022**	May 19, 2021	May 13, 2020
Date of record	**May 30, 2022**	June 4, 2021	May 27, 2020
Date of payment	**June 10, 2022**	June 23, 2021	June 23, 2020
Regular dividends declared	**₱444,282,550**	₱358,209,844	₱467,822,060
Dividends per share	**₱0.4341**	₱0.3500	₱0.4571

Earnings per Share

The earnings per share as of December 31 are computed as follows:

	2022	2021	2020
Net income for the year	**₱1,270,608,978**	₱1,142,082,795	₱1,288,696,431
Number of outstanding common shares	**1,023,456,698**	1,023,456,698	1,023,456,698
Basic and diluted earnings per share	**₱1.241**	₱1.116	₱1.259

There are no potential dilutive shares as of December 31, 2022, 2021 and 2020.

18. Personnel Expenses

	2022	2021	2020
Salaries and employee benefits	**₱228,628,938**	₱191,072,323	₱157,273,537
Pension expense (see Note 15)	**9,753,930**	10,824,812	8,250,605
	₱238,382,868	₱201,897,135	₱165,524,142

19. Financial Risk Management Objectives and Policies

The Parent Company's principal financial instruments comprise cash and cash equivalents, trade and other receivables, financial assets at FVOCI, trade and other current liabilities, lease liabilities and notes payable. The main purpose of these financial instruments is to raise funds for the Parent Company's operations.

The main risks arising from the Parent Company's financial instruments are credit risk and liquidity risk. The BOD reviews and agrees policies for managing each of these risks and these policies are summarized below.

Credit Risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or a customer contract, leading to a financial loss. The Parent Company is exposed to credit risk from its operating activities (primarily for trade receivables) and from its financing activities, including deposits with banks and financial institutions and other financial instruments. With respect to cash investments, the risk is mitigated by the short-term and/or liquid nature of its investments mainly in bank deposits and placements, which are placed with financial institutions of high credit standing.

Receivable balances are actively monitored on an ongoing basis and acted upon regularly to avoid significant concentrations of credit risk.

The maximum exposure to credit risk, net of allowance for doubtful accounts, amounted to ₱3,651.0 million and ₱3,218.6 million as of December 31, 2022 and 2021, respectively.

There are no significant concentrations of credit risk within the Parent Company.

The Parent Company writes off a financial asset, in whole or in part, when the asset is considered uncollectible, it has exhausted all practical recovery efforts and has concluded that it has no reasonable expectations of recovering the financial asset in its entirety or a portion thereof. The Parent Company writes off an account when all of the following conditions are met:

- the asset is in past due for over 90 days, or is already an item-for-forfeiture; and
- contract restructuring is no longer possible.

The Parent Company may also write off financial assets that are still subject to enforcement activity.

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

- *General Approach*

  - *Cash and Cash Equivalents and Accrued Interest Receivable.* As of December 31, 2022 and 2021, the ECL relating to the cash and cash equivalents and accrued interest receivable of the Parent Company is minimal as these are deposited in reputable banks which have good bank standing, and are considered to have low credit risk.

  - *Advances to Related Parties, Advances to Employees and Dividends Receivable.* The Parent Company did not recognize ECL relating to advances to related parties, advances to employees and dividends receivable since there were no history of default payments, except for the receivable from RFM Corporation, which is specifically and fully provided with allowance for impairment amounting to ₱46.1 million as of December 31, 2022 and 2021 (see Note 11). This assessment is undertaken each financial year through examining the financial position of the related parties and the markets in which the related parties operate.

- *Simplified Approach*

  - *Trade and Other Receivables.* The Parent Company applied the simplified approach under PFRS 9, using a 'provision matrix'. As of December 31, 2022 and 2021, the allowance for impairment losses as a result from performing collective and specific impairment test amounted to ₱2.4 million and ₱2.0 million, respectively. Management evaluated that the Parent Company's accounts and other receivables are of high grade and of good credit quality.

The tables below show the maximum exposure to credit risk based on the Parent Company's stage classification as of December 31:

	2022				
	Stage 1 12-month ECL	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Lifetime ECL Simplified Approach**	**Total**
Gross carrying amount	**₱3,624,896,054**	**₱–**	**₱46,078,063**	**₱28,488,586**	**₱3,699,462,703**
Loss allowance	–	–	**(46,078,063)**	**(2,419,972)**	**(48,498,035)**
Carrying amount	**₱3,624,896,054**	**₱–**	**₱–**	**₱26,068,614**	**₱3,650,964,668**

	2021				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Lifetime ECL Simplified Approach	Total
Gross carrying amount	₱3,177,374,824	₱–	₱46,078,063	₱43,200,068	₱3,266,652,955
Loss allowance	–	–	(46,078,063)	(2,009,923)	(48,087,986)
Carrying amount	₱3,177,374,824	₱–	₱–	₱41,190,145	₱3,218,564,969

As of December 31, 2022 and 2021, the aging analysis per class of financial assets is as follows:

	2022						
	Neither Past Due nor Impaired	**Past Due but not Impaired**					
		Less than 30 Days	**31−60 Days**	**61−90 Days**	**Over 90 days**	**Impaired**	**Total**
Financial Assets at Amortized Cost							
Cash and cash equivalents (excluding cash on hand)	**₱1,954,528,202**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**	**₱1,954,528,202**
Trade and other receivables:							
Trade receivables	**–**	**4,225,153**	**200**	**–**	**4,464,013**	**–**	**8,689,366**
Dividends receivable	**730,409,956**	**–**	**–**	**–**	**–**	**–**	**730,409,956**
Advances to related parties	**–**	**631,115**	**350,502**	**207,670**	**930,702,604**	**–**	**931,891,891**
Accrued interest receivable	**8,066,005**	**–**	**–**	**–**	**–**	**–**	**8,066,005**
Others	**–**	**1,135,665**	**624,232**	**1,293,711**	**14,325,640**	**2,419,972**	**19,799,220**
Due from RFM Corporation (under "Other noncurrent assets")	**–**	**–**	**–**	**–**	**–**	**46,078,063**	**46,078,063**
	₱2,693,004,163	**₱5,991,933**	**₱974,934**	**₱1,501,381**	**₱949,492,257**	**₱48,498,035**	**₱3,699,462,703**

	2021						
	Neither Past Due nor Impaired	Past Due but not Impaired					
		Less than 30 Days	31−60 Days	61−90 Days	Over 90 days	Impaired	Total
Financial Assets at Amortized Cost							
Cash and cash equivalents (excluding cash on hand)	₱2,789,675,159	₱–	₱–	₱–	₱–	₱–	₱2,789,675,159
Trade and other receivables:							
Trade receivables	–	13,728,249	4,083,595	3,833,678	4,568,939	–	26,214,461
Advances to related parties	–	118,799,066	189,054	231,615	264,153,352	–	383,373,087
Accrued interest receivable	4,326,578	–	–	–	–	–	4,326,578
Others	–	1,181,814	2,420,370	60,276	11,313,224	2,009,923	16,985,607
Due from RFM Corporation (under "Other noncurrent assets")	–	–	–	–	–	46,078,063	46,078,063
	₱2,794,001,737	₱133,709,129	₱6,693,019	₱4,125,569	₱280,035,515	₱48,087,986	₱3,266,652,955

Liquidity Risk

Liquidity risk is the risk that the Parent Company will not be able to meet its financial obligations as they fall due.

The Parent Company maintains sufficient cash and cash equivalents to finance its operations. Any excess cash is invested in short-term money market placements. These placements and the Parent Company's trade receivables are maintained to meet maturing obligations. The Parent Company, in general, matches the appropriate long-term funding instruments with the general nature of its equity instruments.

The following tables summarize the Parent Company's financial assets that can be used to manage its liquidity risk and the maturity profile of the Parent Company's financial liabilities based on contractual undiscounted payments as of December 31:

	2022			
	Contractual Undiscounted Payments			
	Total	**On Demand**	**Less than 1 Year**	**More than 1 Year**
Financial Assets				
At amortized cost:				
Cash and cash equivalents	**₱1,954,788,202**	**₱55,222,533**	**₱1,899,565,669**	**₱–**
Trade and other receivables:				
Trade receivables	**8,689,366**	**–**	**8,689,366**	**–**
Dividends receivable	**730,409,956**	**730,409,956**	**–**	**–**
Advances to related parties	**931,891,891**	**150,000,000**	**781,891,891**	**–**
Accrued interest receivable	**8,066,005**	**–**	**8,066,005**	**–**
Others	**17,379,248**	**–**	**17,379,248**	**–**
At FVOCI	**8,000,000**	**–**	**–**	**8,000,000**
	3,659,224,668	**935,632,489**	**2,715,592,179**	**8,000,000**
Financial Liabilities				
At amortized cost:				
Notes payable*	**3,197,527,000**	**–**	**1,134,449,500**	**2,063,077,500**
Lease liabilities**	**29,891,374**	**–**	**15,978,038**	**13,913,336**
Accrued interest	**17,846,679**	**–**	**17,846,679**	**–**
Accounts payable, accrued expenses and advances from related parties	**17,739,233**	**–**	**17,739,233**	**–**
Dividends payable	**5,014,686**	**–**	**5,014,686**	**–**
	3,268,018,972	**–**	**1,191,028,136**	**2,076,990,836**
Net Financial Assets (Liabilities)	**(₱391,205,696)**	**₱935,632,489**	**₱1,524,564,043**	**(₱2,068,990,836)**

**Including contractual interest to maturity*
***Contractual undiscounted lease payments*

	2021			
	Contractual Undiscounted Payments			
	Total	On Demand	Less than 1 Year	More than 1 Year
Financial Assets				
At amortized cost:				
Cash and cash equivalents	₱2,789,920,159	₱668,507,724	₱2,121,412,435	₱–
Trade and other receivables:				
Trade receivables	26,214,461	–	26,214,461	–
Advances to related parties	383,373,087	–	383,373,087	–
Accrued interest receivable	4,326,578	–	4,326,578	–
Others	14,975,684	–	14,975,684	–
At FVOCI	8,000,000	–	–	8,000,000
	3,226,809,969	668,507,724	2,550,302,245	8,000,000
Financial Liabilities				
At amortized cost:				
Notes payable*	3,366,048,250	–	168,521,250	3,197,527,000
Lease liabilities**	45,170,386	–	15,279,012	29,891,374
Accrued interest	18,170,546	–	18,170,546	–
Accounts payable, accrued expenses and advances from related parties	36,195,382	–	36,195,382	–
Dividends payable	4,327,007	–	4,327,007	–
	3,469,911,571	–	242,493,197	3,227,418,374
Net Financial Assets (Liabilities)	(₱243,101,602)	₱668,507,724	₱2,307,809,048	(₱3,219,418,374

**Including contractual interest to maturity*
***Contractual undiscounted lease payments*

Fair Value Measurement

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

Fair Value Hierarchy

The Parent Company uses the following hierarchy for determining the fair value of assets and liabilities:

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

The Parent Company's financial assets at FVOCI is carried at fair value classified under Level 2 as at December 31, 2022 and 2021, since its fair value was measured based on published buying and selling prices in a relatively inactive market, and no significant adjustments were made to market observations due to the relatively nonvolatile movements in historical prices of the said club shares (see Note 11).

As of December 31, 2022 and 2021, the carrying values of the Parent Company's financial instruments, except for the notes payable, approximate fair values due to their relatively short-term maturity.

The Parent Company considers the notes payable with fair value of ₱2.8 billion and ₱3.1 billion as of December 31, 2022 and 2021, respectively, under Level 3 classification. The carrying amounts of these notes payable amounted to ₱2.9 billion and ₱3.0 billion as of December 31, 2022 and 2021, respectively.

For the years ended December 31, 2022, 2021 and 2020, there were no changes in the valuation techniques used in the Level 2 and Level 3 fair value measurements.

For the years ended December 31, 2022, 2021 and 2020, there were no transfers between Level 1 and Level 2 fair value measurements.

Valuation Techniques Used to Derive Level 3 Fair Values

The following tables show an analysis of the Parent Company's long-term notes payable for which fair values are disclosed at Level 3 of the fair value hierarchy as at December 31:

Description	**Fair Value as of December 31, 2022**	**Valuation Technique**	**Key Unobservable Inputs**	**Range (Weighted Average)**
Notes payable	**₱2,774,718,690**	**Discounted Cash Flow Approach**	**Risk-free interest rate**	**6.33%–7.92% (7.26%)**

Description	Fair Value as of December 31, 2021	Valuation Technique	Key Observable Inputs	Range (Weighted Average)
Notes payable	₱3,059,496,945	Discounted Cash Flow Approach	Risk-free interest rate	1.01%–5.08% (2.90%)

Capital Management

The Parent Company considers its total equity as its capital. The primary objective of the Parent Company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value.

The Parent Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Parent Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

No changes were made in the objectives, policies or processes for the years ended December 31, 2022, 2021 and 2020.

The Parent Company is required to maintain a minimum current ratio and maximum debt-to-equity ratio as part of its covenants on its notes payable. The Parent Company has complied with these ratio requirements as of December 31, 2022 and 2021 (see Note 13). The Parent Company is also subject to Minimum Public Ownership requirement of the PSE. As of December 31, 2022 and 2021, the Parent Company has complied with the requirement. The Parent Company is not subject to other externally imposed capital requirements (see Note 17).

The Parent Company monitors capital using a gearing ratio, which is net debt divided by equity plus net debt. The Parent Company determines net debt as notes payable less cash and cash equivalents.

Gearing ratios of the Parent Company as of December 31 are as follows:

	2022	2021
Notes payable	**₱2,934,581,579**	₱2,973,815,020
Less cash and cash equivalents	**1,954,788,202**	2,789,920,159
Net cash and cash equivalents (a)	**979,793,377**	183,894,861
Equity	**8,889,324,391**	8,058,806,976
Equity and net cash and cash equivalents (b)	**₱9,869,117,768**	₱8,242,701,837
Gearing ratio (a/b)	**0.10:1.00**	0.02:1.00

20. Changes in Liabilities Arising from Financing Activities

	2022			
	Notes Payable	**Dividends Payable**	**Lease Liabilities**	**Total Liabilities from Financing Activities**
At January 1	**₱2,973,815,020**	**₱4,327,007**	**₱40,156,357**	**₱3,018,298,384**
Net cash flows	**(50,000,000)**	**(443,594,871)**	**(13,562,669)**	**(507,157,540)**
Noncash changes:				
Amortization of debt issue costs	**10,766,559**	–	–	**10,766,559**
Dividends declared	–	**444,282,550**	–	**444,282,550**
Modifications	–	–	**219,760**	**219,760**
At December 31	**₱2,934,581,579**	**₱5,014,686**	**₱26,813,448**	**₱2,966,409,713**

	2021			
	Notes Payable	Dividends Payable	Lease Liabilities	Total Liabilities from Financing Activities
At January 1	₱2,819,508,120	₱3,820,087	₱48,791,047	₱2,872,119,254
Net cash flows	155,444,691	(357,702,924)	(12,582,549)	(214,840,782)
Noncash changes:				
Amortization of debt issue costs	10,152,532	–	–	10,152,532
Dividends declared	–	358,209,844	–	358,209,844
Debt issue cost paid in 2020	(11,290,323)	–	–	(11,290,323)
Modifications	–	–	3,947,859	3,947,859
At December 31	₱2,973,815,020	₱4,327,007	₱40,156,357	₱3,018,298,384

	2020			
	Notes Payable	Dividends Payable	Lease Liabilities	Total Liabilities from Financing Activities
At January 1	₱2,844,726,970	₱3,154,947	₱64,017,183	₱2,911,899,100
Cash flows	(30,000,000)	(467,156,920)	(14,244,182)	(511,401,102)
Noncash changes:				
Amortization of debt issue costs	4,781,150	–	–	4,781,150
Dividends declared	–	467,822,060	–	467,822,060
Modifications	–	–	(981,954)	(981,954)
At December 31	₱2,819,508,120	₱3,820,087	₱48,791,047	₱2,872,119,254

21. **Lease Agreements**

The Parent Company has lease contracts for various items of land and office space used in its operations. Lease of land has a lease term of 17 years, while office space generally has lease terms between 2 and 5 years. Generally, the Parent Company is restricted from assigning and subleasing the leased assets. The Parent Company identified these as leases under PFRS 16.

Set out below are the carrying amounts of the Parent Company's right-of-use assets and lease liabilities and the movements for the years ended December 31, 2022 and 2021:

	2022			
	Right-of-use Assets			
	Land	**Office Space**	**Total**	**Lease Liabilities**
As at January 1, 2022	**₱3,008,389**	**₱32,092,790**	**₱35,101,179**	**₱40,156,357**
Modifications	**–**	**219,760**	**219,760**	**219,760**
Depreciation expense	**(231,415)**	**(12,866,466)**	**(13,097,881)**	**–**
Interest expense	**–**	**–**	**–**	**1,750,753**
Payments	**–**	**–**	**–**	**(15,313,422)**
As at December 31, 2022	**₱2,776,974**	**₱19,446,084**	**₱22,223,058**	**₱26,813,448**

	2021			
	Right-of-use Assets			
	Land	Office Space	Total	Lease Liabilities
As at January 1, 2021	₱3,239,804	₱41,069,355	₱44,309,159	₱48,791,047
Modifications	–	4,037,450	4,037,450	3,947,859
Depreciation expense	(231,415)	(13,014,015)	(13,245,430)	–
Interest expense	–	–	–	2,383,116
Payments	–	–	–	(14,965,665)
As at December 31, 2021	₱3,008,389	₱32,092,790	₱35,101,179	₱40,156,357

As of December 31, 2022 and 2021, current portion of lease liabilities recognized in the parent company statements of financial position amounted to ₱14.9 million and ₱13.3 million, respectively, and noncurrent portion of lease liabilities amounted to ₱11.9 million and ₱26.8 million, respectively.

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

	2022	2021
Depreciation expense of right-of-use assets	**₱13,097,881**	₱13,245,430
Interest expense on lease liabilities	**1,750,753**	2,383,116
Rent expense - short-term leases	**426,316**	1,285,846
Gain on pretermination of a lease	–	89,591
	₱15,274,950	₱17,003,983

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

	2022	2021
1 year	**₱15,978,038**	₱15,279,012
more than 1 year to 2 years	**9,239,598**	15,978,038
more than 2 years to 3 years	**433,848**	9,239,598
more than 3 years to 5 years	**889,389**	867,696
more than 5 years	**3,350,501**	3,806,042
	₱29,891,374	₱45,170,386

22. Supplementary Information Required under Revenue Regulations 15-2010

In compliance with the requirements set forth by the RR 15-2010, hereunder are the information on taxes, duties, and license fees paid or accrued by the Parent Company in 2022:

Details of the Parent Company's net sales, output VAT and input VAT accounts are as follows:

Value-Added Tax (VAT)

Output VAT. The Parent Company is a VAT-registered company. The Parent Company's sources of revenue are management and service fees and service income from subsidiaries, associates, and joint ventures. The VAT rate is 12.0%.

Net Sales/Receipts and Output VAT Declared in the Parent Company's VAT Returns

	Net Sales/ Receipts	Output VAT
Net sales	₱185,473,093	₱22,256,771

The Parent Company's taxable sales are based on actual collections received, hence, may not be the same as the amounts accrued under "Management and service fees" and "Service income" in the parent company statement of comprehensive income.

Input VAT. The Parent Company recognized input VAT for the purchases of goods and services from other VAT-registered individuals or corporations in 2022 amounting to ₱129,188,053.

Total input VAT available for application as of December 31, 2022 is as follows:

At January 1	
Input VAT	₱62,558
Deferred input VAT on capital goods	2,492,291
Beginning balance per income tax return	2,554,849
Current year's domestic purchases or payments for:	
Services lodged under expenses	12,460,149
Capital goods not subject to amortization	2,204,267
Goods other than capital goods	1,817,658
Total available input tax	19,036,923
Adjustments:	
Amortization of input VAT from capital goods	(889,866)
Claims against output VAT	(15,565,124)
Ending balance per income tax return	2,581,933
Deferred input VAT	580,388
At December 31	₱3,162,321

Customs Duties

The Parent Company does not engage in import/export transactions, hence, no customs duties were paid or recorded during the year.

Excise Tax

The Parent Company does not engage in transactions that will give rise to payment of excise taxes.

Documentary Stamp Tax

The Parent Company paid documentary stamp taxes in 2022 amounting to ₱4,361,277 of which ₱4,255,405 is from subsidiaries' share issuance, ₱9,008 are from the advances from related parties and ₱96,864 from telegraphic transfer from bank transactions, insurance-related and other transactions entered during the year.

Other Taxes and Licenses

Other taxes paid during the year are as follows:

Business permit	₱1,079,862
Fringe benefit tax	394,710
Real property tax	81,945
Community tax	10,500
BIR annual registration fee	500
Others	296,795
	₱1,864,312

Withholding Taxes
The amount of taxes withheld in 2022 follows:

Expanded withholding taxes	₱20,756,666
Withholding taxes on compensation and benefits	52,383,794
Final withholding taxes	154,935
	₱73,295,395

Tax Assessments and Cases
The Parent Company does not have any pending tax cases outside the administration of the BIR.

Fredlin Agang

From: vivantcorporation@vivant.com.ph on behalf of eafs@bir.gov.ph
Sent: Tuesday, April 11, 2023 8:43 AM
To: VIVANTCORPORATION@VIVANT.COM.PH
Cc: VIVANTCORPORATION@VIVANT.COM.PH
Subject: Your BIR AFS eSubmission uploads were received

Hi VIVANT CORPORATION,

Valid files

- EAFS242603734RPTTY122022.pdf
- EAFS242603734TCRTY122022-01.pdf
- EAFS242603734OTHTY122022.pdf
- EAFS242603734AFSTY122022.pdf
- EAFS242603734ITRTY122022.pdf

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- <None>

Transaction Code: **AFS-0-2MS2332N04QNXV3YQQXXS4NV30CCE7BHG9**
Submission Date/Time: **Apr 11, 2023 08:42 AM**
Company TIN: **242-603-734**

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SECURITIES AND EXCHANGE COMMISSION
SEC Headquarters, 7907 Makati Avenue, Salcedo Village, Barangay Bel-Air, Makati City, 1209, Metro Manila Philippines
Tel: (632) 818-0921 Fax: (632) 818-5293 Email: mis@sec.gov.ph

The following document has been received:

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Receipt Date and Time: April 11, 2023 10:00:47 AM

Company Information

SEC Registration No.: 0000175222
Company Name: VIVANT CORPORATION
Industry Classification: J66940
Company Type: Stock Corporation

Document Information

Document ID: OST1041120238999100
Document Type: Financial Statement
Document Code: FS
Period Covered: December 31, 2022
Submission Type: Consolidated
Remarks: None

Acceptance of this document is subject to review of forms and contents

COVER SHEET

for

AUDITED FINANCIAL STATEMENTS

SEC Registration Number

					1	7	5	2	2	2

COMPANY NAME

VIVANT CORPORATION AND SUBSIDIARIES

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

9th Floor Oakridge IT Center 3, Oakridge Business Park, A.S. Fortuna Street, Brgy. Banilad, Mandaue City, Cebu, Philippines 6014

Form Type	Department requiring the report	Secondary License Type, If Applicable
AACFS	CRMD	N/A

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number	Mobile Number
vivant@vivant.com.ph	(032) 234-2256	N/A

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
1,413	June 16	December 31

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Atty. Joan A. Giduquio-Baron	jbaron@jpgarcialaw.com	(032) 232-0253	0917-5356692

CONTACT PERSON's ADDRESS

9th Floor Oakridge IT Center 2, Oakridge Business Park, A.S. Fortuna Street, Brgy. Banilad, Mandaue City, Cebu, Philippines, 6014

NOTE 1 : *In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.*

2 : *All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.*

VIVANT

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The Management of **VIVANT CORPORATION AND SUBSIDIARIES** is responsible for the preparation and fair presentation of the consolidated financial statements, including the schedules attached therein, for the years ended December 31, 2022 and 2021, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of 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 Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Company's financial reporting process.

The Board of Directors reviews and approves the consolidated financial statements, including the schedules attached therein, and submits the same to the stockholders.

SyCip Gorres Velayo & Co., the independent auditor appointed by the stockholders for the years ended December 31, 2022 and 2021, has audited the consolidated financial statements of the company in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such audit.

CHARLES SYLVESTRE A. GARCIA
Chairman of the Board

ARLO ANGELO G. SARMIENTO
Chief Executive Officer

MINUEL CARMELO N. FRANCO
Chief Financial Officer

Signed this 16th day of March, 2023.

9th Floor Oakridge IT Center 3
Oakridge Business Park, A. S. Fortuna Street
Brgy. Banilad, Mandaue City, Philippines 6014

Tel. no. (6332) 234-2256
Telefax: (6332) 234-2285

www.vivant.com.ph

REPUBLIC OF THE PHILIPPINES)
MANDAUE CITY) S.S.

ACKNOWLEDGMENT

BEFORE ME, a Notary Public for and in Mandaue City appeared on MAR 2 1 2023, 2023 the following:

Name	Competent Evidence of Identification	
	Type/Number	**Date of Expiry**
Vivant Corporation Represented by:		
CHARLES SYLVESTRE A. GARCIA	Passport No. P5193301A	23 JAN 2028 / DFA CEBU
ARLO ANGELO G. SARMIENTO	Passport No. P6592337A	27 MAR 2028 / DFA CEBU
MINUEL CARMELA N. FRANCO	Passport No. P9523819B	05 APR 2032 / DFA MANILA

known to me and to me known to be the same person who executed the foregoing Statement of Management's Responsibility for Financial Statements and who acknowledged to me that the same is their true and voluntary act and deed and that of the Corporation/s which they represent.

WITNESS MY HAND AND NOTARIAL SEAL on the date and in the place above given.

NOTARY PUBLIC

ATTY. KRISBEN ZILNER P. BUOT
Notarial Commission No. 2023-23 until 12/31/2023
City of Mandaue and the Municipalities under its Jurisdiction
Unit 2-302, 3rd Floor, OPIC-2 Bldg., Subangdaku Business Park,
A.S Fortuna St., Banilad, Mandaue City, 6014
Roll of Attorneys No. 63880
PTR No. 1905802/01-04-2023/Mandaue City
IBP No. 283939/01-11-2023/Cebu Chapter
MCLE Compliance No.VII-0028170; 04/11/2022

ATTY. KRISBEN ZILNER P. BUOT • ROLL NO. 63880 NOTARY PUBLIC • MANDAUE CITY, PHILIPPINES

Doc. No. 325;
Page No. 52;
Book No. II;
Series of 2023.

SyCip Gorres Velayo & Co.
8th Floor, ECC Tower 3 Cebu Business
Park cor. Sanciangko and M.J. Cuenco Avenues
Brgy. Kamputhaw, Cebu City 6000
Philippines

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INDEPENDENT AUDITOR'S REPORT

The Board of Directors and the Stockholders
Vacant Corporation
9th Floor, Oakridge IT Center 3
Oakridge Business Park, A.S. Fortuna Street
Brgy. Banilad, Mandaue City
Cebu, Philippines 6014

Opinion

We have audited the consolidated financial statements of Vacant Corporation and its 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 each of the three years in the period ended December 31, 2022, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

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

Key Audit Matters

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

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

Accounting for the Investment in Visayan Electric Company, Inc. (VECO)

The Group owns 34.81% of VECO, an associate engaged in power distribution services, as at December 31, 2022 and accounts for the investment under the equity method. The application of the equity method of accounting to the Group's investment in VECO is significant to our audit because the carrying value of the investment accounted for 8% of the consolidated total assets and it contributed 43% to the consolidated net income of the Group as at and for the year ended December 31, 2022, respectively. VECO's net income is significantly affected by the electricity revenue which depends on the electric consumption captured, the rates applied across different customer groups, and the systems involved in the billing process. The electric consumption captured is based on the meter readings taken on various dates for the different groups of customers (i.e., industrial, commercial, and residential customers) within the franchise area of operation.

In 2022, the Group elected to change its policy in applying the equity method with respect to the associate's power distribution utility assets, i.e., from the revaluation model to the cost model. Previously, in applying the equity method to account for its investment in VECO, the Group carries the distribution utility assets of VECO at revalued amount. Thus, the Group's share of the results of operations of the associate and change in the other comprehensive income recognized in the consolidated financial statements reflect the changes in the fair value of VECO's distribution utility assets.

Management believes that the change from the revaluation model to cost model for the power distribution utility assets in accounting for its share in the earnings of VECO would be a more appropriate method because it would present a more reliable and relevant information of the cost of its investment and how much return it has earned on the investment. Moreover, the change will allow the Group to align its policy with the other major players in the power distribution industry and present a more relevant comparative financial information to the primary users of its consolidated financial statements.

The disclosures relating to the investment in VECO are included in Notes 2, 10, and 13 to the consolidated financial statements.

Audit Response

We obtained the relevant financial information of VECO and recomputed the Group's share in the net income of VECO for the year ended December 31, 2022. We evaluated the design and tested the controls over VECO's billing and revenue process. These include the capture and accumulation of meter data in the billing system as well as calculation of the billed amounts, and uploading of the billed amounts from the billing system to the financial reporting system. We performed a test calculation of the rates using the Energy Regulatory Commission-approved rates and formulae then compared them with the rates used in the billing statements.

We obtained and evaluated management's assessment as to whether the change in accounting policy results in the consolidated financial statements providing reliable and more relevant information about the effects of transactions, other events or conditions on the entity's financial position, financial performance or cash flows, in accordance with Philippine Accounting Standards (PAS) 8, *Accounting Policies, Changes in Accounting Estimates and Errors*, and the criteria provided under Philippine Interpretations Committee Q&A 2018-01.

We reviewed the accounting made by management of the change of accounting policy in the consolidated financial statements, including the adjustments to the opening balance of each affected component of equity for the earliest prior period presented and the other comparative amounts disclosed for each prior period presented as if the new accounting policy had always been applied. We traced the adjustments determined by management to the prior years' financial information of the Group and of the associate as obtained by management and recalculated the adjustments considering the Group's ownership interest percentage.

Other Information

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

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

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

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Margerie A. Tagalog.

SYCIP GORRES VELAYO & CO.

Margerie A. Tagalog

Margerie A. Tagalog
Partner
CPA Certificate No. 0098098
Tax Identification No. 206-544-506
BOA/PRC Reg. No. 0001, August 28, 2021, valid until April 15, 2024
SEC Partner Accreditation No. 98098-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. 08-001998-138-2021, November 10, 2021, valid until November 9, 2024
PTR No. 8884390, January 3, 2023, Makati City

March 16, 2023

A member firm of Ernst & Young Global Limited

VIVANT CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	December 31		January 1
	2022	2021 (As Restated - Notes 3 and 13)	2021 (As Restated - Note 3)
ASSETS			
Current Assets			
Cash and cash equivalents (Note 6)	**₱4,893,357,226**	₱5,650,024,939	₱4,872,331,464
Trade and other receivables (Note 7)	**1,362,706,195**	880,046,705	814,103,832
Advances to associates, joint ventures and stockholders (Note 16)	**294,016,208**	276,564,877	253,060,382
Inventories - at cost (Note 8)	**177,720,556**	152,675,459	220,498,758
Prepayments and other current assets (Note 9)	**446,283,559**	330,572,837	281,892,670
Total Current Assets	**7,174,083,744**	7,289,884,817	6,441,887,106
Noncurrent Assets			
Investments in associates and joint ventures (Note 10)	**10,578,321,124**	9,912,859,401	9,589,007,650
Property, plant and equipment (Note 11)	**5,877,554,921**	3,379,668,607	2,260,461,407
Right-of-use assets (Note 24)	**22,112,091**	442,360,406	672,222,914
Investment properties (Note 12)	**924,036,600**	863,642,001	757,280,601
Deferred income tax assets (Note 20)	**13,759,370**	20,414,257	34,013,474
Other noncurrent assets (Note 13)	**1,850,135,618**	1,518,926,825	1,167,489,781
Total Noncurrent Assets	**19,265,919,724**	16,137,871,497	14,480,475,827
TOTAL ASSETS	**₱26,440,003,468**	₱23,427,756,314	₱20,922,362,933
LIABILITIES AND EQUITY			
Current Liabilities			
Current portion of trade and other payables (Note 14)	**₱1,522,307,377**	₱1,032,237,239	₱875,837,380
Current portion of long-term notes payable (Note 15)	**1,115,158,717**	92,076,898	2,819,508,120
Current portion of lease liabilities (Note 24)	**13,340,222**	200,707,787	360,063,325
Short term notes payable (Note 15)	**1,170,300,000**	–	749,300,741
Advances from related parties (Note 16)	**10,886,165**	5,689,112	5,689,112
Income tax payable	**7,528,408**	4,016,925	36,955,619
Total Current Liabilities	**3,839,520,889**	1,334,727,961	4,847,354,297
Noncurrent Liabilities			
Long-term notes payable - net of current portion (Note 15)	**3,508,465,451**	4,381,463,942	–
Lease liabilities - net of current portion (Note 24)	**13,469,730**	158,012,021	303,114,979
Pension liability (Note 19)	**64,195,472**	61,460,008	87,541,306
Deferred income tax liabilities (Note 20)	**267,362,207**	275,504,973	189,832,424
Other noncurrent liabilities - net of current portion (Notes 14 and 23)	**838,293,931**	838,293,931	837,635,182
Total Noncurrent Liabilities	**4,691,786,791**	5,714,734,875	1,418,123,891
Total Liabilities	**8,531,307,680**	7,049,462,836	6,265,478,188
Equity Attributable to Equity Holders of the Parent			
Capital stock - ₱1 par value (Note 21)			
Authorized - 2,000,000,000 shares			
Issued - 1,023,456,698 shares	**1,023,456,698**	1,023,456,698	1,023,456,698
Additional paid-in capital	**8,339,452**	8,339,452	8,339,452
Other components of equity:			
Share in remeasurement losses on employee benefits of associates and joint ventures (Note 10)	**(94,016,067)**	(94,016,067)	(96,181,114)

(Forward)

	December 31		January 1
	2022	2021 (As Restated - Notes 3 and 13)	2021 (As Restated - Note 3)
Remeasurement gain (loss) on employee benefits (Note 19)	**₱7,123,993**	(₱56,940)	(₱13,035,095)
Unrealized valuation gain on financial assets at fair value through other comprehensive income (FVOCI)	**26,517,514**	4,643,039	2,862,209
Equity reserves (Note 21)	**(25,128,554)**	(25,128,554)	(25,128,554)
Retained earnings (Notes 10 and 21):			
Appropriated for business expansion	**6,820,897,482**	6,198,363,882	5,213,900,230
Unappropriated	**8,727,306,176**	8,198,858,365	7,674,801,422
Equity Attributable to Equity Holders of the Parent	**16,494,496,694**	15,314,459,875	13,789,015,248
Equity Attributable to Non-controlling Interests (Note 21)	**1,414,199,094**	1,063,833,603	867,869,497
Total Equity	**17,908,695,788**	16,378,293,478	14,656,884,745
TOTAL LIABILITIES AND EQUITY	**₱26,440,003,468**	₱23,427,756,314	₱20,922,362,933

See accompanying Notes to Consolidated Financial Statements.

VIVANT CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31		
	2022	2021 (As Restated - Notes 3 and 13)	2020 (As Restated - Note 3)
REVENUE			
Revenue from contracts with customers:			
Sale of power (Note 23):			
Generation	**₱2,813,298,456**	₱1,577,500,737	₱328,907,875
Ancillary services	**952,967,736**	1,174,695,315	1,407,752,125
Retail electricity supply	**633,488,002**	301,048,099	120,232,272
Management and service fees (Note 16)	**86,781,813**	102,589,626	210,189,238
Engineering service income	**30,887,803**	42,037,953	111,068,559
	4,517,423,810	3,197,871,730	2,178,150,069
EQUITY IN NET EARNINGS OF ASSOCIATES AND JOINT VENTURES (Note 10)	**1,941,357,383**	1,838,491,265	1,602,986,086
INTEREST INCOME (Note 6)	**60,071,043**	22,961,585	62,242,191
	6,518,852,236	5,059,324,580	3,843,378,346
COSTS OF SERVICES			
Generation costs (Notes 17 and 23)	**3,684,022,986**	1,802,878,724	896,158,327
Engineering service fees (Note 17)	**24,844,346**	71,039,720	117,711,267
	3,708,867,332	1,873,918,444	1,013,869,594
OPERATING EXPENSES			
Salaries and employee benefits (Notes 18 and 19)	**390,186,858**	322,364,136	284,005,583
Professional fees (Note 16)	**167,109,166**	155,599,643	157,302,439
Taxes and licenses (Note 12)	**78,756,067**	40,165,758	58,940,183
Depreciation and amortization (Notes 11, 13 and 24)	**54,012,303**	51,548,016	48,356,782
Travel	**29,627,897**	13,294,561	10,788,470
Management fees (Note 16)	**29,219,324**	25,270,413	26,002,274
Outside services	**19,760,683**	36,535,466	25,698,856
Representation	**14,883,489**	9,529,837	5,998,099
Communication and utilities	**13,405,697**	9,523,925	7,276,738
Rent and association dues	**6,465,080**	8,564,767	5,949,841
Other operating expenses (Note 17)	**89,483,412**	81,773,381	78,333,134
	892,909,976	754,169,903	708,652,399
INCOME FROM OPERATIONS	**1,917,074,928**	2,431,236,233	2,120,856,353
OTHER INCOME (CHARGES)			
Finance costs on loans (Note 15)	**(259,880,671)**	(165,305,661)	(172,911,936)
Gain on fair value measurement of investment properties (Note 12)	**60,394,600**	106,361,400	–
Foreign exchange gains (losses) - net	**53,842,288**	16,129,762	4,313,061
Finance costs on lease liabilities (Note 24)	**(10,826,959)**	(52,513,071)	(75,342,137)
Gain on disposal of an associate (Notes 1 and 10)	**–**	3,684,540	–
Gain on loss of control of a subsidiary (Note 1)	**–**	3,079,734	–
Gain on bargain purchase (Note 13)	**–**	32,120,469	–
Other income - net (Notes 11, 12 and 17)	**33,684,411**	24,797,384	56,411,994
	(122,786,331)	(31,645,443)	(187,529,018)

(Forward)

	Years Ended December 31		
	2022	2021 (As Restated - Notes 3 and 13)	2020 (As Restated - Note 3)
INCOME BEFORE INCOME TAX	**₱1,794,288,597**	₱2,399,590,790	₱1,933,327,335
PROVISION FOR INCOME TAX (Note 20)	**89,561,479**	167,101,028	154,412,620
NET INCOME	**1,704,727,118**	2,232,489,762	1,778,914,715
OTHER COMPREHENSIVE INCOME (LOSS)			
Items that will not be reclassified to profit or loss:			
Remeasurement gain (loss) on employee benefits (Note 19)	**11,157,022**	17,451,341	(7,457,347)
Income tax effect	**(2,511,242)**	(3,453,873)	2,237,205
	8,645,780	13,997,468	(5,220,142)
Unrealized valuation gain on financial assets at FVOCI (Note 13)	**25,734,676**	2,550,000	30,000
Income tax effect	**(3,860,201)**	187,500	(4,500)
	21,874,475	2,737,500	25,500
Share in the remeasurement gains (losses) on employee benefits of associates and joint ventures, net of tax (Note 10)	–	2,165,047	(15,767,833)
Share in revaluation increment of an associate, net of tax (Notes 3 and 10)	**–**	–	–
OTHER COMPREHENSIVE INCOME (LOSS) FOR THE YEAR	**30,520,255**	18,900,015	(20,962,475)
TOTAL COMPREHENSIVE INCOME	**₱1,735,247,373**	₱2,251,389,777	₱1,757,952,240
NET INCOME			
Attributable to:			
Equity holders of the parent	**₱1,595,263,961**	₱1,866,730,439	₱1,514,226,057
Non-controlling interests	**109,463,157**	365,759,323	264,688,658
	₱1,704,727,118	₱2,232,489,762	₱1,778,914,715
TOTAL COMPREHENSIVE INCOME			
Attributable to:			
Equity holders of the parent	**₱1,624,319,369**	₱1,883,654,471	₱1,495,719,384
Non-controlling interests	**110,928,004**	367,735,306	262,232,856
	₱1,735,247,373	₱2,251,389,777	₱1,757,952,240
EARNINGS PER SHARE			
Basic and diluted, for net income for the year attributable to equity holders of the parent (Note 22)	**₱1.559**	₱1.824	₱1.480

See accompanying Notes to Consolidated Financial Statements.

VIVANT CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2022, 2021 AND 2020

	Equity Attributable to Equity Holders of the Parent											
								Retained Earnings (Note 21)				
	Capital Stock (Note 21)	**Additional Paid-in Capital**	**Share in Revaluation Increment of an Associate** (As Restated - Note 3)	**Share in Remeasurement Losses on Employee Benefits of Associates and Joint Ventures**	**Remeasurement Gain (Loss) on Employee Benefits**	**Unrealized Valuation Gain (Loss) on Financial Assets at FVOCI**	**Equity Reserves**	**Appropriated**	**Unappropriated** (As Restated - Notes 3 and 13)	**Total**	**Equity Attributable to Non-Controlling Interests** (As Restated - Note 13)	**Total Equity**
Balances at January 1, 2022, as previously reported	**₱1,023,456,698**	**₱8,339,452**	**₱1,702,071,167**	**(₱94,016,067)**	**(₱56,940)**	**₱4,643,039**	**(₱25,128,554)**	**₱6,198,363,882**	**₱8,177,690,481**	**₱16,995,363,158**	**₱1,042,687,980**	**₱18,038,051,138**
Finalization of accounting for business combination (Note 13)	–	–	–	–	–	–	–	–	**21,167,884**	**21,167,884**	**21,145,623**	**42,313,507**
Change in accounting for investment in an associate (Note 3)	–	–	**(1,702,071,167)**	–	–	–	–	–	–	**(1,702,071,167)**	–	**(1,702,071,167)**
Balances at January 1, 2021, as restated	**₱1,023,456,698**	**₱8,339,452**	**₱–**	**(₱94,016,067)**	**(₱56,940)**	**₱4,643,039**	**(₱25,128,554)**	**₱6,198,363,882**	**₱8,198,858,365**	**₱15,314,459,875**	**₱1,063,833,603**	**₱16,378,293,478**
Total comprehensive income	–	–	–	–	**7,180,933**	**21,874,475**	–	–	**1,595,263,961**	**1,624,319,369**	**110,928,004**	**1,735,247,373**
Appropriation for business expansion	–	–	–	–	–	–	–	**2,250,000,000**	**(2,250,000,000)**	–	–	–
Reversal of appropriation for business expansion	–	–	–	–	–	–	–	**(1,627,466,400)**	**1,627,466,400**	–	–	–
Additional investments of non-controlling interests of subsidiaries	–	–	–	–	–	–	–	–	–	–	**248,037,487**	**248,037,487**
Cash dividends	–	–	–	–	–	–	–	–	**(444,282,550)**	**(444,282,550)**	**(8,600,000)**	**(452,882,550)**
Balances at December 31, 2022	**₱1,023,456,698**	**₱8,339,452**	**₱–**	**(₱94,016,067)**	**₱7,123,993**	**₱26,517,514**	**(₱25,128,554)**	**₱6,820,897,482**	**₱8,727,306,176**	**₱16,494,496,694**	**₱1,414,199,094**	**₱17,908,695,788**
Balances at January 1, 2021, as previously reported	₱1,023,456,698	₱8,339,452	₱1,658,598,674	(₱96,181,114)	(₱13,035,095)	₱2,862,209	(₱25,128,554)	₱5,213,900,230	₱7,674,801,422	₱15,447,613,922	₱867,869,497	₱16,315,483,419
Change in accounting for investment in an associate (Note 3)	–	–	(1,658,598,674)	–	–	–	–	–	–	(1,658,598,674)	–	(1,658,598,674)
Balances at January 1, 2021, as restated	1,023,456,698	8,339,452	–	(96,181,114)	(13,035,095)	2,862,209	(25,128,554)	5,213,900,230	7,674,801,422	13,789,015,248	867,869,497	14,656,884,745
Total comprehensive income (loss), as previously reported	–	–	112,003,656	2,165,047	12,978,155	1,780,830	–	–	1,777,031,392	1,905,959,080	368,952,258	2,274,911,338
Finalization of accounting for business combination (Note 13)	–	–	–	–	–	–	–	–	21,167,884	21,167,884	(1,216,952)	19,950,932
Change in accounting for investment in an associate (Note 3)	–	–	(112,003,656)	–	–	–	–	–	68,531,163	(43,472,493)	–	(43,472,493)
Total comprehensive income (loss), as restated	–	–	–	2,165,047	12,978,155	1,780,830	–	–	1,866,730,439	1,883,654,471	367,735,306	2,251,389,777
Appropriation for business expansion	–	–	–	–	–	–	–	1,950,000,000	(1,950,000,000)	–	–	–
Reversal of appropriation for business expansion	–	–	–	–	–	–	–	(965,536,348)	965,536,348	–	–	–
Acquisition of subsidiaries (Note 13), as previously reported	–	–	–	–	–	–	–	–	–	–	26,582,798	26,582,798
Finalization of accounting for business acquisition (note 13)	–	–	–	–	–	–	–	–	–	–	22,362,575	22,362,575
Acquisition of subsidiaries (Note 13), as restated	–	–	–	–	–	–	–	–	–	–	48,945,373	48,945,373
Additional investments of non-controlling interests of a subsidiary	–	–	–	–	–	–	–	–	–	–	55,847,573	55,847,573
Loss of control of a subsidiary	–	–	–	–	–	–	–	–	–	–	(500,000)	(500,000)
Share in the amount transferred to retained earnings representing depreciation on the revaluation increment of an associate (Note 10), as previously reported	–	–	(68,531,163)	–	–	–	–	–	68,531,163	–	–	–
Change in accounting for investment in an associate (Note 3)	–	–	68,531,163	–	–	–	–	–	(68,531,163)	–	–	–
Share in the amount transferred to retained earnings representing depreciation on the revaluation increment of an associate (Note 10), as restated	–	–	–	–	–	–	–	–	–	–	–	–
Cash dividends	–	–	–	–	–	–	–	–	(358,209,844)	(358,209,844)	(276,064,146)	(634,273,990)
Balances at December 31, 2021	₱1,023,456,698	₱8,339,452	₱–	(₱94,016,067)	(₱56,940)	₱4,643,039	(₱25,128,554)	₱6,198,363,882	₱8,198,858,365	₱15,314,459,875	₱1,063,833,603	₱16,378,293,478

	Equity Attributable to Equity Holders of the Parent											
								Retained Earnings (Note 21)				
	Capital Stock (Note 21)	**Additional Paid-in Capital**	**Share in Revaluation Increment of an Associate** (As Restated - Note 3)	**Share in Remeasurement Losses on Employee Benefits of Associates and Joint Ventures**	**Remeasurement Gain (Loss) on Employee Benefits**	**Unrealized Valuation Gain (Loss) on Financial Assets at FVOCI**	**Equity Reserves**	**Appropriated**	**Unappropriated** (As Restated - Notes 3 and 13)	**Total**	**Equity Attributable to Non-Controlling Interests** (As Restated - Note 13)	**Total Equity**
Balances at January 1, 2020, as previously reported	₱1,023,456,698	₱8,339,452	₱1,323,680,397	(₱80,413,281)	(₱10,270,755)	₱2,836,709	(₱25,128,554)	₱4,449,483,361	₱7,392,814,294	₱14,084,798,321	₱713,299,149	₱14,798,097,470
Change in accounting for investment in an associate (Note 3)	–	–	(1,323,680,397)	–	–	–	–	–	–	(1,323,680,397)	–	(1,323,680,397)
Balances at January 1, 2020, as restated	1,023,456,698	8,339,452	–	(80,413,281)	(10,270,755)	2,836,709	(25,128,554)	4,449,483,361	7,392,814,294	12,761,117,924	713,299,149	13,474,417,073
Total comprehensive income (loss), as previously reported	–	–	407,012,356	(15,767,833)	(2,764,340)	25,500	–	–	1,442,131,978	1,830,637,661	262,232,856	2,092,870,517
Change in accounting for investment in an associate (Note 3)	–	–	(407,012,356)	–	–	–	–	–	72,094,079	(334,918,277)	–	(334,918,277)
Total comprehensive income (loss), as restated	–	–	–	(15,767,833)	(2,764,340)	25,500	–		1,514,226,057	1,495,719,384	262,232,856	1,757,952,240
Appropriation for business expansion	–	–	–	–	–	–	–	2,286,000,000	(2,286,000,000)	–	–	–
Reversal of appropriation for business expansion	–	–	–	–	–	–	–	(1,521,583,131)	1,521,583,131	–	–	–
Additional investments of non-controlling interests of a subsidiary	–	–	–	–	–	–	–	–	–	–	16,000,907	16,000,907
Conversion of deposit for future stock subscription to equity	–	–	–	–	–	–	–	–	–	–	73,008,585	73,008,585
Share in the amount transferred to retained earnings representing depreciation on the revaluation increment of an associate (Note 10), as previously reported	–	–	(72,094,079)	–	–	–	–	–	72,094,079	–	–	–
Change in accounting for investment in an associate (Note 3)	–	–	72,094,079	–	–	–	–	–	(72,094,079)	–	–	–
Share in the amount transferred to retained earnings representing depreciation on the revaluation increment of an associate (Note 10), as restated	–	–	–	–	–	–	–	–	–	–	–	–
Cash dividends	–	–	–	–	–	–	–	–	(467,822,060)	(467,822,060)	(196,672,000)	(664,494,060)
Balances at December 31, 2020	₱1,023,456,698	₱8,339,452	₱–	(₱96,181,114)	(₱13,035,095)	₱2,862,209	(₱25,128,554)	₱5,213,900,230	₱7,674,801,422	₱13,789,015,248	₱867,869,497	₱14,656,884,745

See accompanying Notes to Consolidated Financial Statements.

VIVANT CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31		
	2022	2021 (As Restated - Notes 3 and 13)	2020 (As Restated - Note 3)
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**₱1,794,288,597**	₱2,399,590,790	₱1,933,327,335
Adjustments for:			
Equity in net earnings of associates and joint ventures (Note 10)	**(1,941,357,383)**	(1,838,491,265)	(1,602,986,086)
Depreciation and amortization (Notes 11, 13, and 24)	**430,230,964**	360,827,821	306,122,597
Finance costs on loans (Note 15)	**259,880,671**	165,305,661	172,911,936
Gain on fair value remeasurement of investment properties (Note 12)	**(60,394,600)**	(106,361,400)	–
Interest income (Note 6)	**(60,071,043)**	(22,961,585)	(62,242,191)
Pension expense (Note 19)	**20,731,159**	22,223,302	15,961,646
Finance costs on lease liabilities (Note 24)	**10,826,959**	52,513,071	75,342,137
Non-cash donation expense (Note 11)	**8,482,143**	–	–
Gain on disposal of property and equipment (Note 17)	**(639,207)**	(3,101,818)	(330,357)
Gain on disposal of an associate (Notes 1 and 10)	–	(3,684,540)	–
Gain on bargain purchase (Note 13)	–	(32,120,469)	–
Gain on loss of control of a subsidiary (Notes 1 and 10)	–	(3,079,734)	–
Unrealized foreign exchange gains	**(53,842,288)**	(16,129,762)	(4,313,061)
Operating income before working capital changes	**408,135,972**	974,530,072	833,793,956
Decrease (increase) in:			
Trade and other receivables	**(510,762,517)**	(235,835,774)	60,810,583
Inventories	**(25,045,097)**	73,650,755	(17,654,034)
Prepayments and other current assets	**(121,272,673)**	(44,969,824)	(119,190,857)
Increase (decrease) in trade and other payables	**376,164,748**	120,888,620	(261,872,673)
Net cash generated from operations	**127,220,433**	888,263,849	495,886,975
Interest paid	**(281,763,405)**	(199,430,760)	(241,567,931)
Income taxes paid	**(94,273,379)**	(180,075,218)	(147,936,527)
Contributions to the retirement fund (Note 19)	**(6,755,102)**	(30,853,258)	(3,122,623)
Benefits paid out of operating funds (Note 19)	**(83,571)**	–	–
Net cash flows from (used in) operating activities	**(255,655,024)**	477,904,613	103,259,894
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to property, plant and equipment (Note 11)	**(2,610,405,413)**	(721,327,849)	(1,010,719,915)
Dividends received from associates and joint ventures (Note 10)	**1,375,935,658**	1,755,155,896	1,884,511,195
Additions to financial assets at FVOCI (Note 13)	**(270,000,000)**	(94,000,000)	–
Additional investments and advances to associates and joint ventures (Note 10)	**(68,400,000)**	(49,742,306)	(102,381,502)
Decrease (increase) in other noncurrent assets	**(58,417,375)**	10,738,517	(123,180,917)
Interest received	**56,534,070**	20,397,915	66,969,905
Proceeds from:			
Disposal of property, plant and equipment (Note 11)	**1,960,320**	3,627,540	330,357
Disposal of an equity interest in an associate (Note 10)	**–**	33,225,513	–

(Forward)

	Years Ended December 31		
	2022	2021 (As Restated - Notes 3 and 13)	2020 (As Restated - Note 3)
Disposal of financial assets at FVOCI	**₱–**	₱2,620,000	₱–
Redemption of preferred shares (Note 10)	–	–	40,000,000
Net cash outflow from acquisition of subsidiaries (Note 13)	**–**	(392,811,115)	–
Cash in subsidiary whose control was lost (Notes 1 and 10)	–	(560,316)	
Advances to suppliers on purchase of fixed assets	**–**	–	(104,303,524)
Net cash flows from (used in) investing activities	**(1,572,792,740)**	567,323,795	651,225,599
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from loans (Note 15)	**1,663,345,070**	4,506,974,410	779,300,741
Payments of:			
Cash dividends (Note 21)	**(451,479,873)**	(632,912,067)	(745,895,948)
Loans (Note 15)	**(353,477,270)**	(3,945,898,260)	(60,000,000)
Lease liabilities (Note 24)	**(76,233,373)**	(298,971,986)	(193,715,915)
Additional investments and deposits for future stock subscriptions of non-controlling interests of a subsidiary (Note 21)	**248,037,487**	55,847,565	89,009,492
Net proceeds (payments) of advances from related parties (Note 26)	**(12,254,278)**	31,295,643	(160,410,109)
Net cash flows from (used in) financing activities	**1,017,937,763**	(283,664,695)	(291,711,739)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(810,510,001)**	761,563,713	462,773,754
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**53,842,288**	16,129,762	4,313,061
TOTAL CASH AT BEGINNING OF YEAR			
Cash and cash equivalents (Note 6)	**5,650,024,939**	4,872,331,464	4,405,244,649
Restricted cash (Notes 9 and 13)	**2,003,311**	2,002,202	650,000
	5,652,028,250	4,874,333,666	4,405,894,649
TOTAL CASH AT END OF YEAR			
Cash and cash equivalents (Note 6)	**4,893,357,226**	5,650,024,939	4,872,331,464
Restricted cash (Notes 9 and 13)	**2,003,880**	2,003,311	2,002,202
	₱4,895,361,106	₱5,652,028,250	₱4,874,333,666

See accompanying Notes to Consolidated Financial Statements.

1. Corporate Information

Vivant Corporation (the "Parent Company" or "Vivant") was incorporated under the laws of the Republic of the Philippines and registered with the Securities and Exchange Commission (SEC) on May 28, 1990. The Parent Company is listed in the Philippine Stock Exchange using the symbol VVT. Vivant is the ultimate parent of the Group.

The Parent Company's primary purpose is to invest in and manage the general business of any other corporation or corporations except management of fund securities portfolios and other similar assets of a managed entity.

The Parent Company is owned by Mai-I Resources Corporation (MRC) and JEG Development Corporation (JDC) with a combined ownership of 75.84%. MRC and JDC are entities incorporated and domiciled in the Philippines.

The Parent Company and its Subsidiaries (collectively referred to as the Group) are engaged in various business activities, through its subsidiaries and affiliates, namely electric power generation (both renewable and non-renewable energy), electric power distribution, retail electricity supply, electrical engineering services, water infrastructure and real estate.

The principal office address of the Parent Company is currently located at 9th Floor Oakridge IT Center 3, Oakridge Business Park, A.S. Fortuna Street, Barangay Banilad, Mandaue City, Cebu.

The consolidated financial statements comprise the financial statements of the Parent Company and the following subsidiaries, associates and joint ventures, all incorporated in the Philippines, as at December 31, 2022 and 2021:

	2022		2021	
	Percentage of Ownership			
	Direct	**Indirect**	Direct	Indirect
Subsidiaries				
Hijos De F. Escaño (HDFE)	**50.94**	**–**	50.94	–
Southern Grove Properties and Development Corp. (SGPDC)	**100.00** [n]	**–**	100.00 [n]	–
Vivant Realty Ventures Corporation (VRVC)	**–**	**100.00** [q] [r]	–	100.00 [q] [r]
Vivant Corporate Center, Inc. (VCCI)	**–**	**100.00** [q] [w]	–	100.00 [q] [w]
Vivant Infracore Holdings Inc. (VIHI)	**100.00** [v]	**–**	100.00 [v]	–
Vivant Hydrocore Holdings Inc. (VHHI)	**–**	**100.00** [y] [bb]	–	100.00 [y] [bb]
Vivant Transcore Holdings Inc. (VTHI)	**–**	**100.00** [y] [bb]	–	100.00 [y] [bb]
Isla Mactan Cordova Corporation (IMCC)	**–**	**100.00** [p] [cc]	–	100.00 [p] [cc]
Watermatic Philippines Corporation (WMP)	**–**	**60.00** [z] [cc]	–	60.00 [z] [cc]
Watermatic Southeast Asia, Ltd. (WMP SEA)	**–**	**60.00**[ee] [ff]	–	60.00[ee] [ff]
Northern Metro Cebu Water Corporation (NMCWC)	**–**	**100.00**[cc] [jj]	–	100.00[cc] [jj]
Vivant Energy Corporation (VEC)	**100.00**	**–**	100.00	–
Vivant Integrated Generation Corporation (VIGC)	**–**	**100.00** [a]	–	100.00 [a]
Vivant Geo Power Corp. (VGPC)	**–**	**100.00** [b] [g]	–	100.00 [b] [g]
Delta P Hybrid, Inc. (DPHI; formerly Vivant Isla Inc.)	**–**	**100.00** [a] [h]	–	100.00 [a] [h]
Vivant Renewable Energy Corporation (VREC)	**–**	**100.00** [a] [f]	–	100.00 [a] [f]
Corenergy Inc. (Core)	**–**	**100.00** [a]	–	100.00 [a]
Vivant Integrated Diesel Corporation (VIDC)	**–**	**100.00** [a] [i]	–	100.00 [a] [i]
Isla Norte Energy Corp. (INEC)	**–**	**65.00** [e] [m]	–	65.00 [e] [m]
Isla Norte Power Corp. (INPC)	**–**	**65.00** [e] [mm]	–	–

(Forward)

	2022		2021	
	Percentage of Ownership			
	Direct	**Indirect**	Direct	Indirect
Southern Powercore Holding Corp. (SPHC)	–	**100.00** [b] [s]	–	100.00 [b] [s]
Amberdust Holding Corporation (AHC)	–	**100.00** [a] [t]	–	100.00 [a] [t]
Vivant-Malogo Hydropower, Inc. (VMHI)	–	**67.00** [a]	–	67.00 [a]
1590 Energy Corp. (1590 EC)	–	**55.20** [a]	–	55.20 [a]
Vivant Solar Corporation (VSC)	–	**100.00** [a] [x]	–	100.00 [a] [x]
Corenergy Solar Solutions Corporation (CSSC)	–	**100.00** [a] [d]	–	100.00 [a] [d]
Bukidnon Power Corporation (BPC)	–	**90.00**[gg] [ii]	–	90.00[gg] [ii]
North Bukidnon Power Corporation (NBPC)	–	**90.00**[hh] [ii]	–	90.00[hh] [ii]
Associates				
Visayan Electric Company, Inc. (VECO)	**34.81**	–	34.81	–
Prism Energy, Inc. (PEI)	–	**40.00** [a]	–	40.00 [a]
Abovant Holdings, Inc. (AHI)	–	**40.00** [c]	–	40.00 [c]
Cebu Private Power Corporation (CPPC)	–	**40.00** [a]	–	40.00 [a]
Minergy Power Corporation (MPC)	–	**40.00** [c]	–	40.00 [c]
Therma Visayas, Inc. (TVI)	–	**20.00** [c]	–	20.00 [c]
Lunar Power Core Inc. (LPCI)	–	**42.50** [c] [k]	–	42.50 [c] [k]
Global Luzon Energy Development Corporation (GLEDC)	–	**42.50** [c] [o]	–	42.50 [c] [o]
Culna Renewable Energy Corp. (CREC)	–	**35.00** [b] [u]	–	35.00 [b] [u]
Lihangin Wind Energy Corp (LWEC)	–	**40.00** [b] [aa]	–	40.00 [b] [aa]
Faith Lived Out Visions 2 Ventures Holdings, Inc. (FLOWS)	–	**45.00** [cc] [dd]	–	45.00 [cc] [dd]
Puerto Princesa Water Reclamation and Learning Center, Inc. (PPWRLC)	–	**40.31**[kk] [ll]	–	40.31[kk] [ll]
Joint Ventures				
Calamian Islands Power Corp. (CIPC)	–	**50.00** [a]	–	50.00 [a]
Delta P, Inc. (Delta P)	–	**50.00** [a] [j]	–	50.00 [a] [j]
La Pampanga Energy Corp (LPEC)	–	**50.00** [a] [l]	–	50.00 [a] [l]

a. Indirect ownership through VEC
b. Indirect ownership through VREC
c. Indirect ownership through VIGC
d. Incorporated January 11, 2017. Ownership interest in ETEI is through VSC. Changed its corporate name from ET Energy Inc. (ETEI) to Corenergy Solar Solutions Corporation (CSSC) on August 26, 2021.
e. Indirect ownership through VIDC.
f. Incorporated on January 8, 2010. Changed its corporate name from Vics-Bakun Holdings Corporation (Vics-Bakun) to VREC on October 2, 2015.
g. Incorporated on April 23, 2014
h. Incorporated on July 11 2014. Changed its corporate name from Vivant Isla Inc. (VII) to Delta P Hybrid, Inc. on February 16, 2022.
i. Incorporated on August 7, 2015
j. Increased to 50% effective May 28, 2015
k. Incorporated on June 10, 2016
l. Incorporated on May 26, 2016. Changed its corporate name from Vivant Enercore Integrated, Inc. to La Pampanga Energy Corporation (LPEC) on January 13, 2021. Ownership interest was diluted to 50% in May 2021.
m. Incorporated on June 13, 2016. Changed its corporate name from Vivant Powercore Active Inc. (VPAI) to INEC on December 20, 2019.
n. Incorporated on December 8, 2004
o. Incorporated on January 31, 2013. Ownership interest in GLEDC is through LPCI.
p. Incorporated on August 14, 2020
q. Indirect ownership through SGPDC
r. Incorporated May 19, 2017
s. Incorporated April 20, 2017
t. Incorporated August 16, 2017
u. Incorporated April 12, 2017
v. Incorporated December 18, 2018
w. Incorporated October 10, 2018.
x. Incorporated April 4, 2018. Changed its corporate name from ET-Vivant Solar Corporation (EVC) to VSC on November 9, 2020.
y. Incorporated May 20, 2019
z. Incorporated July 23, 2019
aa. Incorporated January 24, 2017. Changed its corporate name from 6 Barracuda Energy Corp. (6 Barracuda) to (LWEC) on June 15, 2020
bb. Indirect ownership through VIHI
cc. Indirect ownership through VHHI
dd. Incorporated August 31, 2018
ee. Incorporated on July 1, 2021

	2022		2021	
	Percentage of Ownership			
	Direct	**Indirect**	Direct	Indirect

ff. Indirect ownership through WMP
gg. Incorporated September 23, 2014
hh. Incorporated October 10, 2016
ii. Indirect ownership through AHC
jj. Incorporated March 21, 2021
kk. Incorporated November 8, 2018
ll. Indirect ownership through FLOWS
mm. Incorporated February 14, 2022

Subsidiaries

Except for 1590 EC, INEC, INPC, VMHI, Core, VII, VGPC, VIDC, CSSC, BPC, NBPC, WMP, IMCC, and NMCWC, all subsidiaries are also operating as holding and investing companies, which are primarily engaged in power generation and distribution, and water infrastructure. 1590 EC is operating a diesel power plant, while VMHI is in its pre-operating stage of building a hydro power plant in Silay, Negros Occidental. INEC and INPC are operating a diesel power plant in Bantayan, Cebu. BPC and NBPC are operating diesel-fired power plants in Bukidnon. Core is operating as a retail electricity supplier and engineering services provider. WMP provides engineering services, mainly for water infrastructure projects. IMCC and NMCWC are in its pre-operating stage of building a seawater desalination facility.

The following sets out a brief information of the Parent Company's subsidiaries and associates:

HDFE

HDFE was incorporated on December 24, 1926, which registration was renewed for another 50 years effective November 26, 1974. The primary purpose of HDFE is to invest in, hold, own, purchase, acquire, lease, contract, operate, improve, develop, grant, sell, exchange, or otherwise dispose of real and personal properties of every kind and description including shares of stocks, bonds and other securities or evidence of indebtedness of any other corporation, association, firm, or entity, domestic or foreign, where necessary or appropriate, and to process and exercise in respect thereof of all the rights, powers and privileges of ownership, including all voting powers of any stock so owned, without acting as, or engaging in the business of an investment company, or dealer or broker in securities.

SGPDC

SGPDC was incorporated on December 8, 2004 with a primary purpose to invest in, purchase, or otherwise acquire and own, hold, develop, use, sell, lease, assign, transfer, mortgage, pledge, exchange, or otherwise dispose of real and personal property of every kind and description for whatever purpose the same may have been organized. It has also direct equity shareholdings in VRVC and VCCI, both real estate companies.

On March 5, 2015, during the Special Stockholders' Meeting and Special Board Meeting, the stockholders and BOD approved that one of SGPDC's secondary purposes is to conduct and transact any and all lawful business, and to do or cause to be done any one or more of the acts and things set forth as its purposes, within or without the Philippines, and in any and all foreign countries, and to do everything necessary, desirable or incidental to the accomplishment of the purposes or the exercise of any one or more of the powers of the Company under the Corporation Code of the Philippines, or which shall at any time appear conducive to or expedient for its protection or benefit. These amendments made in SGPDC's Articles of Incorporation (AOI) were approved by the SEC on October 8, 2015.

On January 6, 2016, the SEC approved the amendment to its AOI changing its name from VC Ventures Net, Inc. to Southern Grove Properties and Development Corp. and its primary purpose is to engage in real estate business, to hold, construct, develop, manage, administer, sell, convey, encumber, purchase, acquire, rent or otherwise deal in and dispose of all kinds of real property or to act as real estate broker for such fees as may be legal and proper.

VRVC
VRVC was incorporated on May 19, 2017. Its primary purpose is to engage in the real estate business. On July 3, 2017, VRVC purchased from HDFE, a company under common control, a parcel of land located at M.J. Cuenco Ave., Tinago Central, Barangay San Roque, Cebu City amounting to ₱27.9 million, with the intention of holding the land for capital appreciation. As of December 31, 2022, VRVC has recognized rental income from the purchased investment property (see Note 12).

VCCI
VCCI was incorporated on October 10, 2018 and its primary purpose is to engage in the real estate business. As of December 31, 2022, VCCI has not yet started its operations.

VIHI
VIHI was incorporated on December 18, 2018 and its primary purpose is to purchase, subscribe for or otherwise acquire and own, hold, use, invest in, develop, sell, assign, transfer, lease, take option to, mortgage, pledge, exchange, and in all ways deal with, personal and real property of every kind and description, including share of the capital stock of corporations, bonds, notes, evidence of indebtedness, and other securities, contracts, or obligations of any corporation, domestic or foreign, without however engaging in dealership in securities, in the stock brokerage business or in the business of an investment company, all in accordance with the Corporation Code, the Securities Act and other applicable laws and regulations. As of December 31, 2021, VIHI is operating as a holding company for VTHI and VHHI.

VHHI
VHHI was incorporated on May 20, 2019 and its primary purpose is to purchase, subscribe for or otherwise acquire and own, hold, use, invest in, develop, sell, assign, transfer, lease, take option to, mortgage, pledge, exchange, and in all ways deal with, personal and real property of every kind and description, including share of the capital stock of corporations, bonds, notes, evidence of indebtedness, and other securities, contracts, or obligations of any corporation, domestic or foreign, without however engaging in dealership in securities, in the stock brokerage business or in the business of an investment company, all in accordance with the Corporation Code, the Securities Act and other applicable laws and regulations. As of December 31, 2022, VHHI is operating as a holding company for WMP, IMCC, NMCWC, and FLOWS, a holding company.

VTHI
VTHI was incorporated on May 20, 2019 and its primary purpose is to purchase, subscribe for or otherwise acquire and own, hold, use, invest in, develop, sell, assign, transfer, lease, take option to, mortgage, pledge, exchange, and in all ways deal with, personal and real property of every kind and description, including share of the capital stock of corporations, bonds, notes, evidence of indebtedness, and other securities, contracts, or obligations of any corporation, domestic or foreign, without however engaging in dealership in securities, in the stock brokerage business or in the business of an investment company, all in accordance with the Corporation Code, the Securities Act and other applicable laws and regulations. As of December 31, 2022, VTHI has not yet started its operations.



IMCC
IMCC was incorporated on August 14, 2020 and its primary purpose is to develop, layout (by duly licensed engineers), build, fund, operate and maintain a seawater desalination facility, ground and surface water treatment facility, waste water treatment facility and water distribution systems; and to negotiate and sell bulk water to the water districts, private entities and consumers.

As of December 31, 2022, IMCC has not yet started its operations.

WMP
WMP was incorporated on July 23, 2019 as a water treatment engineering company primarily engaged in the design, supply (which includes detailed design, procurement, and assembly), installation, commission, operation and maintenance of water treatment and waste water treatment plant to be owned by WMP or for third parties. WMP also engages into bulk water supply agreements using water sourced from ground water, surface water, or desalinated water.

As of December 31, 2020, WMP has already started its operations.

WMP SEA
WMP SEA was incorporated on July 1, 2021 according to the Companies Law 5769-1999, as a limited liability company under the laws of the Republic of Israel. Its primary purpose is to buy and sell products for waste water and waste water treatment projects.

As of December 31, 2021, WMP SEA has already started operations.

NMCWC
NMCWC was incorporated and registered with the SEC on March 18, 2021. Its primary purpose is to develop, layout (by duly licensed engineers), build, fund, operate and maintain a seawater desalination facility, ground and surface water treatment facility, waste water treatment facility, and water distribution systems; and to negotiate and sell bulk water to the water districts, private entities and consumers.

The registered office of the Company is located at 9th Floor, Oakridge IT Center 3, Oakridge Business Park, A.S. Fortuna Street, Brgy. Banilad, Mandaue City, Philippines

As of December 31, 2022, NMCWC has not yet started operations.

VEC
VEC was incorporated on January 25, 2005 and its primary purpose is to establish, maintain and operate power plants of any kind and such other sources that may be a viable source of electric light, heat and power system and to sell to the general public, electricity as the corporation may determine.

VEC currently exists as a holding company with direct equity shareholdings in CPPC, Delta P, 1590 EC, CIPC, VMHI, TVI, DPHI, INEC, INPC, LPEC, and VIDC entities engaged in the power generation business and PEI and Core, entities engaged in the retail electricity supply. Core is also engaged in engineering services. VEC also has direct equity shareholdings on holding entities namely VIGC and VREC.

VIGC
VIGC was incorporated on November 5, 2008 with the primary purpose of holding investments in power generation companies. It has direct equity shareholdings in MPC, TVI and LPCI, entities engaged in the power generation business and AHI, a holding entity.

VGPC
VGPC was incorporated on April 23, 2014. Its primary purpose is to establish, maintain, own, and operate geothermal, thermal, hydroelectric, solar, wind, coal, diesel power plants and such other sources that may be viable source of electric light, heat and power system and to sell and/or trade electricity for light, heat and power purposes within cities, municipalities and provinces of the Philippines as the corporation may determine and enter into business activity that now or hereafter may be necessary, incidental, proper, advisable or convenient in furtherance of or otherwise relating to such purpose. As of December 31, 2022, VGPC is still in the pre-operating stage.

DPHI
DPHI, formerly VII, was incorporated on July 11, 2014. Its primary purpose is to engage in business of owning, acquiring, commissioning, operating, maintaining, evaluating, developing, constructing, holding, and selling power generation facilities and related facilities, or any other business activity that now or hereafter may be necessary, incidental, proper, advisable or convenient in furtherance of or otherwise relating to such purpose. As of December 31, 2022, DPHI is still in the pre-operating stage.

On February 16, 2022, the application the change the name of VII to Delta P Hybrid, Inc. was approved by the SEC.

VREC
VREC was incorporated on January 8, 2010 with the primary purpose of holding investments in power generation companies. On October 2, 2015, the SEC approved its application for change in corporate name from Vics Bakun Holdings Corporation to VREC. It also has direct equity shareholdings in VGPC, SPHC, AHC, VSC, CREC, and LWEC as of December 31, 2022.

Core
Core was incorporated on December 14, 2012. Its primary purpose is to buy, source and obtain electricity from generating companies or from the wholesale electricity spot market to sell, broker, market or aggregate electricity to the end-users, to provide services necessary in connection with the supply or delivery of electricity thereof, distribution utilities and other entities in the electric systems by a duly licensed electrical engineer, the conduct of energy examinations, inspections, assessments, maintenance, testing and commissioning, as amended dated May 31, 2019. As of December 31, 2022, Core has entered into Retail Supply Contract and engineering service contracts with various customers.

VIDC
VIDC was incorporated on August 7, 2015. Its primary purpose is to establish, maintain, acquire, own, hold, and operate diesel powered generating facilities. As of December 31, 2022, VIDC is the holding company of INEC and INPC.

INEC
INEC was incorporated on June 13, 2016. Its primary purpose is to engage in the business of exploring, developing and utilizing renewable energy resources, and establishing, acquiring, maintaining, commissioning, owning and operating geothermal, thermal, hydroelectric, solar, wind, coal, diesel plants and such other sources that may be a viable source of electric light, heat and power system.

As of December 31, 2021 and prior to the merger with Isla Norte Power Corporation (INPC) on December 29, 2022, INEC is effectively 65%-owned by VEC and 35%-owned by GPI through a consortium formed by VIDC.

INEC started its interim commercial operations on August 11, 2020, and the same ended on August 10, 2021. This stems from the signing of the Interim Power Supply Agreement (IPSA) with Bantayan Island Electric Cooperative Inc. (BANELCO) to supply a portion of its energy requirement. This operation, emergency in nature, is independent and different from the 15-year Power Supply Agreement (PSA) with BANELCO, which is yet to commence commercial operations as of December 31, 2022 (see Note 23).

Pending the approval of INEC's Power Supply Agreement (PSA) application, the Energy Regulatory Commission (ERC) issued a Notice of Resolution dated November 4, 2021 that contained a directive to Bantayan Electric Cooperative, Inc. (BANELCO) to source out power from any supplier which it deems fit, to ensure the continuous and unhampered supply of power within its franchise area. Thus, on November 7, 2021, INEC and BANELCO signed an IPSA for a period of 90 days, reckoned from the date of the issuance of the resolution, to supply the whole of BANELCO's energy requirement.

The registered office of INEC is at 9th Floor, Oakridge IT Center 3, Oakridge Business Park, A.S. Fortuna, Brgy. Banilad, Mandaue City, Cebu, Philippines 6014.

INPC

Isla Norte Power Corporation (INPC) was incorporated on February 14, 2022. Its primary purpose is to engage in the business of exploring, developing and utilizing renewable energy resources, and establishing, acquiring, maintaining, commissioning, owning and operating geothermal, thermal, hydroelectric, solar, wind, coal, diesel plants and such other sources that may be a viable source of electric light, heat and power system, and selling and/or trading electricity for light, heat and power purposed within the cities, municipalities, and provinces of the Philippines.

On May 9, 2022, the members of the respective boards of directors of INEC and INPC, separately and unanimously approved a plan of merger with INPC as the surviving entity. The plan and articles of merger was approved by SEC on December 29, 2022.

The terms further provide that INPC shall become the owner of the rights, assets, privileges and other properties of INEC and shall assume all the debts and liabilities of the same as of the effective merger date in the manner as though the Company has itself incurred such liabilities and obligations.

On December 29, 2022, upon effective date of the merger, INEC ceased to exist, yet its operations continued under INPC.

The registered office of INPC is at 9th Floor, Oakridge IT Center 3, Oakridge Business Park, A.S. Fortuna, Brgy. Banilad, Mandaue City, Cebu, Philippines 6014.

SPHC

SPHC was incorporated on April 20, 2017. Its primary purpose is to engage in the business of holding investments in power generation companies. As of December 31, 2022, SPHC has not yet started its commercial operations.

The registered office of SPHC is at 9th Floor, Oakridge IT Center 3, Oakridge Business Park, A.S. Fortuna, Brgy. Banilad, Mandaue City, Cebu, Philippines 6014.



AHC
AHC was incorporated on August 16, 2017. Its primary purpose is to engage in the business of a holding company. As of December 31, 2022, AHC is the holding company of BPC and NBPC.

In May 2021, AHC in partnership with VEC acquired 9% ownership in BPC equivalent to 66,825,000 and 7,425,000 common stocks with par value of ₱1.00 per share, respectively. Further, AHC acquired 9% ownership in NBPC equivalent to 9,720,000 and 1,080,000 common stocks with par value of ₱ 10.00 per share, respectively.

On June 28, 2021, VREC assigned its 45,000 common shares in AHC with par value of ₱1.00 per share to VEC.

The registered office of AHC is at 9th Floor, Oakridge IT Center 3, Oakridge Business Park, A.S. Fortuna, Brgy. Banilad, Mandaue City, Cebu, Philippines 6014.

VMHI
VMHI was incorporated on June 8, 2012. Its primary purpose is to engage in the business of owning, acquiring, operating, generating, collecting and distributing electricity.

VMHI is in its starting phase or pre-operational stage as a power generating entity that will implement a greenfield power plant project, involving the construction and operation of a series of run-of-river hydropower facility in Barangay Capitan Ramon in Silay City, Negros Occidental. VMHI will implement the project in phases, where Phase 1 will involve the construction and operation of a six (6) MW power plant facility along the Malogo river. The project has concluded its detailed engineering design. A tender process is underway for the construction to coincide with the project timetable, but subject to adjustments that may be brought about by regulations from the grid system operator.

On March 8, 2017, bidding for the award of the Engineering, Procurement, Construction and Commissioning ("EPCC") contract was conducted. However, the National Grid Corporation of the Philippines (NGCP) issued a prohibition to the power plants from connecting to the Negros Island Grid. Such prohibition is expected to be in place until 2023, which is the year when NGCP's 230 kV backbone project is expected to be completed and ready to accommodate new capacity.

As of December 31, 2022, notwithstanding the successful bidding, the Company has withheld the awarding of the EPCC contract to implement the detailed engineering design since NGCP has not yet started the construction of its 230 kV backbone project.

The registered office of VMHI is at 9th Floor, Oakridge IT Center 3, Oakridge Business Park, A.S. Fortuna, Brgy. Banilad, Mandaue City, Cebu, Philippines.

1590 EC
1590 EC was incorporated and started operations on July 30, 2010. It is primarily engaged in power generation and operates a 225 MW diesel-fired power plant in Bauang, La Union. 1590 EC is also partly-owned by GPI, Eco Utilities Ventures Holdings Company, Inc. (EUVHCI) and ICS Renewables Holdings, Inc. (ICS), among others.

The registered office of 1590 EC is at 9th Floor, Oakridge IT Center 3, Oakridge Business Park, A.S. Fortuna, Brgy. Banilad, Mandaue City, Cebu, Philippines.



On April 6, 2022, 1590 EC acquired the Buang Diesel Power Plant (BDPP) as the highest bidder during the public auction of the power plant following a post qualification evaluation. On April 19, 2022, 1590 EC and the PGLU signed the deed of transfer and conveyance (see Note 24).

VSC
VSC, formerly ET Vivant, was incorporated on April 4, 2018 primarily to engage in developing and constructing solar power generation and related facilities for lighting and power purposes and whole-selling the electric power to the wholesale electricity spot market, private distribution utilities, private electric cooperatives and other off-takers and selling and/or trading electricity for light, heat and power purposes. VSC has direct equity shareholding in CSSC, an entity engaged in the solar power generation business. As of December 31, 2021, VSC has started its commercial operations.

On November 9, 2020, the application to change the name of ET Vivant to VSC was approved by the SEC.

CSSC
CSSC, formerly ET Energy Island Corporation (ETEI), was incorporated on January 11, 2017 with the primary purpose to explore, develop, build, construct, install, commission, rehabilitate, maintain, own, manage, operate and invest in, bid for or otherwise acquire power generating plants and related facilities and to engage in the business of generating, marketing, selling and supplying electricity generated from solar photovoltaic systems and components; planning and construction of photovoltaic power plants and to provide consulting services associated with photovoltaic power plants, provided that it shall not operate a public utility. In January 2019, CSSC has started its commercial operations.

On August 26, 2021, the application to change the name of ETEI to CSSC on August 26, 2021 was approved by the SEC.

BPC
BPC was incorporated to develop, construct, erect assemble, commission, own, operate, maintain, rehabilitate, and manage facilities used in the generation of electricity including but not limited to facilities that utilize renewable energy sources and other power generating plants and related facilities. BPC has two (2) operating power plants in Bukidnon and have started commercial operations on February 26, 2016 for Plant 1 and February 26, 2017 for Plant 2.

On October 16, 2014, BPC entered into a PSA with First Bukidnon Electric Cooperative (FIBECO) to supply a maximum of 4.4 MW from its 2 x 2.4 MW power plant located at Barangay Barandias, Bukidnon at a specific contract rate for a period of 15 years commencing from March 15, 2015. ERC has granted a provisional approval on its rate application on August 3, 2015. The second power supply agreement was entered into with FIBECO on July 24, 2015 for a contracted capacity of 2 MW from its 2.5 MW Fuel power plant located at Barangay Mabuhay, San Fernando, Bukidnon, for a period of 15 years starting from April 15, 2016. ERC's final approval on its rate application was dated June 6, 2017.

In May 2021, VEC and AHC acquired 81% and 9% ownership of BPC equivalent to 66,825,000 and 7,425,000 common stocks with par value of ₱1.00 per share, respectively.

The registered office address of BPC is at National Highway Barandias, Pangantucan, Bukidnon.



NBPC
NBPC was incorporated to develop, construct, erect, assemble, commission, own, operate, maintain, rehabilitate and manage facilities used in the generation of electricity including but not limited to facilities that utilize renewable energy sources and other power generating plants and related facilities. NBPC has started its commercial operations on September 26, 2018.

In May 2021, 2021, VEC and AHC acquired 81% and 9% ownership of NBPC equivalent to 9,720,000 and 1,080,000 common stocks with par value of ₱10.00 per share, respectively.

The registered office address of NBPC is at 2nd Floor Z-Gas Building, Purok 6A, South Poblacion, Maramag, Bukidnon.

Associates. VECO, PEI, AHI, CPPC, MPC, TVI, LPCI, GLEDC, CREC, LWEC, FLOWS, and PPWRLC qualify as associates of the Group.

VECO
VECO was incorporated on February 22, 1961 and whose corporate term was extended for another 50 years after the expiration on February 23, 2012. VECO is a power distribution entity, the primary activities of which are to establish, maintain and operate electric light, heat and power systems and to sell to the general public electricity for light, heat and power purposes.

VECO serves the electrical power needs of four cities (Cebu, Mandaue, Talisay and Naga) and four municipalities (Minglanilla, San Fernando, Consolacion and Lilo-an) of the greater part of Metro Cebu by virtue of legislative franchise grants.

The registered office address of VECO is at J. Panis Street, Banilad, Cebu City, Philippines.

PEI
PEI was incorporated on March 24, 2009 as a retail electricity supplier. On April 26, 2017, PEI began its operations providing qualified contestable customers the opportunity to select a contract structure that will meet their generation supply requirement.

PEI's registered principal office address is at Aboitiz Corporate Center, Gov. Manuel A. Cuenco Ave., Kasambagan, Cebu City, Philippines.

AHI
AHI was incorporated on November 28, 2007 primarily to manage entities and to provide management, investment and technical advice for enterprises engaged in electricity generation and/or distribution.

AHI and Global Formosa Power Holdings, Inc., a joint venture between Global Business Power Corp. (Global Power) and Formosa Heavy Industries (Global Formosa), signed a shareholders' agreement to develop, construct and own Cebu Energy Development Corporation (CEDC), a 246 MW coal-fired power plant in Toledo City, Cebu. AHI has a 44% direct ownership interest in CEDC.

Its principal place of business is located at Aboitiz Corporate Center, Gov. Manuel Cuenco Avenue, Kasambagan, Cebu City, Philippines.

CPPC
CPPC was incorporated on July 13, 1994 and its primary purpose is to build, construct or own power generation plants and related facilities. It operates a 70 MW bunker "C" diesel-fired power generating plant.

The registered office address of CPPC, which is also its principal place of business, is Old VECO Compound, Barangay Ermita, Carbon, Cebu City.

MPC
MPC (formerly Minergy Coal Corporation) was registered with SEC on February 18, 2013, primarily to design, construct, erect, assemble, commission and operate power-generating plants and related facilities for the generation and supply of power utilizing any fuel or energy source.

In the first quarter of 2014, MPC began construction of a 3x55 MW coal-fired power plant in Balingasag, Misamis Oriental. In September 2017, MPC already started its operations.

The registered office of MPC is at Brgy. Mandangoa, Balingasag, Misamis Oriental.

TVI
TVI was registered with SEC on October 15, 1997, primarily to acquire by purchase, lease, contract, concession, or otherwise any and all real estate, land, land patents, opinions, grants, concessions, franchises, water and other rights, privileges, easements, estates, interests and mineral properties of every kind and description. The power plant already started its operations in April 2019.

The registered principal office of TVI is at Barangay Bato, Toledo City, Cebu.

LPCI
LPCI was registered with SEC on June 10, 2016 and is primarily engaged in the business of exploring, developing and utilizing renewable energy resources, and establishing, acquiring, maintaining, commissioning, owning and operating geothermal, thermal, hydroelectric, solar, wind, coal, diesel plants and such other sources. As of December 31, 2022, LPCI has not yet started its commercial operations.

The registered office of LPCI is at 22F GT Tower International 6813 Ayala Avenue cor. H.V. dela Costa St, Makati City 1227.

GLEDC
GLEDC, a wholly owned subsidiary of LPCI, was registered with SEC on January 31, 2013. It is primarily engaged in the general business of generating power derived from coal, fossil fuel, geothermal, nuclear, natural gas, hydroelectric, and other viable sources of power, for lighting and power purposes and whole selling the electric power to electric cooperatives, distribution utilities, and industrial customers. As of December 31, 2022, GLEDC has not started its commercial operations.

The registered office of GLEDC is at 22nd Flr GT Tower International, Ayala Avenue Corner H.V. Dela Costa St. Bel-air, Makati City.

CREC
CREC, an associate through VREC, was registered on April 12, 2017 primarily to engage in the business of owning, acquiring, commissioning, operating, maintaining, evaluating, developing, and constructing conventional renewable energy and/or hybrid power generation, distribution and related facilities, and distributing and selling power, or any other business or activity that now or hereafter may be necessary, incidental, proper, advisable or convenient in the furtherance of or otherwise relating to such purpose. As of December 31, 2022, CREC has not yet started its commercial operations.

On May 28, 2021, VREC and VEC entered into a share-swap agreement with MCPHC to sell its entire investment in SREC and acquire additional shares in CREC. The agreement resulted to VREC's and VEC's acquisition of 938 common stocks and 2,812 preferred stocks with par value of ₱1,000.00 per share in CREC, respectively.

The registered principal office of CREC is at Sitio Lilibutin, Barangay Guadalupe, Coron, Palawan 5316.

LWEC
LWEC, formerly 6 Barracuda, an associate through VREC, was incorporated and registered in the Philippine SEC on January 24, 2017. It is engaged in all aspects of exploration, assessment, development and utilization of renewable energy resources, including the procurements, acquisition, importation, construction, installation, erection, ownership, lease, operation and maintenance of edifices, structures, facilities, materials, machinery and equipment, for or related to generation and sale of power.

As of December 31, 2022, LWEC has not yet started commercial operations.

On June 15, 2020, the SEC approved the application to change the name of 6 Barracuda to LWEC. Further, the approval also includes LWEC's increase in authorized capital stock to ₱40.0 million divided into 475,000 redeemable preferred A shares with par value of ₱0.01 per share, 39,900,000 redeemable preferred B shares with par value of ₱1.00 per share, and 5 common shares with par value of ₱1.00 per share.

The registered office of LWEC is at 21/F Tower 6789 Ayala Ave., Bel-Air Makati, Metro Manila.

FLOWS
FLOWS, an associate of VHHI, was incorporated on August 31, 2018 primarily to engage in the activities of a holding company except as a stockbroker or dealer of securities, provided that, FLOWS shall not solicit, accept or take investments/placements from the public neither shall it issue investments contracts.

FLOWS has an 89.58% direct ownership interest in PPWRLC.

The registered principal office of FLOWS is at 37 Taft Street, Barangay Maligaya, Puerto Princesa City, Palawan.

PPWRLC
Puerto Princesa Water Reclamation and Learning Center, Inc. (the "Company") was incorporated under the laws of the Republic of the Philippines and registered with the Securities and Exchange Commission (SEC) on November 8, 2018. The Company's primary purpose is to engage in the activities of an operator, contractor and/or agent of the City of Puerto Princesa in providing septage, sewerage and sanitation services and to engage in the development, construction, operation, and maintenance of sewage and/or septage treatment plants which may also act as a tourist attraction and learning center for environmental protection. FLOWS has an 89.58% direct ownership interest in PPWRLC.

The Company already started its commercial operations on January 1, 2022. The Company's registered principal place of business is at Maligaya, Puerto Princesa City (Capital), Palawan, Region IV-B, Philippines, 5300.

Joint Ventures. CIPC, Delta P and LPEC qualify as joint ventures of the Group.

CIPC
CIPC was incorporated on October 19, 2010 primarily to engage in the business of owning, acquiring, commissioning, operating and selling power generation facilities and related facilities, or any other business or activity that now or hereafter may be necessary, incidental, proper, advisable or convenient in furtherance of or otherwise relating to such purpose. Currently, CIPC operates an 8 MW bunker and 0.75 MW diesel-fired power generation plants in the municipalities of Coron and Busuanga, respectively.

The registered principal office of CIPC is at Sitio Lilibutin, Barangay Guadalupe Coron, Palawan, Philippines 5316.

Delta P
Delta P was registered with SEC on September 20, 2002 primarily to operate and maintain a 16 MW heavy fuel oil-fired generating power station in Puerto Princesa, Palawan. On May 28, 2015, GPI agreed to sell to VEC 6,310,352 common shares representing 15% of Delta P's total issued and outstanding capital stock, bringing the Group's ownership in Delta P to 50%. In February 2020, VEC paid GPI ₱19.8 million as an additional consideration for such purchase of shares in 2015. In October 2020, DPI redeemed its preferred shares from VEC amounting to ₱40.0 million (see Note 10).

The registered principal office of Delta P is at Km. 13 North National Highway, Sta. Lourdes, Puerto Princesa City, Palawan.

LPEC
La Pampanga Energy Corp (LPEC), formerly Vivant Enercore Integrated, Inc. (VEII), was incorporated on May 26, 2016. Its primary purpose is to engage in the business of exploring, developing and utilizing renewable energy resources, and establishing, acquiring, maintaining, commissioning, owning and operating geothermal, thermal, hydroelectric, solar, wind, coal, diesel plants and such other sources that may be a viable source of electric light, heat and power system. As of December 31, 2022, LPEC is still in the pre-operating stage.

On January 13, 2021, the application to change the name of VEII to LPEC was approved by the SEC.

In 2021, VEC entered into a joint venture with GPI which resulted to a 50% ownership in LPEC and reclassification of the investment from a subsidiary to a joint venture. As a result of the dilution, the Group recognized gain amounting to ₱3.7 million and presented as "Gain on loss of control of a subsidiary" in the Statement of Comprehensive Income. ₱39.3 million of the net gain is attributable to the measurement of the retained interest in the former subsidiary at fair value when control was lost.

Authorization to Issue the Consolidated Financial Statements. The consolidated financial statements of the Group as of and for the years ended December 31, 2022, 2021 and 2020 were approved and authorized for issuance by the Board of Directors (BOD) on March 16, 2023.

2. Basis of Preparation, Statement of Compliance and Basis of Consolidation

Basis of Preparation

The consolidated financial statements of the Group have been prepared on a historical cost basis, except for financial assets at FVOCI and investment properties which have been measured at fair value. The consolidated financial statements are presented in Philippine Peso (₱), the Parent Company's functional currency. All amounts are rounded to the nearest Peso, except as 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. 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; and
- The Group's voting rights and potential voting rights.

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

The consolidated financial statements of the subsidiaries are prepared for the same reporting year as the Parent Company using consistent accounting policies.

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

Accounting for Loss of Control

When the Group loses control of a subsidiary, it derecognizes the assets and liabilities of the former subsidiary, including any non-controlling interests in the former subsidiary at the date control is lost, and components of other comprehensive income attributable to them. The Group also recognizes any investment retained in the former subsidiary at its fair value when control is lost. The Group subsequently accounts for any retained interests and for any amount owed by or to the former subsidiary in accordance with other relevant PFRSs. The fair value shall be regarded as the fair value on initial recognition of a financial asset or the cost on initial recognition of an investment in an associate or joint venture. The Group recognizes a gain or loss associated with the loss of control attributable to the former controlling interest.

The Group accounts for all amounts previously recognized in other comprehensive income in relation to former subsidiaries on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

Transactions with Non-controlling Interests

Non-controlling interests represent the portion of profit or loss and net assets in the subsidiaries not held by the Group and are presented separately in the consolidated statement of comprehensive income and within equity in the consolidated statement of financial position, separately from the equity attributable to equity holders of the parent. Transactions with non-controlling interests are accounted for as equity transactions. On acquisitions of non-controlling interests, the difference between the consideration and the book value of the share of the net assets acquired is reflected as being a transaction between owners and recognized directly in equity. Gain or loss on disposals to non-controlling interest is also recognized directly in equity.

3. 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 in 2022 and the change in accounting for the Group's investment in an associate, discussed below.

New Accounting Standards

The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

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

- Amendments to PFRS 3, *Business Combinations, 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 to avoid the issue of potential 'day 2'gains or losses arising for liabilities and contingent liabilities that would be within the scope of PAS 37, *Provisions, Contingent Liabilities and Contingent Assets* or Philippine-IFRIC 21, *Levies*, if incurred separately.

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

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

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

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

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

- *Annual Improvements to PFRSs 2018–2020 Cycle*

  - Amendments to PFRS 1, *First-time Adoption of Philippine Financial Reporting Standards, Subsidiary as a First-time Adopter*

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

- Amendments to PFRS 9, *Financial Instruments, Fees in the '10 per cent' Test for Derecognition of Financial Liabilities*

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

Standards Issued but not yet Effective

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

Effective beginning on or after January 1, 2023

- Amendments to PAS 1, *Presentation of Financial Statements*, and PFRS Practice Statement 2, *Making Materiality Judgments, 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.

- Amendments to PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors, 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.

- Amendments to PAS 12, *Income Taxes, 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 a material impact on the financial statements of the Group.

Effective beginning on or after January 1, 2024

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

  The amendments clarify:

  - That only covenants with which an entity must comply on or before reporting date will affect a liability's classification as current or noncurrent;
  - That classification is unaffected by the likelihood that an entity will exercise its deferral right; and
  - That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

  The amendments are effective for annual reporting periods beginning on or after January 1, 2024 and must be applied retrospectively.

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

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

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

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

Deferred Effectivity

- Amendments to PFRS 10, *Consolidated Financial Statements*, and PAS 28, *Investments in Associates and Joint Ventures, 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 (renamed Financial and Sustainability Reporting Standards Council in 2022) deferred the original effective date of January 1, 2016 of the said amendments until the IASB completes its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

Change in Accounting Policy for Property, Plant and Equipment Held by an Associate Engaged in Power Distribution Business

The Group accounts for its investment in VECO, an associate that is engaged in the power distribution business, using the equity method. Previously, in applying the equity method to account for its investment in VECO, the Group carries the distribution utility assets of VECO at revalued amount. Thus, the Group's share of the results of operations of the associate and change in the other comprehensive income recognized in the consolidated financial statements reflect the changes in the fair value of VECO's distribution utility assets.

In 2022, the Group elected to change its policy in applying the equity method with respect to the associate's power distribution utility assets, i.e., from the revaluation model to the cost model. The Group has embarked on a journey towards its vision of becoming a major power conglomerate with presence in other industries, and has earmarked significant resources for infrastructure and power development projects as it aims to diversify its business and expand its reach. Management believes that the change from the revaluation model to cost model for the power distribution utility assets in accounting for its share in the earnings of VECO would be a more appropriate method because it would present a reliable and more relevant information of the cost of its investment and how much return it has earned on the investment.

Moreover, the change will allow the Group to align its policy with the other major players in the power distribution industry and present a more relevant comparative financial information to the primary users of its consolidated financial statements. The change in accounting policy is accounted for retrospectively, which impacts the investment in associate and joint ventures, retained earnings, equity in net earnings of associates and joint ventures, and share in revaluation increment of an associate, net of tax. The impact of these changes on the comparative consolidated statement of financial position and consolidated statement of comprehensive income are shown below:

	December 31, 2021			January 1, 2021		
	As previously reported	Net adjustment	As restated	As previously reported	Net adjustment	As restated
Consolidated statement of financial position:						
Investments in associates and joint ventures	₱11,614,930,568	(₱1,702,071,167)	₱9,912,859,401	₱11,247,606,324	(₱1,658,598,674)	₱9,589,007,650
Share in revaluation increment of an associate	1,702,071,167	(1,702,071,167)	–	1,658,598,674	(1,658,598,674)	–
Retained earnings, unappropriated	8,177,690,481	–	8,177,690,481	7.674,801,422	–	7.674,801,422

	Year Ended December 31, 2021			Year Ended December 31, 2020		
	As previously reported	Net adjustment	As restated	As previously reported	Net adjustment	As restated
Consolidated statement of comprehensive income						
Equity in net earnings of associates and joint ventures	₱1,769,960,102	₱68,531,163	₱1,838,491,265	₱1,530,892,007	₱72,094,079	₱1,602,986,086
Net income	2,144,007,667	68,531,163	2,212,538,830	1,706,820,636	72,094,079	1,778,914,715
Share in revaluation increment of an associate	112,003,656	(112,003,656)	–	407,012,356	(407,012,356)	–
Other comprehensive income	130,903,671	(112,003,656)	18,900,015	386,049,881	(407,012,356)	(20,962,475)
Total comprehensive income	2,274,911,338	(43,472,493)	2,231,438,845	2,092,870,517	(334,918,277)	1,757,952,240
Net income attributable to equity holders of the parent	1,777,031,392	68,531,163	1,845,562,555	1,442,131,978	72,094,079	1,514,226,057
Total comprehensive income attributable to equity holders of the parent	1,905,959,080	(43,472,493)	1,862,486,587	1,830,637,661	(334,918,277)	1,495,719,384
Earnings per share	1.736	0.067	1.803	1.409	0.071	1.480

The retrospective application of the accounting policy did not have a significant impact on the consolidated statement of cash flows.

4. Summary of Significant Accounting Policies

Current and Noncurrent Classification

The Group presents assets and liabilities in the consolidated statement of financial position based on current/noncurrent classification. An asset is current when it is:

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

All other assets are classified as 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 months after the reporting period; or,
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group classifies all other liabilities as noncurrent.

Deferred tax assets and liabilities are classified as noncurrent assets and liabilities, respectively.

Fair Value Measurement

The Group measures financial instruments, such as, cash on hand and in banks, short-term placements, trade and other receivables, trade and other payables, notes payable and non-financial assets such as investment properties and AFS investments, at fair value at each reporting date.

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 by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming 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 consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

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

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

The Group's management determines the policies and procedures for both recurring fair value measurement, such as cash on hand and in banks, short-term investments, trade and other receivables, advances to associates and stockholders, financial assets at FVOCI, trade and other payables, advances from related parties, notes payable and investment properties.

External valuers are involved for valuation of significant assets, such as investment properties. Involvement of external valuers is decided upon annually by the management after discussion with and approval by the Group's audit committee. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained.



Valuers are normally rotated every 3–6 years. The management decides, after discussions with the Group's external valuers, which valuation techniques and inputs to use for each case.

At each reporting date, the management analyses the movements in the values of assets which are required to be re-measured or re-assessed as per the Group's accounting policies. For this analysis, the management verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents.

The management, in conjunction with the Group's external valuers, also compares the changes in the fair value of each asset with relevant external sources to determine whether the change is reasonable.

On an interim basis, the management and the Group's external valuers present the valuation results to the audit committee. This includes a discussion of the major assumptions used in the valuations.

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.

Financial Assets and Financial Liabilities

Financial Instruments - Initial Recognition and Subsequent Measurement

- *Classification of Financial Assets*. Financial assets are classified in their entirety based on the contractual cash flows characteristics of the financial assets and the Group's business model for managing the financial assets. The Group classifies its financial assets into the following measurement categories:
  - Financial assets measured at amortized cost;
  - Financial assets measured at fair value through profit or loss (FVPL);
  - Financial assets measured at fair value through other comprehensive income (FVOCI), where cumulative gains or losses previously recognized are reclassified to profit or loss
  - Financial assets measured at FVOCI, where cumulative gains or losses previously recognized are not reclassified to profit or loss

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

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

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

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

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

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

  As at December 31, 2022 and 2021, the Group has financial assets at amortized cost consisting of cash and cash equivalents, trade and other receivables, advances to associates, joint ventures and stockholders, and other receivables included under "Other noncurrent assets" such as advances to suppliers and other parties, due from RFM Corporation, and security deposits and restricted cash under "Other current assets" (see Notes 6, 7, 9, 13 and 16).

- *Financial Assets at FVPL.* Financial assets at FVPL are measured at FVPL unless these are measured at amortized cost or at FVOCI. Included in this classification are equity investments held for trading and debt instruments with contractual terms that do not represent solely payments of principal and interest. Financial assets held at FVPL are initially recognized at fair value, with transaction costs recognized in the consolidated statement of comprehensive income as incurred. Subsequently, they are measured at fair value and any gains or losses are recognized in the consolidated statement of comprehensive income. 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 FVPL, irrespective of the business model.



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

The Group assesses whether embedded derivatives are required to be separated from host contracts when the Company first becomes party to the contract. An embedded derivative is separated from the host financial liability or nonfinancial contract and accounted for as a derivative if all of the following conditions are met:

- the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics of the host contract;
- a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and
- the hybrid or combined instrument is not recognized as at FVPL.

For derivatives embedded in financial asset host contracts, the Group applies the financial asset classification and measurement requirements to the entire instrument. No embedded derivatives in financial asset host contracts are recognized separately in the financial statements.

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.

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

As at December 31, 2022 and 2021, the Group has no financial assets at FVPL.

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

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

Dividends are recognized in profit or loss only when:
- the Group's right to receive payment of the dividend is established;
- it is probable that the economic benefits associated with the dividend will flow to the Group; and,
- the amount of the dividend can be measured reliably.

As at December 31, 2022 and 2021, the Group has financial assets at FVOCI amounting to ₱397.7million and ₱102.0 million, respectively, and is presented as part of "Other noncurrent assets" account in Group's consolidated statements of financial position (see Note 13).

- *Classification of Financial Liabilities*. Financial liabilities are measured at amortized cost, except for the following:
  - Financial liabilities measured at fair value through profit or loss;
  - Financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the Group retains continuing involvement;
  - Financial guarantee contracts;
  - Commitments to provide a loan at a below-market interest rate; and,
  - Contingent consideration recognized by an acquirer in accordance with PFRS 3.

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

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

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

  The Group's financial liabilities include trade and other payables, notes payable and advances from related parties.

- *Impairment of Financial Assets.* Upon adoption of PFRS 9, the standard introduces the single, forward-looking "expected loss" impairment model, replacing the "incurred loss" impairment model under PAS 39.

  The Group recognizes ECL on debt instruments that are measured at amortized cost.

  No ECL is recognized on equity investments.

ECLs are measured in a way that reflects the following:

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

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

- *Stage 1: 12-month ECL*. For credit exposures where there have not been significant increases in credit risk since initial recognition and that are not credit-impaired upon origination, the portion of lifetime ECLs that represent the ECLs that result from default events that are possible within the 12-months after the reporting date are recognized.

- *Stage 2: Lifetime ECL - not credit-impaired*. For credit exposures where there have been significant increases in credit risk since initial recognition on an individual or collective basis but are not credit-impaired, lifetime ECLs representing the ECLs that result from all possible default events over the expected life of the financial asset are recognized.

- *Stage 3: Lifetime ECL - credit-impaired*. Financial assets are credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of those financial assets have occurred. For these credit exposures, lifetime ECLs are recognized and interest revenue is calculated by applying the credit-adjusted effective interest rate to the amortized cost of the financial asset.

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

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

The 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’.

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

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

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

  The Group considers 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.

Offsetting Financial Instruments. Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Derecognition of Financial Assets and Liabilities

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

  Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

  Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase, except that in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

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



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

Investments in Associates and Interests in 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. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

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 interests in joint ventures 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 of 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 neither amortized nor individually tested for impairment.

The consolidated statement of comprehensive income reflects the Group's share of the results of operations of the associate or joint venture. Any change in other comprehensive income of those investees is presented as part of the Group's other comprehensive income. 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.

Inventories
Inventories are valued at the lower of cost and net realizable value (NRV). Costs incurred in bringing the inventory to its present location and condition is determined primarily on the basis of the weighted average method. NRV is the current replacement cost. An allowance for inventory obsolescence is provided for slow-moving, defective or damaged goods based on analyses and physical inspection.

Prepayments and Other Current Assets
Prepayments and other current assets are recognized and carried at cost, less any impairment in value. These are recognized as assets when it is probable that any future economic benefit associated with the item will flow to or from the entity and the item has a cost or value that can be measured with reliability. An asset is not recognized in the consolidated statement of financial position when expenditure has been incurred for which it is considered improbable that economic benefits will flow to the entity beyond the current accounting period. Instead, such a transaction results in the recognition of an expense in the consolidated statement of comprehensive income.



Property, Plant and Equipment

Property, plant and equipment, except land, are stated at cost less accumulated depreciation and amortization, and impairment losses, if any.

Initially, an item of property, plant and equipment is measured at its cost, which comprises its purchase price and any directly attributable costs of bringing the asset to the location and condition for its intended use. Subsequent expenditures are added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the originally assessed standard of performance, will flow to the Group. The costs of day-to-day servicing of an asset are recognized as an expense in the period in which they are incurred. Land is measured at cost less any impairment losses. For land transferred from investment properties carried at fair value, the land's deemed cost is its fair value at the date of change in use.

Depreciation and amortization are computed using the straight-line method over the assets' estimated useful lives. Leasehold improvements are amortized using the straight-line method over the estimated useful life of the improvements or the term of the lease, whichever is shorter. The estimated useful lives are as follows:

	Number of Years
Plant machineries and equipment	5–10
Condominium units, building and improvements	5–40
Transportation equipment	5
Office furniture, fixtures and equipment	2–10
Tools and other assets	3–5
Leasehold and land improvements	3–10

The useful lives and depreciation and amortization method are reviewed at each reporting date to ensure that such useful lives and depreciation and amortization method are consistent with the expected pattern of economic benefits from those assets.

Fully depreciated assets are retained in the accounts until they are no longer in use and no further charge for depreciation and amortization is made in respect to those assets.

When an asset is disposed of, or is permanently withdrawn from use and no future economic benefits are expected from its disposal, the cost and the related accumulated depreciation and amortization and impairment losses, if any, are removed from the accounts and any resulting gain or loss arising from the retirement or disposal is recognized in profit or loss.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Construction in progress represents structures under construction and is stated at cost. This includes cost of construction and other direct costs. Borrowing costs that are directly attributable to the construction of property, plant and equipment are capitalized during the construction period.

Investment Properties

Investment properties, which pertain to land and buildings, are properties held by the Group either to earn rentals or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment properties are initially measured at cost. Subsequently, investment properties are measured at fair value with any change therein recognized in profit or loss following the fair value model.

The fair value of the Group's investment properties measured using the fair value model is based on the valuation carried out by independent appraisers. The valuation, which conforms to International Valuation Standards, was arrived at by reference to market evidence of transaction prices of similar properties.

Any gain or loss resulting from either a change in the fair value or the sale of investment properties is recognized in profit or loss in the year of change or derecognition.

Transfers are made to investment properties when, and only when, there is a change in use, evidenced by the end of owner-occupation or the start of an operating lease to another party. Transfers are made from investment property when, and only when, there is a change in use, evidenced by start of owner-occupation or of development with a view to sell.

Business Combination 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 pertaining to instruments that represent present ownership interests and entitle their holders to a proportionate share of the net assets in the event of liquidation either at fair value or at the proportionate share of the acquiree's identifiable net assets.

All other components of non-controlling interest are measured at fair value unless another measurement basis is required by PFRS. Acquisition costs incurred are expensed and included in general and administrative expenses.

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

If the business combination is achieved in stages, 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 through the consolidated statement of comprehensive income.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognized in accordance with PAS 39 either in the consolidated statement of comprehensive income or as a change to other comprehensive income. If the contingent consideration is classified as equity, it should not be remeasured until it is finally settled within equity.



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 Group's interest in the fair values of 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 the consolidated statement of comprehensive 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 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 forms part of a cash-generating unit 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 this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Impairment of Goodwill. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment, annually or more frequently, if events or changes in circumstances indicate that the carrying value may be impaired.

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, or groups of cash-generating units, 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.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units), to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognized.

Impairment of Nonfinancial Assets

As at December 31, 2022 and 2021, the Group has investments in associates and joint ventures, property, plant and equipment and right-of-use assets which are classified as nonfinancial assets subject to impairment.

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset 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 to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples or other available fair value indicators.



Impairment losses of continuing operations, including impairment of inventories, are recognized in the consolidated statement of comprehensive income in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the assets or CGU's recoverable amount.

A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statement of comprehensive income unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Equity

Capital Stock. Capital stock is recognized as issued when the stock is paid for or subscribed under a binding subscription agreement and is measured at par value for all issued shares.

Additional Paid-in Capital. Consideration received in excess of par value are recognized as additional paid-in capital, net of incremental costs that are directly attributable to the issuance of new shares.

Retained Earnings. Retained earnings consist of appropriated and unappropriated balances. Appropriated retained earnings are restricted for specific purposes and/or are not available for dividend declaration. Unappropriated retained earnings are not restricted and include the cumulative balance of net income or loss, any dividend distributions, prior period adjustments and effects of any change in accounting policy.

Equity Reserves. Equity reserves pertain to the difference between the consideration transferred and the book value of interest acquired from non-controlling interest without loss of control.

Revenue Recognition

Revenue is measured based on the consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

Revenue is recognized when the Group satisfies a performance obligation by transferring a promised good or service to the customer, which is when the customer obtains control of the good or service. A performance obligation may be satisfied at a point in time or over time. The amount of revenue recognized is the amount allocated to the satisfied performance obligation. The Group has concluded that it is the principal in its revenue arrangements because it controls the goods or services before these goods or services are transferred to the customer.

The following specific recognition criteria must also be met before revenue is recognized:

Revenue from Contracts with Customers

- *Sale of Power*. For power generation and ancillary services where capacity and energy dispatched are separately identified, these two obligations are to be combined as one performance obligation since these are not distinct within the context of the contract as the buyer cannot benefit from the contracted capacity alone without the corresponding energy and the buyer cannot obtain energy without contracting a capacity. The combined performance obligation qualifies as a series of distinct goods or services that are substantially the same and have the same pattern of transfer.

  Revenue from power generation and ancillary services is recognized in the period actual capacity is delivered. Revenue is to be recognized over time since the customer simultaneously receives and consumes the benefits as the seller supplies power.

  Power retail supply also qualify as a series of distinct goods or services that are substantially the same and have the same pattern of transfer accounted for as one performance obligation. Revenue should be recognized over time based on amounts billed.

- *Management and Service fees.* Revenue from management fees, arising from services involving consultancy, management, technical, and services covered by Service Level Agreements (SLAs), are recognized over time when the related services are rendered based on the terms of the management and service contracts.

- *Engineering service income.* Revenue from engineering services, arising from engagement with customers availing technical and engineering expertise and covered by service contracts, are recognized overtime when the services are rendered.

For the years ended December 31, 2022, 2021 and 2020, the Group has no variable consideration and the timing of revenue recognition currently does not result in any contract assets or liabilities and there are no unfulfilled performance obligations at any point in time.

Interest Income. Interest income is recognized as interest accrues taking into account the effective yield on the assets.

Other Income. Other income includes proceeds from insurance claims, rental income and gain on disposal of property and equipment. These are generally recognized when earned. Rental income is recognized on a straight-line basis over the term of the lease while gain on disposal of property, plant and equipment is recognized as the difference between the consideration and the book value of the property, plant and equipment disposed.

Cost and Expenses

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

Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain.

The expense relating to any provision is presented in the consolidated statement of comprehensive income, net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a borrowing cost.

Pension Benefits

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.

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 the consolidated statement of comprehensive income. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuaries.

Net interest on the net defined benefit liability 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 the consolidated statement of comprehensive income.

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 consolidated statement of comprehensive income in subsequent periods.

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.

Taxes

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

Deferred Income Tax. Deferred income tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred income tax liabilities are recognized for all taxable temporary differences, except:

- where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

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

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

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted as of the reporting date. Income tax relating to items recognized directly in equity is recognized in equity and not in the consolidated statement of comprehensive income.



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

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

Value-Added Tax (VAT). Revenues, expenses, and assets are recognized net of the amount of VAT, if applicable.

When VAT from sales of services (output VAT) exceeds VAT passed on from purchases of goods or services (input VAT), the excess is recognized as payable in the consolidated statement of financial position. When VAT passed on from purchases of goods or services (input VAT) exceeds VAT from sales of services (output VAT), the excess is recognized as an asset in the consolidated statement of financial position to the extent of the recoverable amount.

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. The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company 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 at the end of the lease term, the recognized right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term as follow.

	Number of Years
Office space	1–5
Plant and equipment	5

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

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

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

Short-term Leases and Leases of Low-value Assets. The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the leases of low-value assets recognition exemption to leases of office equipment that are considered of low value (i.e., below ₱0.25 million). 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.

Foreign-currency-denominated Transactions

Transactions in foreign currencies are recorded using the exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are restated using the rate of exchange at reporting date. Exchange gains and losses arising from foreign currency transactions and translations of foreign-currency-denominated monetary assets and liabilities are credited or charged to current operations.

Contingencies

Contingent liabilities are not recognized in the consolidated financial statements. They 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 Reporting Period

Post year-end events 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 when material.

Earnings Per Share

Basic earnings per common share is calculated by dividing net income for the year attributable to the common stockholders of the Group by the weighted average number of common shares issued and outstanding during the year, after retroactive adjustments for any stock dividends declared.



Diluted earnings per share is calculated by dividing the net income for the year attributable to the common stockholders of the Group by the weighted average number of common shares outstanding during the year plus the weighted average number of common shares that would be issued for outstanding common stock equivalents.

As at December 31, 2022 and 2021, the Group does not have dilutive common stock equivalents.

5. Significant Accounting Judgments, Estimates and Assumptions

The preparation of the consolidated financial statements in compliance with PFRSs requires the Group to make judgments, estimates and assumptions that affect the amounts reported in the consolidated financial statements and related notes. In preparing these consolidated financial statements, the Group made its best judgments and estimates of certain amounts, giving due consideration to materiality. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

The Group believes that the following represent a summary of these significant accounting judgments and estimates and the related impact and associated risks in the consolidated financial statements.

Judgments

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

Determination of Lease Contract and Lease Payments under PFRS 16. 1590 EC entered into lease contract with Provincial Government of La Union (PGLU) for the right to preserve, maintain and operate the Buang Diesel Power Plant (BDPP) for its sole account and expense for a term of five years commencing January 1, 2019. Under the contract, 1590 EC will pay PGLU for a fixed monthly rent with annual escalation and annual capital investment to cover for upgrading, maintenance, rehabilitation and repair of BDPP. The Group has determined that the lease contract with PGLU meets the definition of the lease under PFRS 16 since the leased asset is explicitly identified and defined in the contract and 1590 EC has the right to control over the identified asset. Further, the payments for capital investments are considered in-substance lease payments as 1590 EC has no other option but to incur this amount whether it be in the form of leasehold improvement or cash. Accordingly, such in-substance lease payments are included in the measurement of right-of-use asset and lease liability upon commencement date.

The carrying amount of the right-of-use asset and the lease liability amounted to ₱22.1 million and ₱26.8 million, respectively, as at December 31, 2022, and ₱442.4 million and ₱358.7 million, respectively, as of December 31, 2021 (see Note 24).

Estimates and Assumptions

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

Determining Fair Value of Customer Contracts as part of a Business Combination. The Group acquired two subsidiaries in 2021 and completed the valuation required by PFRS 3 in the current year (see Note 13). The subsidiaries at the time of acquisition had existing power supply agreements with electric cooperatives. These signed customer agreements were assessed to qualify as intangible assets as at the acquisition date because they arose from an existing contractual relationship. Management determined the fair value of the customer contracts using the multi-period excess earnings method, using discounted future operating cash flows adjusted by imputed charges on contributory asset charges such as working capital, property, plant and equipment, and the assembled workforce. The discount rates used to discount these adjusted cash flows was based on the NBPC and BPC's WACC at the acquisition date of 9.65% and 9.51%, estimated using the respective companies' current cost of debt and an estimated cost of equity using the capital asset pricing model.

Management has assessed that no reasonably possible change in the forecasted cash flows, the contributory asset charges, or the components of the discount rate estimate would result in material changes to the fair value of customer contracts determined as of the acquisition date.

The acquisition-date fair value of customer contracts amounted to ₱233.5 million. The intangible assets were amortized over the expected remaining contractual term of the customer contracts as of the acquisition date of 10–12 years. The carrying amount of the intangible assets as of December 31, 2022 and 2021 amounted to ₱199.8 million and ₱221.1 million, respectively (see Note 13).

Determining Fair Value of Investment Properties. The Group carries its investment properties at fair value, with changes in fair value being recognized in the consolidated statements of comprehensive income. While the Group has opted to rely on independent appraisers to determine the fair value of its investment properties, such fair value was determined based on recent prices of similar properties with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices. The amounts and timing of recorded changes in fair value for any period would differ if the Group made different judgments and estimates or utilized different basis in determining fair value.

The key assumptions used to determine the fair value of the properties and sensitivity analyses are provided in Note 25.

Any gain or loss from a change in the fair value of each investment property is included in the consolidated statement of comprehensive income in the year in which the change arises.

As of December 31, 2022, and 2021, the carrying value of the Group's investment properties amounted to ₱924.0 million and ₱863.6 million, respectively. (see Note 12).

Determining Non-Controlling Interest (NCI) that is Material to the Group. The Group assesses whether an NCI is material by considering factors such as the carrying amount of the NCI relative to the net equity of the Group, the profit or loss or OCI of the subsidiary attributable to the NCI, the assets and liabilities of the related subsidiary, or the amount of dividends paid by the subsidiary to the NCI, and the proportion that these amounts bear to the Group's financial position or results of operations. The Group also considers the nature of activities of the subsidiary and its relative importance or risk compared to other operations of the Group. Based on management's assessment, it has determined that the NCI in 1590 EC is material to the Group. Information about this subsidiary with material NCI are disclosed in Notes 1 and 21.



Estimating Useful Lives of Property, Plant and Equipment and Intangible Assets. The Group reviews annually the estimated useful lives of property, plant and equipment and intangible assets and updates the estimates based on expected asset utilization, market demands and future technological developments consistent with the Group's pursuit of constant modernization of its machineries, equipment and software. However, it is possible that the factors mentioned above may change in the future which could change the estimated useful lives of the property, plant and equipment and intangible assets. The estimated useful lives are also updated if expectations differ from previous estimates due to physical wear and tear, technical obsolescence and legal or other limits on the use of the assets. A reduction in the estimated useful lives could result in a significant increase in depreciation and amortization of property, plant and equipment and intangible assets.

The carrying value of the property, plant and equipment amounted to ₱5,877.6 million and ₱3,379.7 million as of December 31, 2022 and 2021, respectively (see Note 11). The carrying value of intangible assets (relating to software costs and customer contracts under "Other noncurrent assets") amounted ₱200.6 million and ₱222.1 million as of December 31, 2022 and 2021, respectively (see Note 13).

Estimating Impairment of Nonfinancial Assets. Internal and external sources of information are reviewed at each reporting date to identify indications that the following assets may be impaired or an impairment loss previously recognized no longer exists or may be decreased:

- Investments in associates and joint ventures
- Property, plant and equipment
- Right-of-use assets

PFRSs requires that an impairment review be performed when certain impairment indicators are present. Determining the recoverable amount, which require the determination of future cash flows expected to be generated from the continued use and ultimate disposition of such assets, requires the Group to make estimates and assumptions that can materially affect its consolidated financial statements. Future events could cause the Group to conclude that the investments in associates and joint ventures and property, plant and equipment are impaired. Any resulting impairment loss could have a material adverse impact on the financial condition and results of operations.

Assets that are subject to impairment testing when impairment indicators are present (such as obsolescence, physical damage, significant changes to the manner in which the asset is used, worse than expected economic performance, a drop in revenues or other external indicators) are as follows:

	2022	2021
Investments in associates and joint ventures (see Note 10)	**₱10,578,321,124**	₱9,912,859,401
Property, plant and equipment (see Note 11)	**5,877,554,921**	3,379,668,607
Right-of-use assets (see Note 24)	**22,112,091**	442,360,406

In 2020, the Group determined that an impairment test had to be performed on certain items of its property, plant and equipment and right-of-use assets amounting to ₱1,071.2 million, respectively (see Notes 11 and 24). The impairment test calculation did not result to any recognition of an impairment loss in 2020. There were no impairment indicators on the Group's nonfinancial assets in 2022 and 2021.

Estimating Impairment of Goodwill. The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated.

Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. In estimating the value in use, the Group estimated revenue based on existing customer contracts, anticipated projects and projected demand, and assumed, for one CGU, a consistent gross margin during the five-year horizon based on the mix of business model arrangements with current and expected customers, and for two other CGUs, a gross margin that varies depending on anticipated demand. The interest rate used to discount the net free cash flows from operations is the weighted average cost of capital (WACC) of 8.74%–10.05% as of December 31, 2022 and 7.32%-7.84% as of December 31, 2021.

As at December 31, 2022 and 2021, the carrying amount of goodwill amounted to ₱129.8 million (see Note 13).

Estimating Realizability of Deferred Income Tax Assets. The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of such deferred income tax assets to be utilized. The Group's assessment on the recognition of deferred income tax assets on deductible temporary differences is based upon the likely timing and level of future taxable profits determined from the tax planning strategies of the Group.

Net deferred income tax assets amounted to ₱13.8 million and ₱20.4 million as of December 31, 2022 and 2021, respectively (see Note 20).

Deferred income tax assets have not been recognized on net operating loss carry-over (NOLCO) of ₱1,589.6 million and ₱302.7 million as of December 31, 2022 and 2021, respectively, and minimum corporate income tax (MCIT) of ₱0.1 million as of December 31, 2022 and 2021 (see Note 20).

Estimating the Incremental Borrowing Rate for Lease Liabilities. The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Group estimates the IBR using observable inputs when available and is required to make certain entity-specific estimates.

The Group's lease liabilities amounted to ₱26.8 million and ₱358.7 million as of December 31, 2022 and 2021, respectively (see Note 24).

Estimating Legal Contingencies. The estimate of probable costs for the resolution of possible claims has been developed in consultation with outside counsel handling the Group's defense in these matters and is based upon an analysis of potential results. Management, in consultation with its legal counsel, believes that the likely outcome of these proceedings will not have a material adverse effect on the Group's financial position and operating results.



Management also believes that the current provisions in the accounts are adequate to cover the possible claims that may arise under the current circumstances. Existing circumstances and assumptions about future developments related to these proceedings may still change. Such changes are reflected in the assumptions when they occur.

6. Cash and Cash Equivalents

	2022	2021
Cash on hand and in banks	**₱1,901,784,675**	₱523,471,825
Short-term investments	**2,991,572,551**	5,126,553,114
	₱4,893,357,226	₱5,650,024,939

Cash in banks earn interest at the respective bank deposit rates.

Short-term investments are cash equivalents and are made for varying periods of up to three months depending on the immediate cash requirements of the Group, and earn interest at the respective short-term investment rates.

Interest income earned from cash in banks and short-term investments amounted to ₱60.1 million, ₱23.0 million and ₱62.2 million in 2022, 2021 and 2020, respectively. Accrued interest receivable amounted to ₱10.3 million and ₱6.1 million as of December 31, 2022 and 2021, respectively (see Note 7).

7. Trade and Other Receivables

	2022	2021
Trade receivables:		
Third parties	**₱1,216,187,506**	₱660,874,515
Related parties (see Notes 16 and 23)	**54,540,062**	53,076,978
Accounts receivable (see Note 16)	**11,161,303**	35,226,207
Accrued interest (see Note 6)	**10,279,936**	6,146,305
Dividends receivable (see Notes 10 and 16)	**7,760,000**	39,400,000
Advances to officers and employees	**6,364,939**	8,179,942
Others	**98,406,472**	131,414,793
	1,404,700,218	934,318,740
Less allowance for impairment losses	**41,994,023**	54,272,035
	₱1,362,706,195	₱880,046,705

Trade receivables represent receivables from Independent Electricity Market Operator of the Philippines (IEMOP) for sales to the Wholesale Electricity Spot Market (WESM), Ancillary Services Procurement Agreement (ASPA) with NGCP and bilateral sales contracts with other parties, Power Supply Agreement (PSA), Distribution Wheeling Service (DWS), and Retail Supply Contracts (see Note 23). Trade receivables are noninterest-bearing and generally have credit terms of 30 days (see Note 23).

Other receivables are mainly composed of project costs and receivables from former related parties.

The following table shows the movement in the allowance for impairment losses of receivables:

	2022	2021
At January 1	**₱54,272,035**	₱54,272,035
Provision	**5,721,988**	–
Reversal	**(18,000,000)**	–
At December 31	**₱41,994,023**	₱54,272,035

Significant portion of the impairment losses pertains to individually impaired accounts.

8. Inventories - at Cost

	2022	2021
Heavy fuel oil	**₱104,549,735**	₱75,455,644
Spare parts	**50,083,500**	59,157,954
Light fuel oil	**14,406,899**	8,885,445
Lube oil	**8,680,422**	9,176,416
	₱177,720,556	₱152,675,459

The total cost of inventories recognized under "Generation costs" in the consolidated statements of comprehensive income amounted to ₱2,392.2 million, ₱938.5 million and ₱363.3 million in 2022, 2021 and 2020, respectively (see Note 17).

9. Prepayments and Other Current Assets

	2022	2021
Advances to suppliers and other parties	**₱107,751,455**	₱136,928,721
Input VAT – current	**167,475,443**	124,988,810
Prepaid expenses	**74,809,857**	40,370,900
Creditable withholding taxes – current	**63,489,165**	1,713,591
Others (see Note 23)	**32,757,639**	26,570,815
	₱446,283,559	₱330,572,837

Advances to suppliers and other parties include down payment for service contractors and advance payments to suppliers for purchases of goods and services for the succeeding year.

Input VAT represents the VAT imposed by the Group's suppliers of goods and services as required by Philippine taxation laws and regulations. The non-current portion of these input VAT are presented as part of "Other noncurrent assets" (see Note 13).

Prepaid expenses include payments for the Group's health insurance coverage and for all risks of direct physical loss or damage, including boiler explosion and machinery break down.

Creditable withholding taxes pertain to taxes withheld by the customers on income payments to the companies in the Group from sales of services that can be applied against the companies' income tax liabilities. The non-current portion of these creditable withholding taxes are presented as part of "Other noncurrent assets" (see Note 13).

"Others" include cash restricted amounting to ₱2.0 million as of December 31, 2022 and 2021 for implementing environmental and community projects pursuant to the agreement entered with the Department of Environment and Natural Resources and PGLU and security deposits paid to distribution utilities in connection with distribution wheeling services agreements (see Note 23).

10. Investments in Associates and Joint Ventures

The Group's associates and joint ventures, which are all incorporated in the Philippines, and the corresponding equity ownership as of December 31 follow:

		Percentage of Ownership		
	Nature of Business	**2022**	2021	2020
Associates:				
VECO	Power distribution	**34.81**	34.81	34.81
LPCI	Power generation	**42.50**	42.50	42.50
GLEDC	Power generation	**42.50**	42.50	42.50
CPPC	Power generation	**40.00**	40.00	40.00
PEI	Power generation	**40.00**	40.00	40.00
AHI	Holding company	**40.00**	40.00	40.00
MPC	Power generation	**40.00**	40.00	40.00
TVI	Power generation	**20.00**	20.00	20.00
SREC	Power generation	**–**	–	30.00
CREC	Power generation	**35.00**	35.00	35.00
LWEC	Power generation	**40.00**	40.00	40.00
FLOWS	Holding company	**45.00**	45.00	45.00
PPWRLC	Water treatment	**40.31**	40.31	40.31
Joint ventures:				
CIPC	Power generation	**50.00**	50.00	50.00
Delta P	Power generation	**50.00**	50.00	50.00
LPEC	Power generation	**50.00**	50.00	–

	2022	2021 (As restated - Note 3)
Acquisition cost:		
At January 1	**₱7,674,958,223**	₱7,670,265,917
Additions	**68,400,000**	49,692,306
Disposal of an associate	**–**	(45,000,000)
At December 31	**7,743,358,223**	7,674,958,223
Accumulated share in net earnings:		
At January 1	**2,331,917,245**	2,014,922,847
Equity in net earnings of associates and joint ventures	**1,941,357,383**	1,838,491,265
Cash dividends received and receivable	**(1,344,295,660)**	(1,536,955,895)
Disposal of an associate	**–**	15,459,028
At December 31	**2,928,978,968**	2,331,917,245
Share in remeasurement gains (losses) on employee benefits of associates and joint ventures:		
At January 1	**(94,016,067)**	(96,181,114)

(Forward)

	2022	2021 (As restated - Note 3)
Share in the remeasurement gains (losses) on employee benefits	₱–	₱2,165,047
At December 31	**(94,016,067)**	(94,016,067)
	₱10,578,321,124	₱9,912,859,401

As of December 31, 2022 and 2021, the undistributed earnings of the associates and joint ventures included in the Group's retained earnings amounting to ₱2,929.0 million and ₱2,331.9 million, respectively, are not available for distribution to the stockholders unless declared as dividends by the associates and joint ventures.

VECO
In 2020, an appraisal was performed on VECO's utility plant, property and equipment which resulted to a revaluation increment, for which the Group's share amounted to ₱407.0 million.

In 2021, the Group recognized its share in the increase in the revaluation increment of VECO amounting to ₱112.0 million from the adjustment to the deferred income tax recognized against the revaluation increment resulting from the lower tax rate under the CREATE law, net of impairment of revalued assets damaged by a typhoon in December 2021.

In 2022, the Group elected to change its policy in applying the equity method with respect to VECO's power distribution utility assets, i.e., from the revaluation model to the cost model. The Group believes that the change would present a reliable and more relevant information of the cost and how much return it has earned in its investment in VECO. The impact of these changes on the comparative consolidated statement of financial position and statement of comprehensive income are shown in Note 3.

LWEC
VEC made additional investments to LWEC amounting to ₱68.4 million and ₱2.2 million in 2022 and 2021, respectively. The additional infusions did not result in a change in ownership interest in LWEC.

PEI
In 2020, the Parent Company assigned its 8,432,400 common shares in PEI to VEC, including its advances amounting to ₱1.5 million, in exchange for VEC's preferred shares amounting to ₱47.5 million.

SREC
In 2020, VREC made additional infusions to SREC amounting to ₱4.8 million.

On May 28, 2021, VREC and VEC entered into a share-swap agreement with a third party to sell their entire investment in SREC and acquire additional shares in CREC held by the said party. The agreement resulted to the sale of VEC's 29,925 preferred shares with par value of ₱1,000.00 per share and VREC's 11,250 common shares with a par value of ₱1,000.00 per share to the buyer for a consideration of ₱33.2 million. A gain on the sale of investment amounting to ₱3.7 million was recognized.

CREC
In April 2019, a reclassification was made from advances into an equity account amounting to ₱0.3 million. On October 11, 2019, the Group made an additional capital infusion amounting to ₱8.4 million.

In 2020, VEC made an additional investment in CREC amounting to ₱1,000.

On March 24, 2021, an existing shareholder of CREC assigned its 938 common shares of CREC to VREC for a consideration of ₱1.1 million and subscription price payable to CREC amounting to ₱0.6 million.

On May 28, 2021, VREC and VEC entered into a share-swap agreement with a third party to sell its entire investment in SREC and acquire additional shares in CREC held by the said party. The agreement resulted to the VEC's acquisition of 2,812 preferred stocks with par value of ₱1,000.00 per share for a total consideration of ₱5.2 million. The transaction did not result in a change in ownership interest in CREC.

Delta P
On February 12, 2020, VEC paid GPI ₱19.8 million as an additional consideration for the purchase of shares that brought VEC's stake in Delta P to 50% in 2015.

On October 16, 2020, Delta P redeemed 40,000,000 preferred shares issued to VEC at ₱1.00 per share amounting to ₱40.0 million. The redemption did not change the Company's ownership interest in Delta P as of December 31, 2020.

FLOWS
In 2020, VHHI made an investment to FLOWS amounting to ₱65.0 million which represents 96,750,000 common shares with par value of ₱1.00 per share.

LPEC
In 2021, VEC entered into a joint venture agreement with GPI which resulted to a 50% ownership in LPEC and reclassification of the investment from a subsidiary to a joint venture (see Note 1). In the same year, VEC infused advances for future stock subscription amounting to ₱40.6 million in LPEC.

The following are selected financial information of the material associates of the Group as of and for the years ended December 31, 2022, 2021 and 2020:

VECO

	2022	2021 (As restated - Note 3)	2020 (As restated - Note 3)
Total current assets	**₱5,519,111,633**	₱4,385,888,164	₱4,091,285,412
Total noncurrent assets	**17,915,203,930**	17,635,874,580	18,103,795,515
Total current liabilities	**9,722,486,379**	7,846,069,125	7,535,333,182
Total noncurrent liabilities	**4,599,705,333**	4,631,031,218	5,562,123,094
Total equity	**9,112,123,851**	9,544,662,401	9,097,624,651
Gross revenue	**26,977,125,092**	21,689,021,868	20,832,306,757
Operating profit	**2,269,847,546**	2,747,237,218	2,186,235,346
Net income	**2,169,835,188**	2,338,687,791	1,663,383,286

(Forward)

	2022	2021 (As restated - Note 3)	2020 (As restated - Note 3)
Other comprehensive loss	**₱**–	(**₱**857,499)	(**₱**34,712,999)
Total comprehensive income	**2,169,835,188**	2,337,830,292	1,628,670,287
Group's share in net income, as restated (see Note 3)	**755,319,629**	814,097,220	579,023,722
Proportion of Group's ownership	**34.81%**	34.81%	34.81%
Group's share in equity of associate, as restated (see Note 3)	**3,171,930,313**	3,322,496,982	3,166,883,141
Share in revaluation increment and other adjustments	**(1,704,779,011)**	(1,740,610,202)	(1,668,839,184)
Carrying amount of the investment, as restated (see Note 3)	**₱1,467,151,302**	₱1,581,886,780	**₱**1,498,043,957
Dividends received from VECO	**₱827,495,658**	₱729,955,901	**₱**741,311,200

MPC

	2022	2021	2020
Total current assets	**₱4,201,022,933**	₱3,700,951,701	₱3,892,451,407
Total noncurrent assets	**16,909,376,253**	17,063,969,413	18,114,484,121
Total current liabilities	**3,242,063,666**	2,247,453,130	2,315,901,267
Total noncurrent liabilities	**9,050,373,824**	10,131,695,716	11,255,788,071
Total equity	**8,817,961,696**	8,385,772,268	8,435,246,190
Gross revenue	**7,447,497,810**	5,652,572,661	5,612,964,499
Operating profit	**1,657,295,454**	1,577,894,717	1,031,467,510
Net income	**933,519,225**	550,526,078	1,031,282,086
Total comprehensive income	**933,519,225**	550,526,078	1,031,282,086
Group's share in net income	**373,407,690**	220,210,431	412,512,834
Proportion of Group's ownership	**40.00%**	40.00%	40.00%
Group's share in equity of associate	**3,527,184,678**	3,354,308,907	3,374,098,476
Goodwill and other adjustments	**20,818,687**	20,286,763	20,286,763
Carrying amount of investment	**3,548,003,365**	3,374,595,670	3,394,385,239
Dividends received from MPC	**200,000,000**	239,999,995	399,999,995

TVI

	2022	2021	2020
Total current assets	**₱10,324,952,761**	₱8,287,903,253	₱8,952,688,187
Total noncurrent assets	**31,889,847,789**	33,649,468,128	35,790,157,665
Total current liabilities	**4,597,094,963**	4,077,133,207	5,069,625,547
Total noncurrent liabilities	**22,258,113,570**	24,657,863,758	27,244,241,562
Total equity	**15,359,592,017**	13,202,374,416	12,428,978,743
Gross revenue	**15,048,870,946**	10,685,992,170	8,490,212,480
Operating income	**3,022,186,775**	2,717,701,465	1,687,420,404
Net income	**1,901,715,238**	903,188,516	466,214,728
Other comprehensive income (loss)	–	–	376,936,106
Total comprehensive income	**1,901,715,238**	903,188,516	843,150,834
Group's share in net income	**380,343,048**	180,637,703	93,242,946
Proportion of Group's ownership	**20.00%**	20.00%	20.00%
Group's share in equity of associate	**3,071,918,403**	2,640,474,883	2,485,795,749
Goodwill and other adjustments	**(66,750,366)**	(15,649,894)	(43,709,872)
Carrying amount of the investment	**3,005,168,037**	2,624,824,989	2,442,085,877

AHI

	2022	2021	2020
Total current assets	**₱796,056,687**	₱795,803,858	₱751,455,452
Total noncurrent assets	**3,081,430,007**	2,900,509,469	3,389,233,698
Total current liabilities	**14,886**	6,304	6,763
Total equity	**3,877,471,808**	3,696,307,022	4,140,682,387
Gross revenue	**955,728,891**	845,817,147	694,273,269
Operating profit	**955,453,193**	845,714,475	694,170,061
Net income	**955,950,548**	845,601,590	694,056,202
Other comprehensive loss	–	–	–
Total comprehensive income	**955,950,548**	845,601,590	694,056,202
Group's share in net income	**382,380,219**	338,240,636	277,622,481
Proportion of Group's ownership	**40.00%**	40.00%	40.00%
Group's share in equity of associate	**1,550,988,723**	1,478,522,809	1,656,272,955
Goodwill and other adjustments	**(1,629,285)**	5,756,410	165,628
Carrying amount of the investment	**1,549,359,438**	1,484,279,219	1,656,438,583
Dividends received from AHI	**316,800,000**	510,400,000	299,200,000

Individually Immaterial Associates and Joint Ventures

The carrying amounts of the Group's interest in all individually immaterial associates and joint ventures that are accounted for using the equity method as of and for the year ended December 31 follows:

	2022	2021	2020
Income from continuing operations	**₱49,906,798**	₱300,600,267	₱263,944,402
Net income	**49,906,798**	285,305,275	168,490,025
Other comprehensive income (loss)	–	152,992	(1,435,229)
Total comprehensive income	**49,906,798**	285,458,266	167,054,796
Aggregate carrying amounts	**965,579,534**	847,272,743	598,053,994

The associates and joint ventures had no contingent liabilities or capital commitments as of December 31, 2022 and 2021.

11. **Property, Plant and Equipment**

	2022								
	Land	**Plant Machineries and Equipment**	**Condominium Units, Building and Improvements**	**Transportation Equipment**	**Office Furniture, Fixtures and Equipment**	**Tools and Other Assets**	**Leasehold and Land Improvements**	**Construction in Progress**	**Total**
Cost									
At January 1	**₱54,373,755**	**₱862,964,932**	**₱177,839,711**	**₱86,101,718**	**₱95,928,795**	**₱125,320,911**	**₱94,485,818**	**₱2,444,944,422**	**₱3,941,960,062**
Additions	**439,865,600**	**1,718,906,610**	**–**	**17,089,554**	**13,042,459**	**4,470,209**	**14,232**	**639,238,082**	**2,832,626,746**
Reclassification	**–**	**1,342,469,439**	**–**	**–**	**–**	**55,120,922**	**8,482,143**	**(1,406,072,504)**	**–**
Disposal (see Note 17)	**–**	**–**	**–**	**(4,523,946)**	**(573,074)**	**–**	**(8,482,143)**	**–**	**(13,579,163)**
At December 31	**494,239,355**	**3,924,340,981**	**177,839,711**	**98,667,326**	**108,398,180**	**184,912,042**	**94,500,050**	**1,678,110,000**	**6,761,007,645**
Accumulated Depreciation and Amortization									
At January 1	**–**	**344,018,341**	**29,593,705**	**46,203,515**	**72,049,933**	**26,564,826**	**43,861,135**	**–**	**562,291,455**
Depreciation and amortization	**–**	**266,736,195**	**9,588,967**	**12,570,939**	**12,810,462**	**9,870,837**	**13,359,776**	**–**	**324,937,176**
Disposal	**–**	**–**	**–**	**(3,202,852)**	**(573,055)**	**–**	**–**	**–**	**(3,775,907)**
At December 31	**–**	**610,754,536**	**39,182,672**	**55,571,602**	**84,287,340**	**36,435,663**	**57,220,911**	**–**	**883,452,724**
Net Book Value	**₱494,239,355**	**₱3,313,586,445**	**₱138,657,039**	**₱43,095,724**	**₱24,110,840**	**₱148,476,379**	**₱37,279,139**	**₱1,678,110,000**	**₱5,877,554,921**

	2021 (As Restated - Note 13)								
	Land	Plant Machineries and Equipment	Condominium Units, Building and Improvements	Transportation Equipment	Office Furniture, Fixtures and Equipment	Tools and Other Assets	Leasehold and Land Improvements	Construction in Progress	Total
Cost									
At January 1	₱38,373,755	₱446,465,014	₱36,421,603	₱71,595,486	₱82,393,435	₱108,620,458	₱85,141,819	₱1,843,810,605	₱2,712,822,175
Acquisition of subsidiaries (see Note 13)	16,000,000	408,953,893	141,418,108	–	721,399	–	8,963,999	–	576,057,399
Additions	54,800,000	7,546,025	–	26,424,908	9,298,397	4,178,603	380,000	618,699,916	721,327,849
Reclassification	–	–	–	–	4,888,893	12,677,206	–	(17,566,099)	–
Disposal (see Note 17)	–	–	–	(11,918,676)	(1,373,329)	(155,356)	–	–	(13,447,361)
Derecognition from loss of control in a subsidiary (see Note 10)	(54,800,000)	–	–	–	–	–	–	–	(54,800,000)
At December 31	54,373,755	862,964,932	177,839,711	86,101,718	95,928,795	125,320,911	94,485,818	2,444,944,422	3,941,960,062
Accumulated Depreciation and Amortization									
At January 1	–	274,297,222	24,168,840	44,386,158	61,054,645	19,607,611	28,846,292	–	452,360,768
Depreciation and amortization	–	69,721,119	5,424,865	13,062,346	12,217,784	7,112,570	15,014,843	–	122,553,527
Disposal	–	–	–	(11,244,989)	(1,222,496)	(155,355)	–	–	(12,622,840)
At December 31	–	344,018,341	29,593,705	46,203,515	72,049,933	26,564,826	43,861,135	–	562,291,455
Net Book Value	₱54,373,755	₱518,946,591	₱148,246,006	₱39,898,203	₱23,878,862	₱98,756,085	₱50,624,683	₱2,444,944,422	₱3,379,668,607

On April 6, 2022, the Group through its subsidiary, 1590 EC, acquired the BDPP after it was announced as the highest bidder during the public auction for the sale of the power plant (see Note 24). Total purchase price, including all directly attributable costs amounted to ₱2.1 billion and presented as part of land and plant machineries and equipment.

The construction of a 23 MW bunker-fired power plant in in Bantayan, Cebu was completed in early 2022. Thus, total costs of construction amounting to ₱1.3 billion were subsequently reclassified from construction in progress account to plant machineries and equipment and leasehold and land improvements.

The construction in progress account included the costs for the on-going construction of the water desalination plant, solar panel installations, and mobilization fee and engineering detailed design fees paid to a third-party contractor for the construction of a subsidiary's run-of-river hydropower facility in Negros Occidental. The latter project's implementation is intended to approximately coincide with the government's 230 kV backbone project but the government has not yet started the construction as of March 16, 2023.

In 2022, a subsidiary donated a constructed drainage system costing to ₱8.5 million to the local government unit where it operates. This amount is presented as "Other operating expenses" in the 2022 consolidated statement of comprehensive income.

Depreciation and amortization are recognized in the consolidated statements of comprehensive income as follows:

	2022	2021 (As restated - Note 13)	2020
Generation costs (see Note 17)	**₱281,293,310**	₱84,661,999	₱41,989,939
Operating expenses	**37,125,552**	37,891,528	29,459,149
	₱318,418,862	₱122,553,527	₱71,449,088

12. **Investment Properties**

	2022		
	Land	**Condominium Units**	**Total**
At January 1	**₱838,460,268**	**₱25,181,733**	**₱863,642,001**
Unrealized gain on fair value remeasurement	**60,130,599**	**264,000**	**60,394,599**
At December 31	**₱898,590,867**	**₱25,445,733**	**₱924,036,600**

	2021		
	Land	Condominium Units	Total
At January 1	₱733,195,868	₱24,084,733	₱757,280,601
Unrealized gain on fair value remeasurement	105,264,400	1,097,000	106,361,400
At December 31	₱838,460,268	₱25,181,733	₱863,642,001

Some of the Group's properties are leased out to outside parties to earn rental income, for a lease period of three years. Total rental income amounting to ₱2.5 million, ₱1.1 million, ₱1.7 million in 2022, 2021 and 2020, respectively, were recorded as part of "Other income" in the consolidated statements of comprehensive income.

In 2022 and 2021, an appraisal was performed on the Group's investment properties which resulted to an increase in the fair value amounting to ₱60.4 million and ₱106.4 million, respectively. Net unrealized gain on fair value remeasurement of investment properties, recognized under "Other income (charges)" in the consolidated statements of comprehensive income, amounted to ₱60.4 million, ₱106.4 million, and nil in 2022, 2021, and 2020, respectively.

Direct costs pertain to real property taxes amounting to ₱1.1 million, ₱0.3 million and ₱ 0.7 million in 2022, 2021 and 2020, respectively, are included under "Taxes and licenses" account in the consolidated statements of comprehensive income. No other direct operating costs were incurred relating to investment properties in 2022, 2021, and 2020.

The Group has no restrictions on the realizability of its investment properties and no contractual obligations to purchase, construct, or develop investment properties.

Fair value hierarchy disclosures and description of the valuation techniques used and key inputs to valuation for investment properties have been provided in Note 25.

13. Other Noncurrent Assets

	2022	2021 (As Restated)
Advances to suppliers and other parties	**₱698,308,703**	₱636,974,713
Financial assets at FVOCI	**397,734,676**	102,000,000
Creditable withholding taxes - noncurrent (see Note 9)	**241,934,712**	222,496,037
Customer contracts	**199,760,084**	221,057,854
Goodwill	**129,843,626**	129,843,626
Input VAT - noncurrent (see Note 9)	**162,048,494**	192,788,560
Software costs -net	**843,053**	1,046,953
Others - net of allowance for impairment loss of ₱46.01 million (see Note 23)	**19,662,270**	12,719,082
	₱1,850,135,618	₱1,518,926,825

Advances to Suppliers and Other Parties
Advances to suppliers pertain to cash advances given to contractors and project partners that are to be used to finance the cost of project study, site development, plant rehabilitation, among others and to certain parties to comply with certain contractual obligations.

Goodwill
Business Combinations in 2021

Acquisition of North Bukidnon Power Corporation (NBPC) and Bukidnon Power Corporation (BPC) in 2021. In May 2021, VEC and AHC acquired 81% and 9% ownership of NBPC and BPC.

By the date the 2021 financial statements were approved for issue by the BOD, the valuation required by PFRS 3 had not yet been completed. Hence, the assets recognized and liabilities assumed were based on provisional assessment of their fair value, and the valuation for property, plant and equipment, intangible assets, long-term notes payable, goodwill, and non-controlling interests was subject to change within one (1) year of measurement period after the acquisition date. As of the acquisition date, BPC and NBPC had signed contracts with customers for the sale of power which qualify for recognition as intangible assets separate from goodwill.

In 2022, the Parent Company has completed the valuation, and the final fair value of property, plant and equipment was determined to be ₱576.1 million, an increase of ₱64.7 million over the provisional value. In addition, the fair value of intangible assets from customer contracts was determined to be ₱233.5 million. As a result of the fair value adjustments, deferred income tax liabilities increased by ₱74.6 million, non-controlling interests increased by ₱22.3 million, goodwill decreased by ₱169.2 million and a gain on bargain purchase was determined for the acquisition of BPC amounting to ₱32.1 million. The 2021 comparative financial information was restated to reflect the adjustment to the provisional amounts.

The gain on bargain purchase is presented as part of "Other income (charges)" in the 2021 consolidated statement of comprehensive income. The gain on this acquisition arose from changes to the fair value of the net identifiable assets during the period prior to the closing date.

The following is the final purchase price allocation for the business combinations:

	NBPC	BPC	Total
Cash and cash equivalents	₱15,049,632	₱25,960,878	₱41,010,510
Trade and other receivables	6,538,783	39,538,846	46,077,629
Inventories	1,983,566	3,843,890	5,827,456
Prepayments and other current assets	2,316,113	1,286,383	3,602,496
Property, plant and equipment	294,377,722	281,679,677	576,057,399
Intangible assets - customer contracts	123,023,207	110,458,345	233,481,552
Total assets	443,289,023	462,768,019	906,057,042
Less: Trade and other payables	5,244,872	5,002,325	10,247,197
Long-term notes payable	193,339,318	139,729,730	333,069,048
Deferred tax liabilities	32,673,141	41,868,777	74,541,918
Total net assets	₱212,031,692	₱276,167,187	₱488,198,879
Non-controlling interest	(₱21,326,311)	(₱27,619,062)	(₱48,945,373)
Goodwill arising on acquisition	47,467,510	–	47,467,510
Gain on bargain purchase	–	(32,120,469)	(32,120,469)
Purchase consideration transferred	₱238,172,891	₱216,427,656	₱454,600,547
Cash and cash equivalents	₱228,282,142	₱205,539,483	₱433,821,625
Liability for additional transaction price	9,890,749	10,888,173	20,778,922
Purchase consideration transferred	₱238,172,891	₱216,427,656	₱454,600,547

(Forward)

	NBPC	BPC	Total
Cash flow on acquisition:			
Cash acquired with the subsidiary	₱15,049,632	₱25,960,878	₱41,010,510
Cash paid as part of purchase consideration	(228,282,142)	(205,539,483)	(433,821,625)
Net cash outflow	(₱213,232,510)	(₱179,578,605)	(₱392,811,115)

The amounts recognized for trade and other receivables represent the gross contractual amounts receivable from counterparties. As at the acquisition date, management does not expect that any contractual cash flows from these receivables will not be collected.

The Group elected to measure the non-controlling interest in the acquiree at the proportionate share of its interest in the acquiree's identifiable net assets.

The goodwill of ₱47.5 million comprises the value of knowhow of the business and its existing customer base.

For the period ended December 31, 2021, revenue from sale of power by NBPC and BPC amounting to ₱41.5 million and ₱48.6 million, respectively, and net income amounting to ₱11.6 million and ₱12.7 million, respectively, are recognized in the 2021 consolidated statements of comprehensive income. Had the acquisitions been made at the beginning of the year, consolidated total revenues and consolidated net income would have been ₱3,262.4 million and ₱2,236.2 million, respectively.

Goodwill

For impairment testing, goodwill acquired through business combinations are allocated to CGUs representing the operating units acquired. The following is the carrying amount of goodwill allocated to each of the CGUs.

WMP	₱82,381,116
NBPC	47,462,510
	₱129,843,626

As of December 31, 2022 and 2021, the recoverable amounts of the cash generating units have been determined based on a value-in-use calculation using cash flow projections based on financial budgets approved by senior management covering a five-year period.

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

- The rate used to discount the net cash flows from operations is WMP's WACC of 8.74% and 7.69% as of December 31, 2022 and 2021, respectively, determined using the capital asset pricing model.
- Revenue forecasts are based on existing contracts and anticipated projects and other economic factors.
- Forecasted gross margins, which range from 21%–22% in 2021, and 19%–20% in 2020, are based on the mix of business model arrangements with current and expected customers.
- No terminal value was projected beyond the explicit forecast period up to 2029.

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

- The rate used to discount the net cash flows from operations is NBPC's WACC of 10.05% and BPC's WACC of 7.34% as of December 31, 2022, determined using the capital asset pricing model.
- Revenue forecasts are based on existing contracts, anticipated increases in demand and other economic factors.
- Forecasted gross margins which range from 25%–40% are based on the mix of business model arrangements with the expected changes in demand.
- The computation of terminal value assumes no growth in projected cash flows beyond five years.

Based on the impairment testing, management believes there is no impairment on goodwill in 2022 and 2021. Management believes that no reasonably possible change in any of the above key assumptions would cause the carrying value of the goodwill to materially exceed its recoverable amount.

Financial Assets at FVOCI

Investments in club shares. These are irrevocably designated at FVOCI as the Group intends to hold these investments in the foreseeable future. As of December 31, 2022 and 2021, the carrying values of these financial assets are as follows:

	2022	2021
Cost:		
Cebu Country Club, Inc.	**3,400,000**	₱3,400,000
Tower Club, Inc.	**300,000**	300,000
	3,700,000	3,700,000
Fair value remeasurement gain (loss):		
Cebu Country Club, Inc.	**4,600,000**	4,600,000
Tower Club, Inc.	**(300,000)**	(300,000)
	4,300,000	4,300,000
	₱8,000,000	₱8,000,000

- *Cebu Country Club, Inc.* In 2012, the Group acquired proprietary ownership shares in the Cebu Country Club, Inc. The non-listed equity security is stated at fair value based on the published buying and selling prices of these shares.

- *Tower Club, Inc.* In 2014, the Group acquired proprietary ownership shares in the Tower Club, Inc. The non-listed equity security is stated at fair value based on the published buying and selling prices of these shares. On September 25, 2020, the shareholders of Tower Club agreed to shorten its corporate life and permanently close by January 2022.

Investment in Buskowitz Finance, Inc. (BFI). In 2021, VREC made an investment amounting to ₱94.0 million, which represents initial subscription to 200,000 common shares of BFI at ₱20 per share or for a total of ₱4.0 million, representing 16.81% ownership in BFI, and advances for future stock subscription amounting to ₱90.0 million, pending approval by the SEC of BFI's application for the increase in authorized capital stock.

In June 2022, VREC made an additional investment amounting to ₱270.0 million. As of December 31, 2022 and 2021, the carrying value of the investment amounted to ₱389.7 million and ₱94.0 million.

Fair value hierarchy disclosures for the Group's financial assets at FVOCI are provided in Note 25.

Software Costs

Software costs pertain to a subsidiary's accounting software, Human Resources Information System, trading software and documents monitoring system. The movement of software costs is as follows:

	2022	2021
Cost		
At January 1	**₱9,109,606**	₱8,534,952
Additions during the year	**396,956**	574,654
At December 31	**9,506,562**	9,109,606
Accumulated Amortization		
At January 1	**8,062,653**	7,632,692
Amortization for the year	**600,856**	429,961
At December 31	**8,663,509**	8,062,653
Net Book Value	**₱843,053**	₱1,046,953

Customer contracts

BPC and NBPC have existing power supply agreements with its customers when these subsidiaries were acquired. Intangible assets pertaining to this customer relationship was recognized by the Group as an identifiable asset as part of the business combination. These assets are being amortized over their expected useful lives of 10–12 years, based on the remaining terms of the agreements as of the acquisition date. The movement of the intangible assets are as follows:

	2022	2021 (As Restated)
Cost		
At January 1	**₱233,481,552**	₱–
Additions due to business combination	**–**	233,481,552
At December 31	**233,481,552**	233,481,552
Accumulated Amortization		
At January 1	**12,423,698**	–
Amortization for the year	**21,297,770**	12,423,698
At December 31	**33,721,468**	12,423,698
Net Book Value	**₱199,760,084**	₱221,057,854

Others

Others include receivable from RFM Corporation, the Group's previous owner, which has been fully provided with allowance for impairment losses as of December 31, 2022 and 2021. Also included in this account are deposits for future subscription of an entity that is yet to be incorporated and security deposits with various tenants and other parties in the conduct of the Group's operations.

14. **Trade and Other Payables**

	2022	2021
Trade payables	**₱1,506,776,281**	₱1,076,481,787
Deferred output VAT	**391,475,604**	333,307,491
Accrued expenses	**212,324,048**	126,833,560
Accounts payable	**141,112,460**	158,106,988
Accrued interest (see Note 15)	**37,720,667**	32,925,647
Dividends payable	**8,827,097**	7,424,418
Output VAT	**7,727,879**	14,462,016
Accrued taxes payable	**4,366,556**	10,246,669
Unearned income	**1,822,216**	69,412,825
Others (see Note 23)	**48,448,500**	41,329,769
	2,360,601,308	1,870,531,170
Less noncurrent portion (see Note 23)	**838,293,931**	838,293,931
	₱1,522,307,377	₱1,032,237,239

Trade payables significantly consist of liabilities for a subsidiary's purchases of inventories from its suppliers and advances from a supplier. Trade payables for purchases of inventories are noninterest-bearing and are normally settled on a 30 to 45-day term.

Deferred output VAT is related to the recognition of the Group's revenue from bilateral contracts, and its corresponding receivable. The deferred output VAT is eventually closed to output VAT upon collection of the related receivable.

Accrued expenses mainly consist of accruals for fuel, audit fees, contracted services, legal fees, securities and transfer fees, benefits, and other expenses.

Accounts payable consist mainly of liabilities for payroll, professional fees and other expenses.

Dividends payable consists of dividends to the non-controlling interests of the Group arising from dividend declaration made by BPC and NBPC. Dividends declared relating to non-controlling interests amounted to ₱8.6 million, ₱276.1 million and ₱196.7 million in 2022, 2021 and 2020, respectively (see Note 21).

Unearned income are advance payments from customers.

15. **Notes Payable**

Short-term Notes Payable

- On May 28, 2020 and June 29, 2020, 1590 EC obtained 90-day and 91-day loans from a local bank amounting to ₱95.0 million and ₱40.0 million which bear interest rates of 5.1% and 4.95% per annum, respectively. On October 26, 2020, 1590 EC made a partial payment in the amount of ₱30.0 million. Both loans totalling ₱105.0 million were extended to January 8, 2021. In February 2021, 1590 EC made another partial payment in the amount of ₱14.0 million. The balance of the two loans were extended up to April 12, 2021. 1590 EC settled the loans on April 12, 2021.

On August 2022, 1590 EC obtained a one year loan from various local banks amounting to ₱950.0 million which bears interest from 4.5%–5%. On the same date, 1590 EC secured a six-month loan from a local bank amounting to ₱176.0 million which bears an interest rate of 4.75%.

- On various dates in 2020, INEC obtained loans from a local bank totalling to ₱644.3 million. The loans bear interest rates of 4.5% and 5% per annum. All loans matured on December 3, 2020 and were subjected to monthly extensions until their settlement on April 26, 2021.

  On various dates in 2021, INEC obtained loans from a local bank totalling ₱338.5 million to finance the construction of its power plant. The loans bear interest rates of 4.25% per annum. All loans matured on April 26, 2021.

- On various dates in 2022, INPC obtained loans from a local bank totalling to ₱44.3 million. The loans bear interest rates of 5.5%–5.9% per annum and are set to mature on various dates within the first quarter of 2023.

Interest expense recognized in the consolidated statements of comprehensive income on these loans in 2022, 2021 and 2020, amounted to ₱20.7 million, ₱1.6 million and ₱3.4 million, respectively. Accrued interest on these loans as of December 31, 2022 and 2021 amounted to ₱0.4 million and nil, respectively (see Note 14).

Long-term Notes Payable

	2022	2021
Fixed Rate Corporate Notes (FRCN):		
₱1.0 billion at 4.1856% interest per annum	**₱1,000,000,000**	₱1,000,000,000
₱2.0 billion at 4.7416% interest per annum	**1,950,000,000**	2,000,000,000
15-Year Project Financing Facility:		
₱982.8 million at 6.4453% interest per annum	**982,826,482**	982,826,482
₱123.1 million at 6.0117% interest per annum	**123,094,272**	123,094,272
₱107.1 million at 6.0117% interest per annum	**107,100,245**	107,100,245
₱107.0 million at 8.3556% interest per annum	**106,979,001**	–
Loans with variable rates:		
₱172.2 million at 3-year benchmark, 5.5% floor	**173,460,000**	–
₱202.1 million at 3-year benchmark, 5.5% floor	**203,520,000**	–
₱120.7 million at 3-month benchmark, 5% rate	–	120,675,675
₱174.3 million at 1-year benchmark, 5% rate	–	174,321,594
	4,646,980,000	4,508,018,268
Less unamortized debt issue costs	**23,328,832**	34,477,428
	4,623,651,168	4,473,540,840
Less current portion - net of unamortized debt issue costs of ₱2.2 million in 2022 and ₱10.3 million in 2021	**1,115,185,717**	92,076,898
	₱3,508,465,451	₱4,381,463,942

Parent Company. The Parent Company entered into a Notes Facility Agreement (Agreement) to issue ₱3.0 billion in Fixed Rate Corporate Notes (FRCN or the Notes) on January 29, 2014 to fund its equity investments in power generation projects, to include, but not limited to MPC and TVI. The FRCN was fully subscribed by a consortium of local banks and was issued in two tranches and has a maturity of seven (7) years from the drawdown date. The Notes are unsecured.

The first drawdown amounting to ₱1.0 billion was made on February 3, 2014. The second drawdown amounting to ₱2.0 billion was made on March 31, 2014. The Notes are payable at 1% based on the principal amount of the notes in the first six (6) years and 94% at maturity on February 3, 2021. The Notes were settled on said date.

On December 4, 2020, the Company signed an Agreement to issue ₱3.0 billion worth of FRCN with tenors of two (2) years and five (5) years. The proceeds from the issuance of the Notes will be used to finance capital expenditures for existing assets and investments in power generation and/or water infrastructure projects and partly to refinance the existing 7-year FRCN which matured in February 2021.

The Parent Company issued an FRCN last January 27, 2021 amounting to ₱3.0 billion to fund its equity investments in power generation and water infrastructure projects. The FRCN was fully subscribed by a consortium of local banks and was issued in two tranches and has a maturity of seven (7) years from the drawdown date. The Notes are unsecured.

The first tranche is for a term of two years and payable on January 27, 2023 while the second tranche is for a term of five years and will mature on January 27, 2026 with principal payment of ₱50.0 million for the first four years and a balloon payment of ₱1.8 billion on maturity.

Repayments of outstanding principal amounts are scheduled as follows:

	2022	2021
Within one year	**₱1,050,000,000**	₱50,000,000
More than one year but not more than five years	**1,900,000,000**	2,950,000,000
	₱2,950,000,000	₱3,000,000,000

On January 27, 2023, the first tranche on the loan matured and was settled.

The Agreement requires that the Parent Company shall not permit its debt-to-equity ratio to exceed 2.5:1. The debt-to-equity ratio is based on the parent company debt and consolidated equity. In addition, the Agreement requires the current ratio to not fall below 1.25:1 and is based on the consolidated current assets and current liabilities. The Parent Company has complied with these ratio requirements as of December 31, 2022 and 2021.

Interest expense recognized in the consolidated statements of comprehensive income related to these notes payable amounted to ₱133.5 million, ₱138.2 million and ₱169.3 million in 2022, 2021 and 2020, respectively, and the related accrued interest expense as of December 31, 2022 and 2021 amounted to ₱17.8 million and ₱18.2 million, respectively (see Note 14).

INEC. In 2021, INEC entered into a loan agreement with Security Bank Corporation (SBC) whereby the latter agreed to provide INEC an aggregate principal amount of loan up to ₱1.32 billion to finance the construction of its 23.3 MW diesel power plant in Bantayan, Cebu.



The loan has a term of fifteen (15) years, inclusive of a two (2)-year grace period on principal repayment. Seventy percent (70%) of the loan is payable in fifty-one (51) quarterly installments commencing on the 9th quarter from the date of initial borrowing until the maturity date, while the remaining thirty percent (30%) shall be paid on the maturity date. The loan bears annual interest of 6.4453% and 6.0117% which is payable quarterly.

The loan is collateralized by the following: (a) debt service reserve account letter of credit, (b) first ranking mortgage on all present and future immovable properties, (c) assignment by way of security of the company's rights, titles and interest in project documents, insurance policies, performance bonds, receivables and other revenues from the Power Supply Agreement (see Note 23), and operating account; (d) pledge of shares; (e) personal property assignment on all present and movable assets.

As of December 31, 2022 and 2021, repayments of outstanding principal amounts are scheduled as follows:

	2022	2021
Within one year	**₱36,235,294**	₱–
More than one year but not more than five years	**289,882,353**	233,090,310
More than five years	**993,882,353**	979,930,689
	₱1,320,000,000	₱1,213,020,999

Interest expense recognized in the consolidated statements of comprehensive income related to this loan amounted to ₱84.3 million and the related accrued interest expense as of December 31, 2022 amounted to ₱16.7 million (see Note 14).

BPC. In September 2016, BPC availed of a 10-year loan payable in quarterly installments commencing on September 2, 2016 up to September 2, 2026. The long-term debt carries an interest rate based on 3-month benchmark rate plus spread, repriceable quarterly, with a flow rate of 5%.

On August 31, 2022, BPC refinanced its existing loan with a new term of 9 years payable in quarterly installments commencing on August 31, 2022 up to August 29, 2031. The long-term loan carries an interest rate based on 3-year benchmark rate plus spread, repriceable every 3 years, with a floor rate of 5.5%. The loan is secured by real estate mortgage, pledge of shares and assignment of project accounts.

Repayments of outstanding principal amounts are scheduled as follows:

	2022	2021
Within one year	**₱14,160,000**	₱25,405,405
More than one year but not more than five years	**56,640,000**	95,270,270
More than five years	**102,660,000**	–
	₱173,460,000	₱120,675,675

Interest expense recognized in the 2022 and 2021 consolidated statement of comprehensive income related to this loan amounted to ₱8.1 million and ₱5.3 million, respectively, and the related accrued interest expense as of December 31, 2022 and December 31, 2021 amounted to ₱1.1 million and ₱0.5 million, respectively (see Note 14).

NBPC. On June 2017, NBPC availed of a 10-year loan payable in quarterly installments commencing on September 27, 2017 up to September 27, 2027. In May and June 2018, NBPC availed of additional loans payable in quarterly installments commencing on March 27, 2019 up to September 27, 2027.

The loans carry an interest rate based on 1-year benchmark rate plus spread, repriceable annually, with a floor rate of 5%.

In June 2022, NBPC refinanced its existing loan with a new term of 9 years payable in quarterly equal installments commencing on June 22, 2022 up to June 20, 2031. The loan carries an interest rate based on 3-year benchmark rate plus spread, repriceable every 3 years, with a floor rate of 5.5%. The loan is secured by real estate mortgage, pledge of shares and assignment of project accounts.

Repayments of outstanding principal amounts are scheduled as follows:

	2022	2021
Within one year	**₱16,960,000**	₱27,003,802
More than one year but not more than five years	**67,840,000**	128,605,098
More than five years	**118,720,000**	18,712,694
	₱203,520,000	₱174,321,594

Interest expense recognized in the 2022 and 2021 consolidated statement of comprehensive income related to this loan amounted to ₱12.6 million and ₱5.6 million, respectively, and the related accrued interest expense as of December 31, 2022 and December 31, 2021 amounted to ₱1.2 million and ₱0.1 million, respectively (see Note 14).

16. Related Party Transactions

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

In the normal course of business, the Group enters into transactions with related parties principally consisting of the following:

		2022			
		Outstanding Balance			
Category	**Volume**	**Receivables**	**Payables**	**Terms**	**Conditions**
Associates					
Sale of power:					
VECO (see Note 16g)	**₱**–	**₱7,957,282**	**₱**–	30 days; noninterest-bearing	Unsecured; no impairment
Technical service fees (see Note 16d)					
CEDC	**52,600,000**	**4,821,667**	–	30 days; Noninterest-bearing	Unsecured; no impairment
GLEDC	–	**6,000,000**	–	On-demand; Noninterest-bearing	Unsecured; no impairment
Advances to (see Note 16a):					
FLOWS	–	**150,000,000**	–	Interest-bearing; Payable on demand	Unsecured; no impairment
CREC	–	**17,500,258**	–	Payable on demand	Unsecured; no impairment
PEI	–	–	**50**	noninterest-bearing	Unsecured; no impairment
Advances to (see Note 16h):					
GLEDC	**1,475**	**1,879,200**	–	30-60 days; noninterest-bearing	Unsecured; no impairment

(Forward)

		2022			
		Outstanding Balance			
Category	**Volume**	**Receivables**	**Payables**	**Terms**	**Conditions**
LPCI	**₱8,928,192**	**₱102,708,539**	–	30-60 days; noninterest-bearing	Unsecured; no impairment
Dividends (see Note 16f):					
VECO	**827,495,658**	–	–	noninterest-bearing	Unsecured; no impairment
MPC	**200,000,000**	–	–	noninterest-bearing	Unsecured; no impairment
AHI	**316,800,000**	–	–	noninterest-bearing	Unsecured; no impairment
Joint Ventures					
Technical service fees (see Note 16d):					
Delta P	**24,151,552**	**26,566,707**	–	30-60 days; noninterest-bearing	Unsecured; no impairment
CIPC	**10,030,261**	**9,194,406**	–	30-60 days; noninterest-bearing	Unsecured
Advances to (see Note 16a):					
Delta P	**350,559**	**2,007,576**	**326**	noninterest-bearing	Unsecured; no impairment
CIPC	**21,022**	**422,222**	–	noninterest-bearing	Unsecured; no impairment
LPEC	**3,583,525**	**14,812,286**	–	noninterest-bearing	Unsecured; no impairment
Dividends (see Note 16f):					
CIPC	–	**7,760,000**	–	noninterest-bearing	Unsecured; no impairment
Stockholders with Significant Influence					
Management fees expense (see Note 16e)					
MRC	**4,050,094**	–	–	30-60 days; noninterest-bearing	Unsecured
JDC	**2,700,063**	–	–	30-60 days; noninterest-bearing	Unsecured
Stockholders with Significant Influence					
Advances to/from (see Notes 16a and 16b)					
GPI	**2,167,713**	–	**8,168,668**	30-60 days; noninterest-bearing	Unsecured
WMI	**4,686,127**	**4,686,127**	–	noninterest-bearing	Unsecured; no impairment
APC	**2,350,000**		**2,717,121**	Interest bearing; 1-year term	Unsecured
Stockholders with No Significant Influence					
Advances to (see Note 16c):					
JGS	–	**42,676**	–	payable on demand; noninterest-bearing	Unsecured; no impairment

		2021			
		Outstanding Balance			
Category	Volume	Receivables	Payables	Terms	Conditions
Associates					
Sale of power:					
VECO (see Note 16g)	₱ –	₱7,957,282	₱ –	30 days; noninterest-bearing	Unsecured; no impairment
Technical service fees (see Note 16d)					
CEDC	56,173,000	33,871,344	–	30 days; Noninterest-bearing	Unsecured; no impairment
CPPC	13,068,517	–	–	30-60 days; noninterest-bearing	Unsecured; no impairment
GLEDC	–	6,000,000	–	On-demand; Noninterest-bearing	Unsecured; no impairment
Advances to (see Note 16a):					
FLOWS	–	150,000,000	–	Interest-bearing; Payable on demand	Unsecured; no impairment
CREC	7,500,000	17,500,258	–	Payable on demand	Unsecured; no impairment

(Forward)

		2021			
		Outstanding Balance			
Category	Volume	Receivables	Payables	Terms	Conditions
Advances to (see Note 16h):					
GLEDC	₱4,962	₱1,877,725	₱ –	30-60 days; noninterest-bearing	Unsecured; no impairment
LPCI	12,845,625	93,783,539	–	30-60 days; noninterest-bearing	Unsecured; no impairment
Dividends (see Note 16f):					
VECO	729,955,901	–	–	noninterest-bearing	Unsecured; no impairment
MPC	239,999,995	–	–	noninterest-bearing	Unsecured; no impairment
AHI	510,400,000	–	–	noninterest-bearing	Unsecured; no impairment
PEI	17,200,000	–	–	noninterest-bearing	Unsecured; no impairment
Joint Ventures					
Technical service fees (see Note 16d):					
Delta P	23,562,489	5,248,352	–	30-60 days; noninterest-bearing	Unsecured; no impairment
CIPC	9,785,620	–	–	30-60 days; noninterest-bearing	Unsecured
Advances to (see Note 16a):					
Delta P	286,341	1,637,681	–	noninterest-bearing	Unsecured; no impairment
CIPC	5,232	394,818	–	noninterest-bearing	Unsecured; no impairment
LPEC	66,289,662	11,229,919	–	noninterest-bearing	Unsecured; no impairment
Dividends (see Note 16f):					
CIPC	19,400,000	19,400,000	–	noninterest-bearing	Unsecured; no impairment
Delta P	20,000,000	20,000,000	–	noninterest-bearing	Unsecured; no impairment
Stockholders with Significant Influence					
Management fees expense (see Note 16e)					
MRC	8,286,248	–	–	30-60 days; noninterest-bearing	Unsecured
JDC	5,524,165	–	–	30-60 days; noninterest-bearing	Unsecured
Stockholders with Significant Influence					
Advances to/from (see Notes 16a and 16b)					
GPI	–	–	5,689,112	30-60 days; noninterest-bearing	Unsecured
WMI	–	140,937	–	payable on demand; noninterest-bearing	Unsecured
Stockholders with No Significant Influence					
Advances to (see Note 16c):					
JGS	–	42,676	–	payable on demand; noninterest-bearing	Unsecured; no impairment

a. Advances to related parties are noninterest-bearing cash advances to associates, joint ventures and stockholders. The outstanding advances, presented as "Advances to associates, joint ventures and stockholders" account in the consolidated statements of financial position, are noninterest-bearing and are due on demand. These advances are for project and working capital requirements.

On February 14, 2020, the Company entered into an Interim Financing Agreement (IFA) with FLOWS for the development of a combined sewerage and septage facility serving the City of Puerto Princesa. The IFA is for a term of four months or until June 13, 2020 at an interest rate of 5.7810% per annum. On June 13, 2020, the IFA was extended for three months or until September 13, 2020 at an interest of 6.2595%, 4.2578% and 4.3016% per annum on the first, second and third month, respectively. FLOWS is in the process of securing bank refinancing of the interim loan as of December 31, 2022.

b. Advances from related parties are noninterest-bearing cash advances payable on demand, from the Group's joint ventures and stockholders.

c. Advances to a "stockholder with no significant influence" pertains to the life insurance plan advanced by the Parent Company for a member of its BOD.

d. Technical service fees represent the compensation for the services rendered by the Group to the associates and joint ventures. These are governed by service-level contracts executed by the Group and its associates and joint ventures. These are recognized as "Management and service fees" presented as part of the Group's revenue in the consolidated statements of comprehensive income amounting to ₱86.8 million, ₱102.6 million and ₱210.2 million in 2022, 2021, and 2020, respectively.

   Outstanding receivables for management fees and service fees presented as part of "Accounts receivable" under "Trade and other receivables" account in the consolidated statements of financial position as of December 31, 2022 and 2021 amounted to ₱46.6 million and ₱27.3 million, respectively (see Note 7).

e. The Group also entered into consultancy and management service agreements with its stockholders to avail of management consultancy services. Expenses incurred related to the consultancy and management service agreements are recognized as part of "Professional fees" under "Generation costs" (see Note 17) and "Operating expenses" in the consolidated statements of comprehensive income.

f. In 2022, VECO, MPC, and AHI declared dividends amounting to ₱827.5 million, ₱200.0 million, and ₱316.8 million, respectively. In 2021, VECO, MPC, AHI, PEI, CIPC and Delta P declared dividends amounting to ₱730.0 million, ₱240.0 million, ₱510.4 million, ₱17.2 million, ₱19.4 million and ₱20.0 million, respectively. The outstanding amounts from these dividend declarations are currently lodged under "Dividends receivable" (see Note 7).

g. The Group had an Energy Supply Agreement (ESA) with VECO (see Note 23), whereby the Group supplied contract energy to VECO from the 17 MW of the contracted capacity of the Unified Leyte Geothermal Power Plant administered by the Group. The ESA was terminated in October 2019.

   Revenue from the ESA with VECO amounted to nil in 2022, 2021, and 2020. As of December 31, 2022 and 2021, the Group's trade receivables from VECO for the sale of power amounted to ₱8.0 million (see Note 7).

h. Working capital advances to LPCI and GLEDC are noninterest-bearing, collateral-free and are due on demand. As of December 31, 2022 and 2021, the Group recognized a receivable from LPCI amounting to ₱102.7 million and ₱93.8 million, respectively, and from GLEDC amounting to ₱1.9 million and ₱1.9 million, respectively.

The above transactions are generally settled through cash.

Compensation and Benefits of Key Management Personnel
The compensation of the Group's key management personnel by benefit type follows:

	2022	2021	2020
Short-term employee benefits	**₱173,320,326**	₱153,391,047	₱159,714,310
Post-employment pension benefits (see Note 19)	**8,120,745**	7,267,643	8,747,182
	₱181,441,071	₱160,658,690	₱168,461,492

17. Costs of Services and Other Operating Expenses

Costs of Services
The Group's cost of services pertains to the costs incurred in the operation of the BDPP and the power plants in Bantayan Island and Bukidnon:

	2022	2021 (Restated - Note 13)	2020
Heavy fuel oil (see Notes 8 and 23)	**₱2,142,610,532**	₱783,844,384	₱271,028,255
Purchased power (see Note 23)	**616,814,812**	225,034,543	82,846,057
Depreciation and amortization (see Notes 11 and 24)	**376,711,841**	307,805,208	257,803,496
Light fuel oil (see Notes 8 and 23)	**131,245,129**	73,809,557	29,793,383
Salaries, wages and employee benefits (see Note 18)	**99,879,153**	99,720,112	77,111,285
Contractual and outside services	**81,294,287**	127,306,647	136,199,626
Materials and supplies (see Note 8)	**67,109,692**	56,899,469	52,403,387
Lube oil (see Note 8)	**51,265,092**	23,942,491	10,108,628
Insurance	**48,149,903**	38,401,046	27,178,734
Repairs and maintenance	**38,086,273**	2,355,746	1,017,463
Supply and metering charges	**17,858,275**	16,267,814	14,222,742
Taxes and licenses	**8,912,200**	2,903,725	1,459,817
Transportation	**8,477,889**	4,859,003	1,166,851
Royalty fees (see Note 24)	**4,786,582**	26,044,774	20,001,905
Professional fees (see Note 16e)	**2,653,140**	49,278,808	14,798,981
Rent (see Note 24)	**2,102,963**	17,440,475	10,346,285
Light and power	**1,673,563**	1,210,909	269,272
Market fees	**884,993**	781,797	496,226
Others	**8,351,013**	16,011,936	5,617,201
	₱3,708,867,332	₱1,873,918,444	₱1,013,869,594

Amounts recognized related to the Group's participation in WESM trading, are presented as "Purchased power" and "Market fees" aggregating to ₱39.0 million, ₱46.6 million, and ₱15.3 million in 2022, 2021 and 2020, respectively.

Other Operating Expenses

	2022	2021	2020
Corporate social responsibility	**₱27,043,457**	₱32,764,293	₱33,268,233
Directors' per diem (see Note 18)	**20,729,167**	11,460,000	10,076,666
Dues and subscriptions	**10,363,650**	7,567,361	4,815,005
Stand-by letter of credit	**4,219,226**	5,294,523	9,879,327
Repairs and maintenance	**4,000,042**	5,653,240	3,799,176
Office supplies	**3,348,469**	6,385,302	2,885,516
Marketing expenses	**3,290,056**	2,327,909	6,455,567
Insurance expense	**2,836,223**	2,585,963	2,687,804
Regulatory expenses	**2,314,567**	2,013,037	4,187,940
Stockholders' meeting expenses	**604,066**	293,119	181,689
Others	**10,734,489**	5,428,634	96,211
	₱89,483,412	₱81,773,381	₱78,333,134

Regulatory expenses include payments of administrative fees charged by the PSE and SEC and other charges.

Others include sponsorships and contributions, brokerage fees, insurance expenses, medical and health expenses, outing expenses, and bank charges, among others.

Other Income - Net

	2022	2021	2020
Recovery of previously written-off receivables	**₱18,000,000**	₱–	₱–
Rent income (see Note 12)	**2,453,687**	1,102,620	1,667,566
Other service income	**1,870,000**	2,237,464	461,364
Intercompany services	**1,201,114**	2,880,462	4,062,808
Gain on disposal of property, plant and equipment (see Note 11)	**639,207**	3,101,818	330,357
Insurance claims	**–**	–	44,878,062
Others	**9,520,403**	15,475,020	5,011,837
	₱33,684,411	₱24,797,384	₱56,411,994

Recovery of previously written-off receivables in 2022 pertains to recovery by VEC and VREC of its receivables from the sale of one of its joint ventures in 2018. The receivables were previously fully provided with an allowance.

In 2020, insurance claims pertain to DPI's insurance claims for damages brought by the fire in 2019.

Others include reversal of allowance for impairment losses, reimbursements from third parties for equipment station use, and billings to related parties for the shared expenses initially paid by the Group on behalf of related parties (see Note 16).

18. **Personnel Expenses**

	2022	2021	2020
Salaries, wages and employee benefits	**₱469,334,852**	₱399,860,946	₱345,155,222
Pension expense (see Note 19)	**20,731,159**	22,223,302	15,961,646
Directors' compensation and benefits (see Note 17)	**20,729,167**	11,460,000	10,076,666
	₱510,795,178	₱433,544,248	371,193,534

19. **Retirement Plans**

The Group has a funded, noncontributory, defined benefit pension plan covering all regular, permanent employees of the Parent Company, 1590 EC and VEC. Both plans provide lump sum benefits upon a member's normal retirement. The benefits are based on the member's final monthly salary and length of service with the Group.

The Fund for the Group's employees is administered by a trust and investment entity in the Philippines under the supervision of a trustee. The trustee is responsible for the investment strategy of the plan.

The existing regulatory framework, Republic Act 7641, *The Retirement Pay Law*, requires a provision for retirement pay to qualified private sector employees in the absence of any retirement plan in the entity, provided however that the employee's retirement benefits under any collective bargaining and other agreements shall not be less than those provided under the law. The law does not require minimum funding of the plan.

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

The components of the pension expense recognized under "Generation costs" and "Operating expenses" in the consolidated statements of comprehensive income follow:

	2022	2021	2020
Current service cost	**₱17,717,173**	₱18,902,166	₱12,703,706
Net interest cost	**3,013,986**	3,321,136	3,257,940
Pension expense	**₱20,731,159**	₱22,223,302	₱15,961,646

Remeasurement effects recognized in the consolidated statements of comprehensive income follow:

	2022	2021	2020
Remeasurement gain (loss) on defined benefit plan	**₱16,205,942**	₱18,982,444	(₱6,953,225)
Return on assets excluding amount included in net interest cost	**(5,048,920)**	(1,531,102)	(504,122)
	₱11,157,022	17,451,342	(₱(7,457,347)

The pension liability pertaining to the Parent Company's funded group retirement plan and 1590 EC's funded retirement plan as of December 31, 2022 and 2021 follows:

	2022	2021
Present value of defined benefit obligation	**₱121,018,373**	₱134,859,953
Fair value of plan assets	**(56,822,901)**	(73,399,945)
Pension liability	**₱64,195,472**	₱61,460,008

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

	2022	2021
At January 1	**₱134,859,953**	₱130,239,046
Benefits paid from retirement fund	**(21,201,912)**	(382,927)
Current service cost	**17,717,173**	18,902,166
Remeasurement loss (gain) due to:		
Changes in financial assumptions	**(10,865,631)**	(28,166,707)
Changes in demographic assumptions	**(7,567,769)**	–
Experience adjustments	**2,227,458**	9,184,263
Interest cost on defined benefit obligation	**5,932,672**	5,084,112
Benefits paid from Company operating funds	**(83,571)**	–
At December 31	**₱121,018,373**	₱134,859,953

Changes in the fair value of plan assets representing the funded retirement plan of the Group follow:

	2022	2021
At January 1	**₱73,399,945**	₱42,697,740
Contributions to the retirement fund	**6,755,102**	30,853,258
Interest income included in net interest cost	**2,918,686**	1,762,976
Return on assets excluding amount included in net interest cost	**(5,048,920)**	(1,531,102)
Benefits paid from retirement fund	**(21,201,912)**	(382,927)
At December 31	**₱56,822,901**	₱73,399,945

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

	2022	2021
At January 1	**₱61,460,008**	₱87,541,306
Pension expense for the year	**20,731,159**	22,223,302
Contributions to retirement fund	**(6,755,102)**	(30,853,258)
Remeasurement loss (gain) recognized for the year	**(11,157,022)**	(17,451,342)
Benefits paid from Company operating funds	**(83,571)**	–
At December 31	**₱64,195,472**	₱61,460,008

The major categories of the plan assets as a percentage of the fair value of the total plan assets are as follows:

	2022	2021
Investment in government securities	**46.16%**	1.96%
Fixed income securities:		
Unitized investment trust funds	**39.88%**	59.14%
Time certificate of deposit	**13.64%**	38.85%
Savings deposit	**0.02%**	0.01%
Accrued interest receivable	**0.30%**	0.04%
Total plan assets	**100.00%**	100.00%

All equity instruments held have quoted prices in active market. The remaining plan assets do not have quoted market prices in active market.

The control and administration of the fund vest on the trustee. The trustee shall have the full and complete power and authority to hold, manage, administer, convert, sell, assign, alter, divide, invest and reinvest the fund without distinction between principal and income, to the same extent and with the same effect as might be lawfully done by persons who own and control property and may thus exercise every power and right with respect to each item of property in this trust authority specified in the agreement and expressly conferred upon it by law.

The overall investment policy and strategy of the Group's defined benefit plan is guided by the objective of providing the necessary funding for the benefits payable under the plan and achieving such liquidity as the trustee shall, in its discretion, deem appropriate in the circumstances. The Group's current investment strategy consists substantially of fixed income securities.

The principal assumptions used in determining pension obligation for the Group's pension plan as of December 31 follow:

	2022	2021
Discount rate	**6.24%–8.41%**	5.09%–5.15%
Future salary increase rate	**5.00%–7.00%**	5.00%–7.00%

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

	Increase (Decrease)	Present Value Change of Defined Benefit Obligation	
		2022	2021
Discount rate	+100 basis points	**(₱9,175,528)**	(₱11,590,804)
	−100 basis points	**10,620,743**	13,605,889
Future salary increase rate	+100 basis points	**11,003,656**	14,028,859
	−100 basis points	**(9,650,744)**	(12,180,012)

Each sensitivity analysis on the significant actuarial assumptions was prepared by remeasuring the defined benefit obligation at the reporting date after first adjusting one of the current assumptions according to the applicable sensitivity increment or decrement (based on changes in the relevant assumption that were reasonably possible at the valuation date), while all other assumptions remained unchanged.

The average duration of the defined benefit obligation is 11.37–25.20 years and 15.68–19.64 years as of December 31, 2022 and 2021, respectively.

The Group does not expect to contribute to the defined benefit plan in 2023.

The expected benefit payment assumes that all actuarial assumptions will materialize. Shown below is the maturity analysis of the undiscounted benefit payments as of December 31, 2022 and 2021:

	2022	2021
Less than one year	**₱10,152,386**	₱35,998,088
More than one year to five years	**21,665,748**	13,904,028
More than five years to 10 years	**95,578,896**	59,218,126
More than 10 years to 15 years	**231,451,685**	151,094,992
More than 15 years to 20 years	**157,140,442**	144,624,594
More than 20 years	**400,440,788**	246,798,850
Total	**₱916,429,945**	₱651,638,678

20. Income Taxes

	2022	2021 (As restated - Note 13)	2020
Current	**₱97,784,862**	₱146,282,516	₱160,916,114
Final	–	–	7,976,966
	97,784,862	146,282,516	168,893,080
Deferred	**(8,223,383)**	20,818,512	(14,480,460)
	₱89,561,479	₱167,101,028	₱154,412,620

The reconciliation of income tax expense computed at the applicable statutory rates to income tax expense follows:

	2022	2021 (As restated - Notes 3 and 13)	2020 (As restated - Note 3)
Income before income tax	**₱1,794,288,597**	₱2,399,590,790	₱1,933,327,335
Tax calculated at statutory rate (2022 and 2021: 25%; 2020: 30%)	**₱448,572,149**	₱599,897,698	₱579,998,201
Adjustments for the tax effects of:			
Equity in net earnings of associates and joint ventures	**(485,339,345)**	(459,622,816)	(480,895,826)

(Forward)

	2022	2021 (As restated - Notes 3 and 13)	2020 (As restated - Note 3)
Unrecognized deferred income tax assets on NOLCO and MCIT	**₱161,413,675**	₱189,915,551	₱124,818,148
Non-taxable gain	**(38,324,884)**	(34,620,467)	–
Interest income subject to final tax	**(13,703,600)**	(4,784,876)	(17,976,977)
Non-deductible expenses	**10,966,033**	7,164,849	7,263,629
Difference of OSD over deductible expenses	**(4,667,825)**	(67,560,411)	(77,900,467)
Impact of CREATE Law	–	(13,481,090)	–
Others	**10,645,276**	(49,807,410)	19,105,912
	₱89,561,479	₱167,101,028	154,412,620

The components of the Group's net deferred income tax assets as of December 31 are as follows:

	2022	2021
Deferred income tax assets on:		
Net pension liability	**₱21,803,906**	₱17,421,899
Allowance for impairment losses	**11,602,774**	11,602,774
Unamortized debt issue costs	**525,694**	525,694
Unrealized foreign exchange loss	**60,697**	60,697
	33,993,071	29,611,064
Deferred income tax liabilities on:		
Unrealized foreign exchange gain	**11,270,706**	2,793,774
Unamortized debt issue costs	**7,709,211**	6,546,245
	18,979,917	9,340,019
Deferred income tax asset (liabilities) recognized in other comprehensive income:		
Remeasurement loss (gain) on employee benefits	**(608,784)**	788,212
Unrealized valuation gain on FVOCI investments	**(645,000)**	(645,000)
	(1,253,784)	143,212
Net deferred income tax assets	**₱13,759,370**	₱20,414,257

The components of the Group's net deferred income tax liabilities are as follows:

	2022	2021 (As Restated - Note 13)
Deferred income tax liabilities on:		
Unrealized fair value gain on investment property	**₱187,151,741**	₱172,313,359
Fair value adjustments upon acquisition of subsidiaries (see Note 13)	**63,531,385**	70,485,406
Finance lease	**–**	23,337,127
Unrealized foreign exchange gain/loss- net	**13,766,780**	11,542,253
Accrued rent	**166,346**	84,122
	264,616,252	277,762,267

	2022	2021 (As Restated - Note 13)
Deferred income tax asset on net pension liability	**₱–**	(**₱**617,571)
Deferred income tax liability (asset) recognized in other comprehensive income		
Unrealized valuation adjustments on FVOCI investments	**3,860,201**	–
Remeasurement loss on employee benefits	**(1,114,246)**	(1,639,723)
	2,745,955	(1,639,723)
	₱267,362,207	₱275,504,973

In 2022 and 2021, the Group has deductible temporary differences and tax credits for which deferred tax assets have not been recognized since management believes that no sufficient taxable income will be available in the year these are expected to be reversed, settled or realized. These unrecognized deductible temporary differences and tax credits follow:

	2022	2021
NOLCO	**₱1,589,563,997**	₱302,749,587
MCIT	**792,373**	94,515

On September 30, 2020, BIR issued the RR No. 25-2020 to implement Section 4(bbbb) of Republic Act No. 11494, otherwise known as "Bayanihan to Recover as One Act". This RR provides that net operating loss of the business or enterprise for taxable years 2020 and 2021 to be carried over as a deduction from gross income for the next five (5) consecutive taxable years immediately following the year of such loss.

NOLCO and MCIT as of December 31, 2022 and 2021, except for the NOLCO incurred in 2020 and 2021, can be claimed as a deduction against future taxable income and income tax due within three years from the year of incurrence from 2020–2022 and 2019–2021, respectively.

CREATE Law

President Rodrigo Duterte signed into law on March 26, 2021 the Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act to attract more investments and maintain fiscal prudence and stability in the Philippines. Republic Act (RA) 11534 or the CREATE Act introduces reforms to the corporate income tax and incentives systems. It takes effect 15 days after its complete publication in the Official Gazette or in a newspaper of general circulation or April 11, 2021.

The following are the key changes to the Philippine tax law pursuant to the CREATE Act which have an impact on the Group:

- Effective July 1, 2020, regular corporate income tax (RCIT) rate is reduced from 30% to 25% for domestic and resident foreign corporations. For domestic corporations with net taxable income not exceeding Php5 million and with total assets not exceeding Php100 million (excluding land on which the business entity's office, plant and equipment are situated) during the taxable year, the RCIT rate is reduced to 20%.

- Minimum corporate income tax (MCIT) rate reduced from 2% to 1% of gross income effective July 1, 2020 to June 30, 2023.

- Imposition of improperly accumulated earnings tax (IAET) is repealed.

As clarified by the Philippine Financial Reporting Standards Council in its Philippine Interpretations Committee Q&A No. 2020-07, the CREATE Act was not considered substantively enacted as of December 31, 2020 even though some of the provisions have retroactive effect to July 1, 2020. The passage of the CREATE Act into law on March 26, 2011 was considered as a non-adjusting subsequent event. Accordingly, current and deferred taxes as of and for the year ended December 31, 2020 were computed and measured using the applicable income tax rates as of December 31, 2020 (i.e., 30% RCIT / 2% MCIT) for financial reporting purposes.

The impact of the lower tax rates of 20–25% from July 1, 2020 onwards have been reflected in the 2021 financial statements.

21. **Equity**

Capital Stock

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

Authorized capital stock - ₱1 par value	2,000,000,000
Issued and outstanding shares	1,023,456,698
Unissued shares	976,543,302

The Parent Company's issued capital stock originally consists of 224,880,067 common shares and 600,000,000 preferred shares that were listed in the Philippine Stock Exchange (PSE) since 2003, and 198,576,631 preferred shares that were approved for listing by the PSE on June 29, 2004. In June 2005, the SEC approved the amendment to Article VII that relates to the conversion of the Parent Company's preferred shares to common shares. As of December 31, 2022 and 2021, the Parent Company's issued capital stock all consists of common shares.

The Parent Company has 1,413 stockholders as of December 31, 2022, 1,415 stockholders as of December 31, 2021, and 1,425 stockholders as of December 31, 2020, and has complied with the Minimum Public Ownership requirement of the PSE for listed entities as of the same dates.

Dividends

The BOD declared cash dividends to its stockholders as follows:

	2022	2021	2020
Date of declaration	**May 13, 2022**	May 19, 2021	May 13, 2020
Date of record	**May 30, 2022**	June 4, 2021	May 27, 2020
Date of payment	**June 10, 2022**	June 23, 2021	June 23, 2020

	2022	2021	2020
Dividends declared:			
Regular dividends	**₱444,282,550**	₱358,209,844	₱467,822,060
Special dividends	**–**	–	–
	₱444,282,550	₱358,209,844	₱467,822,060
Dividends per share	**₱0.4341**	₱0.3500	₱0.4571

Appropriation of Retained Earnings for Business Expansion

Out of the 2016 retained earnings appropriation, the Parent Company made additional investment of ₱606.0 million in 2017 in two power plant projects in the Visayas and Mindanao, which amount was then reverted to unappropriated retained earnings in 2017.

In a BOD meeting held on December 21, 2017, the BOD has determined that the Parent Company's operation require to continue the existing appropriations amounting to ₱2.2 billion for the investment on the two ongoing power plants in Visayas and Mindanao and a rooftop solar installation project starting 2018. In the same BOD meeting, a resolution was approved allocating and restricting part of its retained earnings amounting to an additional ₱1.3 billion to be used for future investments in these projects which are expected to be completed starting 2018.

Out of the 2017 retained earnings appropriation, the Parent Company made additional investment of ₱1.2 billion in 2018 on the power plant projects in the Visayas and in the rooftop solar installation project, which amount was then reverted to unappropriated retained earnings in 2018.

In a BOD meeting held on December 12, 2018, the BOD has determined that the Parent Company's operation require to continue the existing appropriations amounting to ₱2.3 billion for the investments in the two on-going power plant projects in the Visayas, one on-going power plant project in Mindanao and a rooftop solar installation project. In the same BOD meeting, a resolution was approved allocating and restricting part of its retained earnings amounting to additional ₱1.7 billion to be used for the investment in one on-going power plant project in the Visayas estimated to start commercial operations in 2021, new power generation projects in Luzon and the Visayas, and for infrastructure projects in the Visayas starting 2019.

Out of the 2018 retained earnings appropriation, the Parent Company reverted its prior appropriations amounting to ₱2.1 billion on the power plant projects in the Visayas and Mindanao due to its completion in 2019 and made additional investment amounting ₱31.6 million in 2019 on the new power generation project in Luzon, rooftop solar installation project, and infrastructure projects in Visayas.

In a BOD meeting held on November 13, 2019, the BOD has determined that the Parent Company's operations require to continue the existing appropriations amounting to ₱1.8 billion to provide appropriations for the investment in the new power generation project in the Visayas, and the on-going solar installations projects and infrastructure projects in the Visayas. In the same BOD meeting, a resolution was approved allocating and restricting part of its retained earnings amounting to additional ₱2.6 billion to be used for the investment in the new power generation project in the Visayas estimated to start commercial operations in 2021, solar rooftop installations projects, on-going power plant project in Luzon, and on-going infrastructure projects in Visayas.

Out of the 2019 retained earnings appropriation, the Parent Company made additional investments of ₱1.5 billion in 2020 on the new power generation project in the Visayas, on-going solar installations projects, and infrastructure projects in the Visayas, which amount was then reverted to unappropriated retained earnings in 2020.

In a BOD meeting held on November 13, 2020, the BOD has determined that the Parent Company's operation require to continue the existing appropriations amounting to ₱3.0 billion to provide appropriations for the investment on the on-going power generation projects in the Visayas, solar installation projects, and infrastructure projects in Visayas. In the same BOD meeting, a resolution was approved allocating and restricting part of its retained earnings amounting to additional ₱2.3 billion to be used for the investment in the new power generation projects in Luzon and Mindanao, and on-going projects on power generation, solar rooftop installations, and infrastructure projects in Visayas.

Out of the 2020 retained earnings appropriation, the Parent Company made additional investments of ₱1.0 billion in 2021 on the new power generation project in Mindanao, and on-going power generation projects, solar installation projects and infrastructure projects in the Visayas, which amount was then reverted to unappropriated retained earnings in 2021.

In a BOD meeting held on November 12, 2021, the BOD has determined that the Parent Company's operation require to continue the existing appropriations amounting to ₱4.2 billion to provide appropriations for the investment on the new power generation projects in Luzon, on-going power generation projects in the Visayas, and solar installation projects and infrastructure projects in Luzon and the Visayas. In the same BOD meeting, a resolution was approved allocating and restricting part of its retained earnings amounting to additional ₱2.0 billion to be used for the investment in the on-going and new infrastructure projects in Luzon and the Visayas starting in 2022.

Out of the 2021 retained earnings appropriation, the Parent Company made additional investments of ₱1.6 billion in 2022 on the power generation project in the Visayas, solar installation projects and infrastructure projects in Luzon and the Visayas, which amount was then reverted to unappropriated retained earnings in 2021.

In a BOD meeting held on November 11, 2022, the BOD has determined that the Parent Company's operation require to continue the existing appropriations amounting to ₱4.6 billion to provide appropriations for the investment on the new power generation projects in Luzon, solar installation projects in Luzon and the Visayas, and infrastructure project in the Visayas. In the same BOD meeting, a resolution was approved allocating and restricting part of its retained earnings amounting to additional ₱2.25 billion to be used for the investment in the on-going and new infrastructure projects in the Visayas, and new power generation projects in Luzon and the Visayas starting in 2023.

Unappropriated Retained Earnings

The balance of retained earnings includes the accumulated equity in net earnings of subsidiaries, associates and joint ventures, including unrealized fair value adjustments on investment properties, amounting to ₱7.7 billion and ₱7.4 billion as of December 31, 2022 and 2021, respectively. Such amounts are not available for dividend distribution until such time that the Parent Company receives the dividends from the respective subsidiaries, associates and joint ventures.

Non-controlling Interests

In 2020, INEC and HDFE received cash amounting to ₱73.0 million and ₱16.0 million respectively, from its non-controlling stockholders for the issuance of capital stock.

In 2021, INEC received cash amounting to ₱55.3 million from its non-controlling stockholder for the issuance of capital stock. LPEC also received cash from GPI amounting to ₱0.5 million.

In 2022, 1590EC received cash amounting to ₱231.2 million from its non-controlling stockholder for the issuance of capital stock. INPC also received cash from GPI amounting to ₱16.9 million.

Material Partly-Owned Subsidiary - 1590 EC

The following are selected financial information of the material partly-owned subsidiary of the Group as of and for the years ended December 31, 2022, 2021 and 2020:

	2022	2021	2020
Total current assets	**₱1,068,374,263**	₱993,023,145	₱903,759,047
Total noncurrent assets	**3,751,025,697**	2,154,054,662	2,424,981,615
Total current liabilities	**2,218,327,860**	933,323,365	1,180,285,736
Total noncurrent liabilities	**832,756,131**	995,414,558	1,113,555,486
Total equity	**1,768,315,969**	1,218,339,884	1,034,899,440
Sale of power	**2,820,807,541**	2,559,268,393	1,702,132,252
Operating profit	**299,626,276**	929,267,184	809,866,283
Net income	**246,304,789**	741,063,348	595,917,766
Total comprehensive income	**249,647,528**	743,338,604	590,436,065
Net income attributable to non-controlling interests	**135,960,244**	331,996,380	328,946,606
Total comprehensive income attributable to non-controlling interests	**137,805,435**	333,015,695	266,971,159
Dividends paid to non-controlling interests	**–**	250,880,000	196,672,000
Accumulated non-controlling interest	**683,576,079**	545,770,644	463,634,949

22. Earnings Per Share (EPS)

The amounts of EPS are computed as follows:

	2022	2021 (As Restated - Notes 3 and 13)	2020 (As Restated - Note 3)
Net income attributable to shareholders of the parent	**₱1,595,263,961**	₱1,866,730,439	₱1,514,226,057
Weighted average number of outstanding common shares	**1,023,456,698**	1,023,456,698	1,023,456,698
Basic and diluted EPS	**₱1.559**	₱1.824	₱1.480

There are no potential dilutive shares as of December 31, 2022, 2021 and 2020.

23. Contracts, Commitments and Contingencies

Sale of Power

Power Supply Agreements (PSA)

- *INEC Interim PSA.* On April 22, 2020, INEC, a subsidiary, and Bantayan Electric Cooperative, Inc. (BANELCO), an electric cooperative engaged in the distribution of electricity, light, heat and power, entered into an Interim PSA. INEC shall provide a portion of the electricity requirements of BANELCO. The Interim PSA commenced on August 11, 2020 and ended on August 10, 2021.

  On July 3, 2020, INEC and BANELCO filed a joint application to the Energy Regulatory Commission, docketed under ERC Case No. 2020-013 RC, entitled "In the Matter of the Application for Approval of the Interim Power Supply Agreement between Bantayan Island Electric Cooperative, Inc. (BANELCO) and Isla Norte Energy Corporation (INEC), with Motion for Provisional Authority", dated April 29, 2020. The ERC issued a letter to INEC and BANELCO on July 19, 2021, informing that it has granted interim relief to the parties by virtue of an order issued on July 14, 2021, subject to the rates and conditions set forth in the letter.

  Sale of power to BANELCO from this contract amounted to nil, ₱10.1 million, and nil in 2022, 2021 and 2020, respectively.

- *INEC PSA.* On February 10, 2020, INEC and BANELCO entered into a PSA. Under the PSA, INEC shall provide the entire energy requirements of BANELCO and its franchise area. The agreement is for a period of 15 years, reckoned from commercial operations date. On March 27, 2022, INEC and BANELCO rescinded the PSA.

  On March 30, 2022, INEC and BANELCO filed the Joint Motion to Withdraw the Joint Application for Approval of their PSA (the Motion to Withdraw) dated March 29, 2022 before the ERC. The ERC, in an order dated May 5, 2022, denied the Joint Application for non-compliance with certain rules, procedures, and other considerations.

- *INPC PSA.* On March 30, 2022, BANELCO and INPC entered into a PSA. According to the terms of the PSA, INPC shall provide the entire energy requirements of BANELCO and its franchise area. The agreement is for a period of 15 years, reckoned from commercial operations date. On May 5, 2022, pending final resolution of INPC's application for approval of the PSA, the ERC granted provisional authority to INPC to implement the PSA, subject to certain conditions. Commercial operations in relation to the provisional authority commenced on May 6, 2022.

  Sale of power to BANELCO from this contract amounted to ₱558.5 million in 2022.

- *INEC 90-Day PSA.* The ERC issued a Notice of Resolution dated November 4, 2021 that contained a directive to BANELCO "to source out power from any supplier which it deems fit, to ensure the continuous and unhampered supply of power within its franchise area." BANELCO entered into a PSA with the Company for a period of 90 days, reckoned from the date of the issuance of the resolution, to supply the whole of its energy requirement.

  Sale of power to BANELCO from this contract amounted to ₱194.4 million and ₱83.4 million in 2022 and 2021, respectively.

- *INEC Subsidy Agreement (SA)*. Due to the subsidized nature of the above PSAs, the subsidiary applied for Subsidy Agreement (SA) with NPC. This SA allows the entity to collect the difference of the Subsidized/Approved Generation Rate (SAGR) charged to BANELCO and True Cost Generation Rate (TCGR). SAGR charged to BANELECO amounted to ₱7.0898 and ₱6.2553 per kilowatt-hour in 2022 and 2021, respectively. The subsidy agreement for the Interim PSA has been signed by INEC, BANELCO, and NPC on December 28, 2021. The subsidy agreements for the PSA and the 90-day PSA, as extended, were approved on August 2, 2022.

  In 2020, INEC received from BANELCO an advance deposit amounting to ₱15.0 million in relation to the subsidy agreement. In 2021, INEC received from the National Electrification Administration ₱20.0 million as addition to BANELCO's advance deposit in relation to the subsidy agreement. The amount is refundable to BANELCO upon approval of the application by the ERC, and collection of the subsidy from the National Power Corporation. These deposits are presented under "Others" as part of "Trade and other payables in the consolidated statements of financial position (see Note 14).

- *NBPC PSA*. On January 17, 2017, NBPC entered into a Power Supply Agreement (PSA) with Bukidnon Second Electric Cooperative (BUSECO) to supply a maximum of 5 MW from its 2 x 3.1 MW power plant located at Barangay Bugcaon, Lantapan, Bukidnon at a specific contract rate for a period of 15 years commencing from commercial operation date in the second quarter of 2018, under a Build Operate Maintain (BOMT) scheme. With the BOMT agreement, NBPC's power plant will be transferred to BUSECO upon termination of the PSA.

  ERC has granted a provisional approval on its rate application on August 31, 2017 effective for only twelve (12) months. Upon expiration of the provisional authority on August 31, 2018, ERC extended the provisional authority in an order dated September 21, 2019. NBPC and BUSECO filed a motion for reconsideration for rates adjustment from the provisionally approved amounts and was partially granted by ERC on October 8, 2019. As of December 31, 2022, no decision was received from ERC on the matter.

  Total generation income from this agreement amounted to ₱72.3 million and ₱41.5 million in 2022 and 2021, respectively.

- *BPC PSA*. On October 16, 2014, the Company entered into a Power Supply Agreement (PSA) with First Bukidnon Electric Cooperative (FIBECO) to supply a maximum of 4.4 MW from its 2 x 2.4 MW power plant located at Barangay Barandas, Bukidnon at a specific contract rate for a period of 15 years commencing from March 15, 2015. ERC has granted a provisional approval on its rate application on August 3, 2015. The second power supply agreement was entered into with FIBECO on July 24, 2015 for a contracted capacity of 2 MW from its 2.5 MW Fuel power plant located at Barangay Mabuhay, San Fernando, Bukidnon, for a period of 15 years starting from April 15, 2016. ERC's final approval on its rate application was dated June 6, 2017.

  Total generation income from this agreement amounted to ₱97.2 million and ₱48.6 million in 2022 and 2021, respectively.

Solar Solutions

A subsidiary of the Group enters into power purchase agreements with various customers for the development, engineering, procurement, construction, operation and maintenance of solar generation facilities at the customers' premises. Revenue from these agreements amounted to ₱23.1 million, ₱9.0 million and ₱6.6 million in 2022, 2021 and 2020, respectively.



Ancillary Services
In January 2017, a subsidiary entered into an ASPA with NGCP to be its service provider, whereby the entity will provide dispatchable reserve to NGCP to maintain power quality, reliability, and security of the nationwide grid. The term of agreement is in force for five (5) years. Actual transactions such as nominations and scheduling started in November 2017 when the access and technical requirements were finally fulfilled. The contract expired in September 2022 subject to monthly renewal pending the result of the competitive selection process. The contract was renewed until February 25, 2023. Revenue from ASPA with NGCP amounted to ₱952.9 million, ₱1,174.7 million and ₱1,407.8 million in 2022, 2021 and 2020, respectively.

Retail Electricity Supply
A subsidiary enters into various retail supply contracts with contestable customers for the supply of energy at an agreed price on a per kilowatt-hour basis. The contracts are for a period of 2 years and for a contracted capacity of 0.75–2.50 MW. Total retail electricity sales earned from these contracts amounted to ₱633.5 million, ₱301.0 million and ₱120.2 million in 2022, 2021 and 2020, respectively.

In connection with the contracts, the subsidiary received refundable deposits from customers amounting to ₱6.7 million as of December 31, 2022 and 2021. These are presented as part of "Other noncurrent liabilities" in the statements of financial position (see Note 14).

Participation in WESM
To avail of the opportunities in the competitive electricity market, certain entities of the Group registered as direct participants of the wholesale electricity spot market (WESM). The revenue from sale of power on the WESM recognized by the Group amounting to ₱1,867.8 million, ₱1,384.6 million, ₱294.4 million in 2022, 2021 and 2020, respectively, were generated from its participation in the trading of electricity at the WESM.

On March 6, 2014, the ERC rendered an Order voiding the WESM prices for the supply months of November and December 2013 and in lieu thereof, substituting regulated prices. The Order came after the ERC formed an Investigating Unit to investigate the unusual increase in WESM prices and the seemingly simultaneous withholding of capacity by electric power generators during the supply months of November and December 2013.

On March 28, 2014, a subsidiary filed its Motion for Reconsideration (MR) to the Order. In an Order dated October 15, 2014, the ERC denied the MR.

On December 10, 2014, as a result of the denial of the MR by the ERC, the subsidiary filed a Petition for Review with Application for Injunction and Temporary Restraining Order with the CA requesting for the (a) issuance of a Temporary Restraining Order and Writ of Preliminary Injunction enjoining ERC and PEMC from implementing all orders, decisions, and resolutions in ERC Case No. 2014-021 MC and (b) reversal of the Order of the ERC in ERC Case No. 2014-021 MC and (c) reinstating the November and December 2013 WESM market prices.

On November 8, 2017 the CA in the consolidated Petitions for Review, rendered a decision declaring the Orders of the ERC dated March 3, 2014, March 27, 2014, May 9, 2014 and October 15, 2014 (the "ERC Orders") for having been rendered without any factual and legal basis. Accordingly, the CA nullified the regulated prices imposed by the ERC in the ERC Orders that were to prevail in lieu of the WESM prices for the November and December 2013 supply months.



Thereafter, the ERC and Intervenor, filed their respective MRs to which the subsidiary duly filed its respective Oppositions thereto. Moreover, as of March 14, 2018, twelve (12) entities who are not original parties to the consolidated Petitions for Review but claim legal interest in the consolidated Petitions for Review filed their respective Motions for Leave to file intervention and admit the attached MRs. On September 7, 2020, the subsidiary received a Notice from the Supreme Court (Third Division) that required its Comments to a Petition for Review on Certiorari. The subsidiary was able to file its Comment and Opposition within the allowed extended period. The Supreme Court has not decided on the matter as of March 16, 2023.

Costs of Generation

Purchased Power

- *Bilateral Agreements.* A subsidiary of the Group entered into a PSA with KEPCO SPC Power Corporation to purchase power for a fixed fee per MW per hour. The PSA is for a period of one year starting January 13, 2020 to January 12, 2021 with a minimum and maximum contract capacity of 2MW and 5MW, respectively. In December 2020, the contract with KEPCO was extended for a period of one year from January 13, 2021 to January 12, 2022.

  The subsidiary also entered into PSA with Southwest Luzon Power Generation Corporation to purchase power for a fixed fee per MW per hour. The PSA shall commence from July 15, 2021 to November 25, 2022 for a contracted capacity of 5MW.

  In 2022, the subsidiary entered into a PSA with SN Aboitiz – Magat, Inc. to purchase power for a fixed fee per MW hour. The PSA is valid from February 26, 2022 to February 25, 2023 for a contracted capacity of 5MW.

  In 2022, the subsidiary also entered into a PSA with Therma Visayas, Inc. to purchase power for a fixed fee per MW houe. The PSA is valid from December 26, 2022 to December 25, 2024 for a contracted capacity of 5MW.

  The total cost of power purchased during the year from the above power supply agreements amounted to ₱431.1 million, ₱179.2 million and ₱68.0 million in December 2022, 2021 and 2020, respectively (see Note 17).

Fuel Supply Agreements

- *Supply Agreement for Heavy Fuel.* The Group, through its power generation subsidiaries, entered into a Supply Agreement (Consignment) with Pilipinas Shell Petroleum Corporation (PSPC) for the supply of the Group's petroleum product requirements. Under the agreement, PSPC shall sell and deliver, or procure to be delivered, and the Group shall purchase the petroleum products exclusively from PSPC. The supply agreements are in force up to May 2023 and June 2023.

  Heavy fuel oil expense recognized in the consolidated statements of comprehensive income amounted to ₱2,142.6 billion, ₱783.8 million and ₱271.0 million in 2022, 2021 and 2020, respectively (see Note 17).

- *Supply Agreement for Light Fuel Oil.* On June 10, 2020, the Group entered into a three-year supply agreement with Pilipinas Shell Petroleum Corporation for the supply of the Group's petroleum product requirements. The agreement is effective on July 1, 2020 until May 31, 2023.

Light fuel oil recognized in the consolidated statements of comprehensive income amounted to ₱131.2 million, ₱73.8 million, and ₱29.8 million in 2022, 2021, and 2020, respectively (see Note 17).

- *Supply Agreement for Lube Fuel Oil.* On October 1, 2021, the Group entered into a Supply Agreement with Pilipinas Shell Petroleum Corporation (PSPC) for the supply of the Group's fuel requirements. Under the agreement, PSPC shall sell and deliver and the Group shall purchase the fuel products such as Shell fuel oil and Shell diesoline B2 from October 2, 2021 to September 30, 2022.

  Lube fuel oil recognized under "Generation costs" in the statements of comprehensive income amounted to ₱51.3 million, ₱23.9 million, and ₱10.1 million in 2022, 2021, and 2020, respectively (see Note 17).

Distribution Wheeling Services
A subsidiary of the Group enters into Distribution Wheeling Service Agreements (DWSA) with various distribution utilities to tap their distribution services for the conveyance of electricity, through its distribution system, to the subsidiary's contestable customers.

Based on the DWSA, the subsidiary shall pass on all applicable distribution wheeling services charges namely distribution, transmission, system loss, metering, ancillary, universal and other charges, including applicable taxes, as billed by the distribution utility to the contestable customers. Total costs incurred for distribution wheeling services amounted to ₱147.5 million, ₱107.2 million and ₱39.2 million in 2022, 2021 and 2020, respectively (see Note 17).

A bill deposit equivalent to one month of the estimated billing is usually paid to the distribution utility prior to the commencement wheeling services to the contestable customer. As at December 31, 2022 and 2021, security deposit under this agreement amounted to ₱15.8 million and ₱11.7 million, respectively, and is presented as "Others" under "Prepayments and other current assets" (see Note 9).

Open Access Transmission Service
Pursuant to the provision on Credit Support under Section A8.1 of the Open Access Transmission Service Rules as well as the condition set under Billing and Payments of the Transmission Service Agreement, 1590 EC provided additional credit support in the form of a security deposit presented as "Other noncurrent assets" in the consolidated statements of financial position amounting to ₱2.3 million as of December 31, 2022 and 2021 (see Note 13).

Contingencies
The Group is a party to certain proceedings and assessments in the normal course of business. The ultimate outcome of these proceedings cannot be presently determined. The Group's position has been developed in consultation with outside counsel handling the Group's defense in these matters and is based upon an analysis of potential results. As allowed by PAS 37, no further disclosures were provided as this might prejudice the Group's position on this matter. Management believes, based on information currently available and professional legal advice, that the ultimate resolution of these proceedings would not likely have a material, adverse effect on the results of operations, financial position or liquidity of the Group. Existing circumstances and assumptions about future developments related to these proceedings may still change. Such changes are reflected in the assumptions when they occur.

24. Lease Agreements

The Group has lease contracts for various items of land and office space used in its operations. Leases of land has a lease term of 17 years, while office space generally have lease terms between 2 and 5 years. The Group's obligations under its leases are secured by the lessor's title to the leased assets. Generally, the Group is restricted from assigning and subleasing the leased assets. There are several lease contracts that include extension and termination options.

On May 11, 2012, a MOA was entered into between the 1590 EC and the PGLU for the right to preserve, maintain and operate the BDPP, including the right to use and sell the power generated therefrom. The MOA commenced on May 26, 2012 until June 25, 2013, but subject to yearly renewal unless otherwise terminated by a mutual agreement, for a monthly consideration of ₱10.5 million.

On March 22, 2013, a new MOA was executed between 1590 EC and PGLU for a period of one year commencing immediately after the expiration of the first MOA or on June 26, 2013, for a monthly consideration of ₱12.5 million. On April 2, 2014, an amendment to the MOA was executed extending the agreement to December 31, 2015. In February 2015, the parties executed a Second Amendment to the MOA extending its term until December 31, 2018. The Second Amendment provides for a monthly consideration of ₱13.2 million. All other terms and conditions remained.

In addition, the MOA stipulates for the payment by the Company to PGLU of royalty fees equivalent to 1590EC's one and one-half percent (1.5%) of monthly gross profit, the latter computed as 1590 EC's monthly revenues less monthly costs related to heavy fuel, light fuel and lube oil.

On January 19, 2018, the Group entered into a lease contract with the PGLU over the BDPP after emerging as the winning Proponent during the bidding for the lease thereof. Under the lease contract, the Group can use, possess, man, operate, and maintain the BDPP for its sole account and expense, for a term of five (5) years commencing on January 1, 2019. The lease is in consideration for a monthly rental of ₱14.1 million, royalty payment at 1.5% of monthly net profit, and the infusion of total capital investment of at least ₱600.0 million over the five-year term.

On April 6, 2022, 1590 EC was issued a Notice of Award from PGLU as the highest bidder of the BDPP during the public auction following a post qualification evaluation. The two parties executed the deed of transfer and conveyance on April 19, 2022. As a consequence of the public auction and formal transfer of ownership, the parties mutually agreed to terminate the lease agreement wherein the PGLU waives all other obligations of PGLU under the contract of lease, whether monetary or otherwise.

Total depreciation expense on the right-of-use asset recognized under "Costs of Services" amounted to ₱68.2 million, ₱209.6 million and ₱215.8 million in 2022, 2021 and 2020, respectively, and total interest expense on the lease liabilities recognized as "Finance costs on lease liabilities" in the statement of comprehensive income amounted to ₱9.4 million, ₱50.3 million and ₱73.1 million in 2022, 2021 and 2020, respectively. Total royalty fees recognized under "Costs of Services" amounted to ₱4.8 million, ₱26.0 million and ₱20.0 million in 2022, 2021 and 2020, respectively (see Note 17).



Set out below, are the carrying amounts of the Group's right-of-use assets and lease liabilities and the movements during the year ended December 31, 2022 and December 31, 2021:

	Right-of-use Assets			
	Office Space	**Plant and Equipment**	**Total**	**Lease Liabilities**
As at January 1, 2022	**₱32,864,741**	**₱409,495,665**	**₱442,360,406**	**₱358,719,808**
Remeasurement of lease liabilities	**3,348,598**	**–**	**3,348,598**	**3,348,598**
Pre-termination of lease	**–**	**(341,246,387)**	**(341,246,387)**	**(259,025,081)**
Depreciation expense	**(14,101,248)**	**(68,249,278)**	**(82,350,526)**	**–**
Interest expense	**–**	**–**	**–**	**10,826,959**
Payments	**–**	**–**	**–**	**(87,060,332)**
As at December 31, 2022	**₱22,112,091**	**₱–**	**₱22,112,091**	**₱26,809,952**

	Right-of-use Assets			
	Office Space	Plant and Equipment	Total	Lease Liabilities
As at January 1, 2021	₱43,346,356	₱628,876,558	₱672,222,914	₱663,178,304
Remeasurement of lease liabilities	4,268,864	(9,755,374)	(5,486,510)	(5,486,510)
Depreciation expense	(14,750,479)	(209,625,519)	(224,375,998)	–
Interest expense	–	–	–	52,513,071
Payments	–	–	–	(351,485,057)
As at December 31, 2021	₱32,864,741	₱409,495,665	₱442,360,406	₱358,719,808

In 2021, the Group remeasured its lease liabilities to consider the impact of change in the timing of incurrence of capital investments which are in-substance lease payments to PGLU. The remeasurement resulted to a decrease in right-of-use assets and lease liabilities by ₱9.8 million in 2021.

In 2022 and 2021, there were modifications to the Parent Company's leases which increased the lease term, reduced rent payments and provided rent concessions. The remeasurement resulted to a net increase in right-of-use assets and lease liabilities by ₱3.3 million in 2022 and ₱4.3 million in 2021.

Set out below are the amounts recognized in the consolidated statements of comprehensive income for the years ended December 31, 2022 and 2021:

	2022	2021
Depreciation expense of right-of-use assets		
Costs of services (see Note 17)	**₱68,249,278**	₱209,625,519
Operating expenses	**14,101,248**	14,750,479
Interest expense on lease liabilities	**10,826,959**	52,513,071
Variable lease payments (see Note 17)	**4,786,482**	26,044,774
Rent expense - short-term leases	**8,568,043**	22,143,009
	₱106,532,010	₱325,076,852

Variable lease payments are presented as Royalty fees under "Costs of Services" in the consolidated statements of comprehensive income.

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

	2022	2021
Within one year	**₱16,712,054**	₱223,008,091
After one year but not more than five years	**13,498,899**	171,728,372
	₱30,210,953	₱394,736,463

25. Financial Risk Management Objectives and Policies

The Group's principal financial instruments consist of cash and cash equivalents, trade and other receivables, advances to associates and stockholders, financial assets at FVOCI, trade and other payables, notes payable and advances from related parties. The main purpose of these financial instruments is to raise funds for the Group's operations.

The main risks from the Group's financial instruments are credit risk, liquidity risk and foreign currency risk. The BOD reviews and agrees policies for managing each of these risks and these policies are summarized below.

Credit Risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily for trade receivables) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

With respect to cash investments, the risk is mitigated by the short-term and/or liquid nature of its investments mainly in bank deposits and placements, which are placed with financial institutions of high credit standing. Receivable balances are actively monitored on an ongoing basis and acted upon regularly to avoid significant concentrations of credit risk.

Except for the trade receivables of 1590 EC from an electric cooperative and other receivables which were provided with allowance (see Note 7), management evaluated that the Group's consolidated financial assets as summarized below are of high grade and of good credit quality.

The maximum exposure to credit risk, net of allowance for impairment losses, amounted to ₱7,266.2 million and ₱7,457.3 million as of December 31, 2022 and 2021, respectively.

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

The Group writes-off a financial asset, in whole or in part, when the asset is considered uncollectible, it has exhausted all practical recovery efforts and has concluded that it has no reasonable expectations of recovering the financial asset in its entirety or a portion thereof. The Group writes off an account when all of the following conditions are met:

- the asset is in past due for over 90 days, or is already an item-for-forfeiture
- contract restructuring is no longer possible

The Group may also write-off financial assets that are still subject to enforcement activity. The Group has not written off outstanding loans and receivables that are still subject to enforcement activity as of December 31, 2021 and 2020.

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

- *General Approach*
    - *Cash and Cash Equivalents.* As of December 31, 2022 and 2021, the ECL relating to the cash and cash equivalents of the Group is minimal as these are deposited in reputable banks which have good bank standing, and is considered to have low credit risk.

- *Advances to Associates, Joint Ventures, and Stockholders, Receivables from Related Parties and Other Receivables and Security Deposits.* No ECL is recognized for related party receivables since there were no history of default payments. As of December 31, 2022 and 2021, allowance for impairment losses pertain to individually impaired accounts of other receivables. This assessment is undertaken each financial year through examining the financial position of the related parties and the markets in which the related parties operate.

- *Simplified Approach*
  - *Trade and Accounts Receivable* - The Group applied the simplified approach under PFRS 9, using a 'provision matrix'. As of December 31, 2022 and 2021, the allowance for impairment losses as a result from performing collective impairment test amounted to ₱2.0 million and ₱0.7 million, respectively. Management evaluated that the Group's trade receivables are of high grade and of good credit quality.

The tables below show the maximum exposure to credit risk based on the Group's year-end stage classification.

	2022				
	Stage 1 12-month ECL	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Lifetime ECL Simplified Approach**	**Total**
Gross carrying amount	**₱5,903,523,053**	**₱–**	**₱86,062,163**	**₱1,364,716,118**	**₱7,354,301,334**
Loss allowance	**–**	**–**	**(86,062,163)**	**(2,009,923)**	**(88,072,086)**
Carrying amount	**₱5,903,523,053**	**₱–**	**₱–**	**₱1,362,706,195**	**₱7,266,229,248**

	2021				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Lifetime ECL Simplified Approach	Total
Gross carrying amount	₱6,577,302,815	₱–	₱99,617,163	₱880,779,640	₱7,557,699,618
Loss allowance	–	–	(99,617,163)	(732,935)	(100,350,098)
Carrying amount	₱6,577,302,815	₱–	₱–	₱880,046,705	₱7,457,349,520

The following tables set out the aging analysis per class of financial assets as of December 31, 2022 and 2021:

	2022						
		Past Due					
	Not Past Due	**Less than 30 Days**	**31-60 Days**	**61-90 Days**	**Over 90 days**	**Impaired**	**Total**
Financial Assets at Amortized Cost							
Cash and cash equivalents (excluding cash on hand)	**₱4,169,079,325**	**₱724,277,901**	**₱–**	**₱–**	**₱–**	**₱–**	**₱4,893,357,226**
Trade and other receivables	**359,060,700**	**585,547,976**	**18,724,303**	**23,469,764**	**375,903,452**	**41,994,023**	**1,404,700,218**
Advances to associates, joint ventures and stockholders	**290,664,713**	**631,115**	**350,502**	**207,670**	**2,162,208**	**–**	**294,016,208**
Advances to a supplier (under "Other noncurrent assets")	**698,308,703**	**–**	**–**	**–**	**–**	**–**	**698,308,703**
Due from RFM Corporation (under "Other noncurrent assets")	**–**	**–**	**–**	**–**	**–**	**46,078,063**	**46,078,063**
Restricted cash (under "Other current assets")	**2,003,880**	**–**	**–**	**–**	**–**	**–**	**2,003,880**
Security deposits (under "Other noncurrent assets")	**15,837,036**	**–**	**–**	**–**	**–**	**–**	**15,837,036**
	₱5,534,954,357	**₱1,310,456,992**	**₱19,074,805**	**₱23,677,434**	**₱378,065,660**	**₱88,072,086**	**₱7,354,301,334**

	2021						
		Past Due					
	Not Past Due	Less than 30 Days	31-60 Days	61-90 Days	Over 90 days	Impaired	Total
Financial Assets at Amortized Cost							
Cash and cash equivalents (excluding cash on hand)	₱4,381,506,785	₱1,268,518,154	₱–	₱–	₱–	₱–	₱5,650,024,939
Trade and other receivables	507,327,475	281,478,586	6,505,325	3,893,954	80,841,365	54,272,035	934,318,740
Advances to associates, joint ventures and stockholders	262,631,869	89,129	10,032	1,465	13,832,382	–	276,564,877
Advances to a supplier (under "Other noncurrent assets")	636,974,713	–	–	–	–	–	636,974,713
Due from RFM Corporation (under "Other noncurrent assets")	–	–	–	–	–	46,078,063	46,078,063
Restricted cash (under "Other current assets")	2,003,311	–	–	–	–	–	2,003,311
Security deposits (under "Other noncurrent assets")	11,734,975	–	–	–	–	–	11,734,975
	₱5,802,179,128	₱1,550,085,869	₱6,515,357	₱3,895,419	₱94,673,747	₱100,350,098	₱7,557,699,618

Liquidity Risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due.

The Group maintains sufficient cash and cash equivalents to finance its operations. Any excess cash is invested in short-term money market placements. These placements and the Group's trade receivables are maintained to meet maturing obligations. The Group, in general, matches the appropriate long-term funding instruments with the general nature of its equity instruments.

The following tables summarize the Group's financial assets that can be used to manage its liquidity risk and the maturity profile of the Group's financial liabilities based on contractual undiscounted payments as of December 31:

	2022				
	Contractual Undiscounted Payments				
	Total	**On Demand**	**Less than 1 Year**	**1 to 5 Years**	**More than 5 Years**
Financial Assets					
At amortized cost:					
Cash and cash equivalents	**₱4,893,357,226**	**₱4,169,079,325**	**₱724,277,901**	**₱–**	**₱–**
Trade and other receivables	**1,362,706,195**	**359,060,700**	**627,742,043**	**375,903,452**	**–**
Advances to associates, joint ventures, and stockholders	**294,016,208**	**294,016,208**	**–**	**–**	**–**
Advances to a supplier (under "Other noncurrent assets")	**698,308,703**	**–**	**–**	**698,308,703**	**–**
Restricted cash (under "Other current assets")	**2,003,880**	**–**	**569**	**2,003,311**	**–**
Security deposit (under "Other current assets")	**15,837,036**	**–**	**4,102,061**	**11,734,975**	**–**
At FVOCI	**8,000,000**	**8,000,000**	**–**	**–**	**–**
	7,274,229,248	**4,830,156,233**	**1,356,122,574**	**1,087,950,441**	**–**
Financial Liabilities					
Trade and other payables*	**1,109,910,241**	**334,299,343**	**740,610,898**	**35,000,000**	**–**
Short-term notes payable	**1,170,300,000**	**–**	**1,170,300,000**	**–**	**–**
Long-term notes payable**	**4,667,924,168**	**–**	**1,117,355,294**	**2,331,322,353**	**1,219,246,521**
Lease liabilities***	**30,210,953**	**–**	**16,712,054**	**13,498,899**	**–**
Advances from related parties	**10,886,165**	**5,197,053**	**5,689,112**	**–**	**–**
	6,989,231,527	**339,496,396**	**3,050,667,358**	**2,379,821,252**	**1,219,246,521**
Net Financial Assets (Liabilities)	**₱284,997,721**	**₱4,490,659,837**	**(₱1,694,544,784)**	**(₱1,291,870,811)**	**(₱1,219,246,521)**

**Excluding nonfinancial liabilities*
***Including contractual interest to maturity*
****Contractual undiscounted lease payments*

	2021				
		Contractual Undiscounted Payments			
	Total	On Demand	Less than 1 Year	1 to 5 Years	More than 5 Years
Financial Assets					
At amortized cost:					
Cash and cash equivalents	₱5,650,024,939	₱4,381,506,785	₱1,268,518,154	₱–	₱–
Trade and other receivables	880,046,705	67,403,225	739,610,872	73,032,608	–
Advances to associates, joint ventures, and stockholders	276,564,877	276,564,877	–	–	–
Advances to a supplier (under "Other noncurrent assets")	636,974,713	–	–	636,974,713	–
Restricted cash (under "Other current assets")	2,003,311	-	–	2,003,311	–
Security deposit (under "Other current assets")	11,734,975	–	–	11,734,975	–
At FVOCI	8,000,000	8,000,000	–	–	–
	7,465,349,520	4,733,474,887	2,008,129,026	723,745,607	–
Financial Liabilities					
Trade and other payables*	429,937,513	–	394,937,513	35,000,000	–
Long-term notes payable**	4,535,018,070	–	335,499,517	4,199,518,553	–
Lease liabilities***	358,719,808	–	200,707,787	158,012,021	–
Advances from related parties	5,869,112	5,869,112	–	–	–
	5,329,544,503	5,869,112	931,144,817	4,392,530,574	–
Net Financial Assets (Liabilities)	₱2,135,805,017	₱4,727,605,775	₱1,076,984,209	(₱3,668,784,967)	₱–

**Excluding nonfinancial liabilities*
***Including contractual interest to maturity*
****Contractual undiscounted lease payments*

Foreign Currency Risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities when revenue or expense is denominated in a different currency from the Group's functional currency.

The foreign-currency-denominated monetary assets and their Philippine Peso equivalents follow:

	2022		
	USD	**EUR**	**Php Equivalent**
Financial Asset			
Cash	**US$9,863,581**	**€1,131,571**	**₱620,929,219**

	2021		
	USD	EUR	Php Equivalent
Financial Asset			
Cash	US$7,650,760	€1,545,354	₱477,317,847

The December 31 exchange rates used follows:

	2022	2021
US Dollar	**₱56.12 to US$1**	₱50.77 to US$1
Euro Dollar	**₱59.55 to €1**	₱57.52 to €1

The Group recognized net foreign exchange gain of ₱53.8 million, ₱16.1 million, ₱4.4 million in 2022, 2021, and 2020.

The Group manages the timing of settlements or payments to ensure that the Group is not unfavourably exposed to fluctuations of foreign exchange rates. Likewise, the Group maintains adequate PHP, US, and EUR bank deposits to fund major expenditures or payments in foreign currencies.

The tables below demonstrate the sensitivity to a reasonably possible change in the Philippine Peso, with all other variables held constant, of the Group's income before income tax (due to changes in the fair value of monetary assets and liabilities) as of December 31, 2022 and 2021.

	Change in Philippine Peso to US Dollar	
	Appreciation	Depreciation
Effect in income before income tax:		
2022 (at 8.40% appreciation and 7.13% depreciation)	**₱46,497,710**	**(₱39,467,699)**
2021 (at 2.86% appreciation and 2.85% depreciation)	₱11,109,072	(₱11,070,229)

	Change in Philippine Peso to Euro	
	Appreciation	Depreciation
Effect in income before income tax:		
2022 (at 3.77% appreciation and 4.40% depreciation)	**₱2,540,416**	**(₱2,964,942)**
2021 (at 3.38% appreciation and 2.97% depreciation)	₱3,004,006	(₱2,639,615)

There is no other impact on the Group's equity other than those already affecting the consolidated income before income tax.

Interest Rate Risk

The Group is not exposed to interest rate risk since its loans are subject to fixed interest rates and are therefore not subject to interest rate risk. Accounts receivable and other significant liabilities are noninterest-bearing. The Group has achieved a balanced mix of cash balances with various deposit rates.

Fair Value Measurement

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

Fair Value Hierarchy

The Group uses the following hierarchy for determining the fair value of assets and liabilities:

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

As of December 31, 2022 and 2021, the carrying values of the Group's financial instruments, except for the FRCN and the Project Financing Facility, approximate fair values due to their relatively short-term maturity. The carrying amount of variable-rate loans approximate their fair values due to the annual and quarterly repricing of the variable interest rate (see Note 15).

The Group considers the FRCN and Project Financing Facility with fair value of ₱4.1 billion and ₱4.3 billion as of December 31, 2022 and 2021, respectively, as under Level 3 classification. The fair values were determined by discounting future cash flows using the applicable rates of similar types of instruments plus a certain spread. This spread is the unobservable input and the effect of changes to this is that the higher the spread, the lower the fair value.

The Group's financial assets at FVOCI and investment properties, which are classified under Level 2 and 3, respectively, are measured at fair value.

As of December 31, 2022 and 2021, there were no transfers into and out of Level 3 fair value measurements.

Changes in Valuation Techniques

There were no changes in the valuation techniques used by the Group in determining the fair value of its financial assets at FVOCI and investment properties during the year.

Highest and Best Use

As at December 31, 2022 and 2021, the current use of the Group's investment properties is considered its highest and best use.

Fair Value Hierarchy

The following tables show an analysis of the Group's assets measured at fair value recognized in the consolidated statements of financial position by level of the fair value hierarchy as of December 31, 2022 and 2021:

	2022			
		Fair Value Measurement Using		
	Total	**Quoted Prices in Active Markets (Level 1)**	**Significant Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Assets Measured at Fair Value				
Financial assets at FVOCI	**₱397,734,676**	**₱–**	**₱397,734,676**	**₱–**
Investment properties (see Note 12):				
Land	**898,590,867**	**–**	**–**	**898,590,867**
Condominium units	**25,445,733**	**–**	**–**	**25,445,733**

	2021			
		Fair Value Measurement Using		
	Total	Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets Measured at Fair Value				
Financial assets at FVOCI	₱102,000,000	₱–	₱102,000,000	₱–
Investment properties (see Note 12):				
Land	838,460,268	–	–	838,460,268
Condominium units	25,181,733	–	–	25,181,733

Valuation Techniques Used to Derive Level 3 Fair Values

The following tables show an analysis of the Group's long-term notes payable for which fair values are disclosed at Level 3 of the fair value hierarchy as at December 31:

Description	**Carrying Value as of December 31, 2022**	**Fair Value as of December 31, 2022**	**Valuation Technique**	**Key Observable Inputs**	**Range (Weighted Average)**
FRCN	**₱2,934,581,579**	**₱2,774,718,690**	**Discounted Cash Flow Approach**	**Risk-free interest rate**	**6.33%-7.92% (7.26%)**
Project Financing Facility	**₱1,311,257,671**	**₱1,330,644,862**	**Discounted Cash Flow Approach**	**Risk-free interest rate**	**4.58%-7.17% (6.39%)**

Description	Carrying Value as of December 31, 2021	Fair Value as of December 31, 2021	Valuation Technique	Key Observable Inputs	Range (Weighted Average)
FRCN	₱2,934,581,579	₱3,059,496,945	Discounted Cash Flow Approach	Risk-free interest rate	1.01%-5.08% (2.90%)
Project Financing Facility	₱1,243,527,742	₱1,268,398,095	Discounted Cash Flow Approach	Risk-free interest rate	1.18%-5.03% (4.03%)

The table below presents the following for each class of the Group's investment properties as of December 31, 2022 and 2021:

	2022			
Class of Property	**Fair Value**	**Valuation Technique**	**Key Unobservable Inputs**	**Range**
Investment properties (see Note 12):				
Land	**₱898,590,867**	**Sales Comparison Approach**	**Price per square meter**	**₱4,500–₱80,000**
Condominium units	**25,445,733**	**Sales Comparison Approach**	**Price per square meter**	**₱150,063–₱168,586**

	2021			
Class of Property	Fair Value	Valuation Technique	Key Unobservable Inputs	Range
Investment properties (see Note 12):				
Land	₱838,460,268	Sales Comparison Approach	Price per square meter	₱4,000–₱77,000
Condominium units	25,181,733	Sales Comparison Approach	Price per square meter	₱156,308–₱166,050

Unrealized gain on fair value remeasurement of investment properties, recognized in the consolidated statements of comprehensive income amounted to ₱60.4 million in 2022, ₱106.4 million in 2021, and nil in 2020 (see Note 12). All gains and losses recorded in the consolidated statements of comprehensive income for recurring fair value measurement categorized within Level 3 of the fair value hierarchy are attributable to changes in unrealized gain on fair value remeasurement of investment properties held at the end of the reporting period.

The fair values of financial assets at FVOCI is determined based on the available selling price in the market for identical assets under Level 2 as of December 31, 2022 and 2021. The Group recognized an unrealized gain on financial assets at FVOCI under "Other comprehensive income" in the consolidated statements of comprehensive income amounting to ₱21.9 million in 2022, ₱2.7 million in 2021, and ₱0.03 million in 2020.



There were no transfers between Levels 1 and 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

Descriptions and Definitions

The table above includes the following descriptions and definitions relating to valuation techniques and key unobservable inputs made in determining the fair values:

Sales Comparison Approach. This is a comparative approach to value that considers the sales of similar or substitute properties and related market data and establishes a value estimate by processes involving comparison.

The appraiser gathers data on actual sales and/or listings, offers, and renewal options, and identifies the similarities and differences in the data, ranks the data according to their relevance, adjusts the sales prices of the comparable to account for the dissimilarities with the unit being appraised, and forms a conclusion as to the most reasonable and probable market value of the subject property.

The elements of comparison include location, physical characteristics, available utilities, zoning, and highest and best use. The most variable elements of comparison are the site's physical characteristics, which include its size and shape, frontage, topography and location.

The fair value of the investment properties was based on valuations performed by an accredited independent appraiser, with a recognized and relevant professional qualification and with recent experience in the locations and categories of the investment properties being valued, conducted on various dates in 2022 and 2021. The valuation models in accordance with those recommended by the International Valuation Standards Committee have been applied.

Significant increases (decreases) in price per square meter in isolation would result in a significantly higher (lower) fair value measurement.

Capital Management

Capital includes equity attributable to the equity holders of the parent. The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

No changes were made in the objectives, policies or processes during the years ended 2022, 2021 and 2020.

The Parent Company and certain subsidiaries are required to maintain financial ratios, such as current ratio, debt-to-equity ratio and debt service coverage ratio, as part of the covenants on their notes payable (see Note 15). As of December 31, 2022 and 2021, the Parent Company and these subsidiaries have complied with the requirements.

The Parent Company is also subject to the Minimum Public Ownership requirement of the PSE. As of December 31, 2022 and 2021, this requirement has been complied with.



The Parent Company and other entities in the Group are not subject to other externally imposed capital requirements.

The Group monitors capital using a gearing ratio, which is net debt divided by equity plus net debt. The Group determines net debt as the sum of short-term and long-term notes payable less cash and cash equivalents.

Gearing ratios of the Group as of December 31 are as follows:

	2022	2021
Notes payable	**₱4,623,624,168**	₱4,473,540,840
Less cash and cash equivalents	**4,893,357,226**	5,650,024,939
Net cash and cash equivalents (a)	**(269,733,058)**	(1,176,484,099)
Equity attributable to equity holders of the parent	**16,494,496,694**	15,314,459,875
Equity and net cash and cash equivalents (b)	**₱16,224,763,636**	₱14,137,975,776
Gearing ratio (a/b)	**(0.02):1.00**	(0.08):1.00

26. Notes to the Consolidated Statement of Cash Flows

Changes in Liabilities arising from Financing Activities (in thousands)

	2022					
	Long-term Notes Payable	**Advances from Related Parties**	**Lease Liabilities**	**Dividends Payable**	**Short-term Notes Payable**	**Total Liabilities from Financing Activities**
January 1, 2022	**₱4,473,541**	**₱5,689**	**₱358,719**	**₱7,424**	**₱–**	**₱4,845,373**
Non-cash changes:						
Dividends declared	**–**	**–**	**–**	**452,883**	**–**	**452,883**
Amortization of debt issue cost	**10,515**	**–**	**–**	**–**	**–**	**10,515**
Additional advances to related parties	**–**	**17,451**	**–**	**–**	**–**	**17,451**
Pre-termination of lease	**–**	**–**	**(259,025)**	**–**	**–**	**(259,025)**
Remeasurement	**–**	**–**	**3,349**	**–**	**–**	**3,349**
Net cash flows	**139,568**	**(12,254)**	**(76,233)**	**(451,480)**	**1,170,300**	**769,901**
December 31, 2022	**₱4,623,624**	**₱10,886**	**₱26,810**	**₱8,827**	**₱1,170,300**	**₱5,840,447**

	2022					
	Long-term Notes Payable	Advances from Related Parties	Lease Liabilities	Dividends Payable	Short-term Notes Payable	Total Liabilities from Financing Activities
January 1, 2021	₱2,819,508	₱5,689	₱663,178	₱6,062	₱749,300	₱4,243,737
Non-cash changes:						
Dividends declared	–	–	–	634,274	–	634,274
Acquired notes payables from business combination	333,069	–	–	–	–	333,069
Amortization of debt issue cost	10,587	–	–	–	–	10,587
Additional advances to related parties	–	23,504	–	–	–	23,504
Additions and modifications	–	(54,800)	–	–	–	(54,800)
Remeasurement	–	–	(5,487)	–	–	(5,487)
Net cash flows	1,310,377	31,296	(298,972)	(632,912)	(749,300)	(339,511)
December 31, 2021	₱4,473,541	₱5,689	₱358,719	₱7,424	₱–	₱4,845,373

	2020					
	Long-term Notes Payable	Advances from Related Parties	Lease Liabilities	Dividends Payable	Short-term Notes Payable	Total Liabilities from Financing Activities
January 1, 2020	₱2,844,727	₱18,310	₱876,440	₱87,464	₱–	₱3,826,941
Non-cash changes:						
Dividends declareds	–	–	–	664,494	–	664,494
Amortization of debt issue cost	4,781	–	–	–	–	4,781
Additional advances to related parties	–	147,789	–	–	–	147,789
Additions and modifications	–	–	–	–	–	–
Remeasurement	–	–	(19,546)	–	–	(19,546)
Net cash flows	(30,000)	(160,410)	(193,716)	(745,896)	749,300	(380,722)
December 31, 2020	₱2,819,508	₱5,689	₱663,178	₱6,062	₱749,300	₱4,243,737

Others include cash received from non-controlling interest for its share of investment.

Non-cash Changes in Investing Activities

- In 2020, advances to PEI amounting to ₱1.5 million was converted to equity.

- Additions to property, plant and equipment include unpaid portion purchased on account amounting to ₱140.0 million in 2022, and nil in 2021 and 2020 (see Note 11). The amount also includes the carrying amount of the right-of-use asset net of the outstanding lease liability derecognized amounting to ₱82.2 million as a result of the termination of the lease of the BDPP that was capitalized as part of the plant machinery and equipment acquired (see Notes 11 and 24).

27. **Operating Segment Information**

The Group is currently organized into three operating segments: (1) power generation and distribution operations, (2) infrastructure and water treatment and desalination and (3) investing in shares of stock. These operating segments are consistent with those reported to the BOD, the Group's Chief Operating Decision Maker (CODM).

The operating segments and their corresponding principal activities are as follows:

Power Generation and Distribution

1590 EC operates a diesel power plant wherein power generated is primarily traded at WESM. Core also started its operation in 2018 as a retail electricity supplier with five customers. INEC entered into an Interim Power Supply Agreement with BANELCO. VMHI is on its pre-operating stage of building a hydro power plant in Silay, Negros Occidental (see Note 1). VII and VGPC were incorporated in 2014, and VIDC was incorporated in 2015, which companies are intended to undertake various power generation activities of the Group. BPC and NBPC are operating diesel-fired power plants in Bukidnon. CSSC started its commercial operations in January 2019 wherein CSSC will provide the entire energy output to a customer for 15 years.

Infrastructure and Water Treatment and Desalination

WMP is a water treatment engineering company. IMCC is on its pre-operating stage of building a water desalination plant in Cordova, Cebu. NMCWC is also on its pre-operating stage of building a water treatment plant.

Investing in Shares of Stock

As disclosed in Note 1, except for 1590 EC, INEC, VMHI, Core, VII, VGPC, VIDC, CSSC, VEII, IMCC, and WMP, the Parent Company and all other subsidiaries are operating as holding and investing companies. Aside from operating as a power generation company, VEC also operates as a holding and investing company. Revenue from this segment principally comes from equity in net earnings and management fees from investee companies.

VECO, an associate of the Group, is involved in the distribution and sale of electricity, while the other associates and joint ventures are engaged in the generation and supply of power to various entities and parties.

The segment results for the years ended December 31 follow:

	2022				
	Power Generation and Distribution	**Infrastructure and Water Treatment and Desalination**	**Investing in Shares of Stock**	**Eliminations**	**Consolidated**
Revenues from external customers	**₱4,399,754,194**	**₱–**	**₱–**	**₱–**	**₱4,399,754,194**
Equity in net earnings of associates and joint ventures	**–**	**6,393,453**	**1,934,963,930**	**–**	**1,941,357,383**
Revenue from inter-segment, associates and affiliates	**40,893,853**	**563,854,198**	**3,341,746,027**	**(3,828,824,462)**	**117,669,616**
Interest income	**4,994,815**	**5,379,021**	**49,697,207**	**–**	**60,071,043**
Inter-segment revenues	**(10,766,286)**	**(563,093,963)**	**(3,254,964,213)**	**3,828,824,462**	**–**
	4,434,876,576	**12,532,709**	**2,071,442,951**	**–**	**6,518,852,236**
Income from operations	**47,795,891**	**(44,649,988)**	**1,913,929,025**	**–**	**1,917,074,928**
Finance costs on loans	**(114,270,732)**	**(2,609,024)**	**(143,000,915)**	**–**	**(259,880,671)**
Finance costs on lease liabilities	**(9,418,418)**	**(23,661)**	**(1,384,880)**	**–**	**(10,826,959)**
Foreign exchange gains	**1,902,164**	**20,758,025**	**31,182,099**	**–**	**53,842,288**
Other income/ (charges)	**1,140,312**	**3,450,456**	**89,488,243**	**–**	**94,079,011**
Income before income tax	**(72,850,783)**	**(23,074,192)**	**1,890,213,572**	**–**	**1,794,288,597**
Income tax expense	**(56,178,969)**	**(5,968,681)**	**(27,413,829)**	**–**	**(89,561,479)**
Net income	**(₱129,029,752)**	**(₱29,042,873)**	**₱1,862,799,743**	**₱–**	**₱1,704,727,118**

	2021				
	Power Generation and Distribution	Infrastructure and Water Treatment and Desalination	Investing in Shares of Stock	Eliminations	Consolidated
Revenues from external customers	₱3,053,244,151	₱42,037,953	₱–	₱–	₱3,095,282,104
Equity in net earnings of associates and joint ventures	–	–	1,838,491,265	–	1,838,491,265
Revenue from inter-segment, associates and affiliates	54,680,531	132,921,602	3,938,731,566	(4,023,744,073)	102,589,626
Interest income	1,513,500	121,818	21,326,267	–	22,961,585
Inter-segment revenues	(54,680,531)	(132,921,602)	(3,836,141,940)	4,023,744,073	–
	3,054,757,651	42,159,771	1,962,407,158	–	5,059,324,580
Income from operations	755,311,359	13,386,380	1,662,538,494	–	2,431,236,233
Finance costs on loans	(34,431,129)	(1,242,751)	(129,631,781)	–	(165,305,661)
Finance costs on lease liabilities	(50,304,024)	(110,160)	(2,098,887)	–	(52,513,071)
Foreign exchange gains	2,516,541	5,108	13,608,113	–	16,129,762
Other income/ (charges)	(2,343,054)	542,607	171,843,974	–	170,043,527
Income before income tax	670,749,693	12,581,184	1,716,259,913	–	2,399,590,790
Income tax expense	(157,812,810)	(6,671,197)	(2,617,021)	–	(167,101,028)
Net income	₱512,936,883	₱5,909,987	₱1,713,642,892	₱–	₱2,232,489,762

	2020				
	Power Generation and Distribution	Infrastructure and Water Treatment and Desalination	Investing in Shares of Stock	Eliminations	Consolidated
Revenues from external customers	₱1,856,892,272	₱99,240,682	₱–	₱–	₱1,956,132,954
Revenue from inter-segment, associates and affiliates	11,435,877	31,607,142	3,812,708,898	(3,633,734,802)	222,017,115
Equity in net earnings of associates and joint ventures	–	–	1,602,986,086	–	1,602,986,086
Interest income	2,038,942	120,388	60,082,861	–	62,242,191
Inter-segment revenues	(11,435,877)	(31,607,142)	(3,590,691,783)	3,633,734,802	–
	1,858,931,214	99,361,070	1,885,086,062	–	3,843,378,346
Income from operations	798,044,965	4,540,809	1,318,270,579	–	2,120,856,353
Finance costs on loans	(3,406,968)	(150,796)	(169,354,172)	–	(172,911,936)
Finance costs on lease liabilities	(72,106,738)	(188,962)	(3,046,437)	–	(75,342,137)
Foreign exchange gains	3,820,287	(1,312)	494,086	–	4,313,061
Other income	824,550	–	55,587,444	–	56,411,994
Income before income tax	727,176,096	4,199,739	1,201,951,500	–	1,933,327,335
Income tax expense	(145,585,904)	(3,451,707)	(5,375,009)	–	(154,412,620)
Net income	₱581,590,192	₱748,032	₱1,196,576,491	₱–	₱1,778,914,715

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

Of the Group's total revenues, about 64%, 84% and 78% in 2022, 2021 and 2020, respectively, pertains to energy fees 1590 EC.

In 2022, revenue from sale of power to a major customer amounted to ₱953.0 million, representing 22% of the total revenue from the sale of power and 21% of total revenues.

In 2021, revenue from sale of power to two major customers amounted to ₱2.5 billion representing 82% of the total revenue from the sale of power and 78% of total revenues.

In 2020, revenue from sale of power to a major customer amounted to ₱1.4 billion representing 76% of the total revenue from the sale of power and 65% of total revenues.

Geographical business information is not required since the Group has only one geographical segment as all of its assets are located in the Philippines, and it operates or derives all of its revenue from domestic operations.

Inter-segment revenues are eliminated upon consolidation and reflected in the 'inter-segment revenues' row.

Other segment information included in the consolidated statements of financial position as of December 31 is as follows:

	2022			
	Power Generation	**Infrastructure and Water Treatment and Desalination**	**Investing in Shares of Stock**	**Consolidated**
Assets	**₱16,619,216,673**	**₱1,591,835,939**	**₱8,228,950,856**	**₱26,440,003,468**
Liabilities	**5,517,267,798**	**1,084,942,675**	**1,929,097,207**	**8,531,307,680**
Capital expenditures	**1,720,656,727**	**472,054,507**	**417,694,179**	**2,610,405,413**

	2021			
	Power Generation	Infrastructure and Water Treatment and Desalination	Investing in Shares of Stock	Consolidated
Assets	₱14,061,931,482	₱629,595,810	₱8,736,229,022	₱23,427,756,314
Liabilities	3,609,142,478	373,998,751	3,066,321,607	7,049,462,836
Capital expenditures	620,235,607	74,834,098	26,258,144	721,327,849

	2020			
	Power Generation	Infrastructure and Water Treatment and Desalination	Investing in Shares of Stock	Consolidated
Assets	₱4,741,993,259	₱1,713,949,659	₱14,466,420,015	₱20,922,362,933
Liabilities	3,354,775,130	199,513,876	2,711,189,182	6,265,478,188
Capital expenditures	928,731,613	34,575,003	47,413,299	1,010,719,915

Other segment information included in the consolidated statements of comprehensive income for the years ended December 31, 2022, 2021 and 2020 is as follows:

	Power Generation	Infrastructure and Water Treatment and Desalination	Investing in Shares of Stock	Consolidated
Depreciation and amortization:				
2022	**₱328,394,022**	**₱1,814,587**	**₱30,818,042**	**₱361,026,651**
2021	298,320,053	3,895,412	42,008,991	344,224,456
2020	258,649,331	4,040,697	43,432,569	306,122,597

The Management Committee monitors the operating results of each business unit separately for the purpose of determining resource allocation and assessing performance. Performance is evaluated based on (i) net income for the year, (ii) consolidated earnings before interest, taxes, and depreciation and amortization ("consolidated EBITDA"); and (iii) consolidated core net income ("CCNI"). Net income for the year is measured consistent with reported net income in the consolidated statement of comprehensive income.

Consolidated EBITDA is measured as total net income excluding interest, provision for income taxes, depreciation and amortization, finance costs, foreign exchange gains and losses, and other one-off gains and losses.

CCNI for the year is measured as consolidated net income attributable to equity holders of the parent adjusted for foreign exchange gain or loss, impairment or reversal of impairment of noncurrent assets and certain other non-recurring gain or loss, if any, net of tax effect of the foregoing adjustments.

The following table shows the reconciliation of the EBITDA to net income:

	2022	2021	2020
EBITDA	**₱2,380,990,303**	₱2,816,861,438	₱2,483,390,944
Add (deduct):			
Depreciation and amortization (see Notes 11 and 13)	**(430,230,964)**	(360,827,821)	(306,122,597)
Finance costs on loans (see Note 15)	**(259,880,671)**	(165,305,661)	(172,911,936)
Gain on fair value remeasurement of investment properties (see Note 12)	**60,394,600**	106,361,400	–
Finance costs on lease liabilities (see Note 24)	**(10,826,959)**	(52,513,071)	(75,342,137)
Gain on bargain purchase	–	32,120,469	–
Gain on disposal of investments	–	6,764,274	–
Foreign exchange gains (losses) - net	**53,842,288**	16,129,762	4,313,061
Income before income tax	**1,794,288,597**	2,399,590,790	1,933,327,335
Provision for income tax (see Note 20)	**(89,561,479)**	(167,101,028)	(154,412,620)
Net income	**₱1,704,727,118**	₱2,232,489,762	₱1,778,914,715

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INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY SCHEDULES

The Board of Directors and the Stockholders
Vivant Corporation
9th Floor, Oakridge DL Center V
Oakridge Business Park, A.S. Fortuna Street
Brgy. Banilad, Mandaue City
Cebu, Philippines 6014

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Vivant Corporation and its subsidiaries (the Group) as at December 31, 2022 and 2021 and for each of the three years in the period ended December 31, 2022, included in this Form 17-A, and have issued our report thereon dated March 16, 2023. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the Index to the Consolidated Financial Statements and Supplementary Schedules are the responsibility of the Group's management. These schedules are presented for purposes of complying with the Revised Securities Regulation Code Rule 68 and are not part of the basic consolidated financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, fairly state, in all material respects, the information required to be set forth therein in relation to the basic consolidated financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Margem A. Bagalay

Margem A. Bagalay
Partner
CPA Certificate No. 0098098
Tax Identification No. 206-544-506
BOA/PRC Reg. No. 0001, August 28, 2021, valid until April 15, 2024
SEC Partner Accreditation No. 98098-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. 08-001998-138-2021, November 10, 2021, valid until November 9, 2024
PTR No. 8854370, January 3, 2023, Makati City

March 16, 2023

VIVANT CORPORATION AND SUBSIDIARIES

SCHEDULE A - FINANCIAL ASSETS

DECEMBER 31, 2022

Name of Issuing Entity and Description of Each Issue	Number of Shares or Principal Amount of Bonds and Notes	Amount Shown in the Balance Sheet/Notes	Value Based on Market Quotations at Balance Sheet Date	Income Received and Accrued
Financial assets at amortized cost:				
Cash and cash equivalents	–	₱4,893,357,226	₱4,893,357,226	₱60,071,043
Trade and other receivables:				
Trade receivables	–	1,270,727,568	1,270,727,568	4,517,423,810
Dividends receivable	–	7,760,000	7,760,000	–
Accounts receivable	–	11,161,303	11,161,303	–
Advances to officers and employees	–	6,364,939	6,364,939	–
Accrued interest	–	10,279,936	10,279,936	–
Others	–	56,412,449	56,412,449	–
		1,362,706,195	1,362,706,195	4,517,423,810
Advances to associates, joint ventures and stockholders	–	294,016,208	294,016,208	–
Advances to supplier and other parties	–	698,308,703	698,308,703	–
Restricted cash	–	2,003,880	2,003,880	–
Security deposits	–	15,837,036	15,837,036	–
		1,010,165,827	1,010,165,827	–
		7,266,229,248	7,266,229,248	4,577,494,853
Financial assets at fair value through other comprehensive income:				
Cebu Country Club, Inc.	–	8,000,000	8,000,000	–
	–	8,000,000	8,000,000	–
Total financial assets	–	₱7,274,229,248	₱7,274,229,248	₱4,577,494,853

See Notes 6, 7, 9, 13 and 16 of the Consolidated Financial Statements.

VIVANT CORPORATION AND SUBSIDIARIES

SCHEDULE B - AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES, AND PRINCIPAL STOCKHOLDERS (OTHER THAN RELATED PARTIES)
DECEMBER 31, 2022

Name and Designation of Debtor	Balance at Beginning of Period	Additions	Collections	Reversals	Write Offs	Balance at End of Period		
						Current	Noncurrent	Total
Faith Lived Out Visions 2 Ventures Holdings, Inc.	₱150,000,000	₱–	₱–	₱–	₱–	₱150,000,000	₱–	₱150,000,000
Lunar Power Core Inc.	93,783,539	8,928,192	(3,192)	–	–	102,708,539	–	102,708,539
Cebu Energy Development Corp.	33,871,344	52,600,000	(81,649,677)	–	–	4,821,667	–	4,821,667
Delta P, Inc.	26,886,033	24,502,111	(22,813,861)	–	–	28,574,283	–	28,574,283
Calamian Islands Power Corp.	19,794,818	10,051,283	(12,469,473)	–	–	17,376,628	–	17,376,628
La Pampanga Energy Corp.	11,229,919	3,583,525	(1,158)	–	–	14,812,286	–	14,812,286
Culna Renewable Energy Corp.	17,500,258	–	–	–	–	17,500,258	–	17,500,258
Global Luzon Energy Development Corporation	7,877,725	1,475	–	–	–	7,879,200	–	7,879,200
Visayan Electric Company, Inc.	7,957,282	827,495,658	(827,495,658)	–	–	7,957,282	–	7,957,282
Minergy Power Corporation	–	200,000,000	(200,000,000)	–	–	–	–	–
Abovant Holdings, Inc.	–	316,800,000	(316,800,000)	–	–	–	–	–
Advances to stockholders	183,613	11,436,284	(6,891,094)	–	–	4,728,803	–	4,728,803
	₱369,084,531	₱1,455,398,528	(₱1,468,124,113)	₱–	₱–	₱356,358,946	₱–	₱356,358,946

VIVANT CORPORATION AND SUBSIDIARIES

SCHEDULE C - AMOUNTS RECEIVABLE FROM RELATED PARTIES WHICH ARE ELIMINATED DURING THE CONSOLIDATION OF FINANCIAL STATEMENTS

DECEMBER 31, 2022

	Balance at Beginning of Period	Additions	Collections	Conversion to Equity	Write Offs	Balance at End of Period		
						Current	Noncurrent	Total
Vivant Infracore Holdings Inc.	₱212,741,436	₱47,618,087	(₱53,724,089)	₱–	₱–	₱206,635,434	₱–	₱206,635,434
Corenergy Solar Solutions Corp.	157,278,103	3,152,210	–	–	–	160,430,313	–	160,430,313
1590 Energy Corp.	121,736,711	771,977,655	(787,333,245)	–	–	106,381,121	–	106,381,121
Corenergy Inc.	54,401,111	34,179,903	–	–	–	88,581,014	–	88,581,014
Vivant Solar Corporation	23,385,335	43,583	(2,997)	–	–	23,425,921	–	23,425,921
Watermatic Philippines	20,709,450	3,492,706	(24,105,901)	–	–	96,255	–	96,255
Vivant Renewable Energy Corporation	19,611,392	5,164,720	–	–	–	24,776,112	–	24,776,112
Isla Norte Energy Corp.	19,404,393	746,093	(2,771,584)	–	–	17,378,902	–	17,378,902
Isla Norte Power Corp.	–	3,714,797	–	–	–	3,714,797	–	3,714,797
Bukidnon Power Corp.	–	76,003,130	(51,865,576)	–	–	24,137,554	–	24,137,554
North Bukidnon Power Corp.	–	1,489,231	–	–	–	1,489,231	–	1,489,231
Vivant Energy Corporation	11,357,745	846,919,980	(124,517,207)	–	–	733,760,518	–	733,760,518
Southern Grove Properties and Development Corp.	10,152,479	354,454	(466,515)	–	–	10,040,418	–	10,040,418
Vivant Integrated Generation Corporation	4,472,054	886,207,341	(890,671,929)	–	–	7,466	–	7,466
Isla Mactan Cordova Corporation	466,020	768,842,019	–	–	–	769,308,039	–	769,308,039
Hijos de F. Escaño, Inc.	471,786	1,137,902	(1,059,574)	–	–	550,114	–	550,114
Vivant Integrated Diesel Corporation	193,096	4,371,182	(4,562,169)	–	–	2,109	–	2,109
Vivant Realty Ventures Corp.	142,177	195,077	(227,410)	–	–	109,844	–	109,844
Vivant Hydrocore Holdings Inc.	2,320	1,168,636	–	–	–	1,170,956	–	1,170,956
Northern Metro Cebu Water Corp.	–	271,742	–	–	–	271,742	–	271,742
Amberdust Holding Corp.	–	9,685,256	–	–	–	9,685,256	–	9,685,256
Vivant Geo Power Corp.	–	178	–	–	–	178	–	178
Delta P Hybird, Inc. (formerly Vivant Isla Inc.)	–	1,495	(1,138)	–	–	357	–	357
Vivant Corporate Center Inc.	–	1,076	–	–	–	1,076	–	1,076
Vivant Transcore Holdings Inc.	–	1,836	–	–	–	1,836	–	1,836
Vivant -Malogo Hydropower, Inc.	210	155,301	–	–	–	155,511	–	155,511
	₱656,525,818	₱3,466,895,590	(₱1,941,309,334)	₱–	₱–	₱2,182,112,074	₱–	₱2,182,112,074

VIVANT CORPORATION AND SUBSIDIARIES

SCHEDULE D - INTANGIBLE ASSETS - OTHER ASSETS

DECEMBER 31, 2022

Description	Beginning Balance	Additions of Cost	Charged to Cost and Expenses	Charged to Other Accounts	Other Changes	Ending Balance
Customer Contracts - As Restated	₱221,057,854	₱–	(₱21,297,770)	₱–	₱–	₱199,760,084
Goodwill -As Restated	129,843,626	–	–	–	–	129,843,626
Software cost	1,046,953	396,956	(600,856)	–	–	843,053
	₱330,446,763	₱396,956	(₱21,898,626)	₱–	₱–	₱330,446,763

VIVANT CORPORATION AND SUBSIDIARIES

SCHEDULE E - LONG-TERM DEBT

DECEMBER 31, 2022

Title of Issue and Type of Obligation	Amount Authorized by Indenture	Current Portion of Long-term Debt	Long-term Debt
Fixed Rate Corporate Notes (FRCN)	₱2,950,000,000	₱1,050,000,000	₱1,900,000,000
15-Year Project Financing Facility	1,320,000,000	36,235,294	1,283,764,706
Loans with Variable Rates	376,980,000	31,120,000	345,860,000
Unamortized debt issue cost	(23,328,832)	(2,169,577)	(21,159,255)
	₱4,623,651,168	₱1,115,185,717	₱3,508,465,451

VIVANT CORPORATION AND SUBSIDIARIES

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

DECEMBER 31, 2022

Name of Related Party	Balance at Beginning of Period	Balance at End of Period
Faith Lived Out Visions 2 Ventures Holdings, Inc.	–	₱150,000,000

VIVANT CORPORATION AND SUBSIDIARIES

SCHEDULE G - GUARANTEES OF SECURITIES OF OTHER ISSUERS

DECEMBER 31, 2022

Name of Issuing Entity of Securities Guaranteed by the Company for which this Statement is Filed	Title of Issue of Each Class of Securities Guaranteed	Total Amount Guaranteed and Outstanding	Amount Owned by Person for which Statement is Filed	Nature of Guarantee
– Not applicable –			– Not applicable –	

VIVANT CORPORATION AND SUBSIDIARIES

SCHEDULE H - CAPITAL STOCK

DECEMBER 31, 2022

Title of Issue	Number of Shares Authorized	Number of Shares Issued and Outstanding as Shown under Related Consolidated Statement of Financial Position Caption	Number of Shares Reserved for Options, Warrants, Conversion and Other Rights	Number of Shares held by Related Parties	Directors, Officers and Employees	Others
Capital stock	2,000,000,000	1,023,456,698	–	892,911,763	–	130,544,935

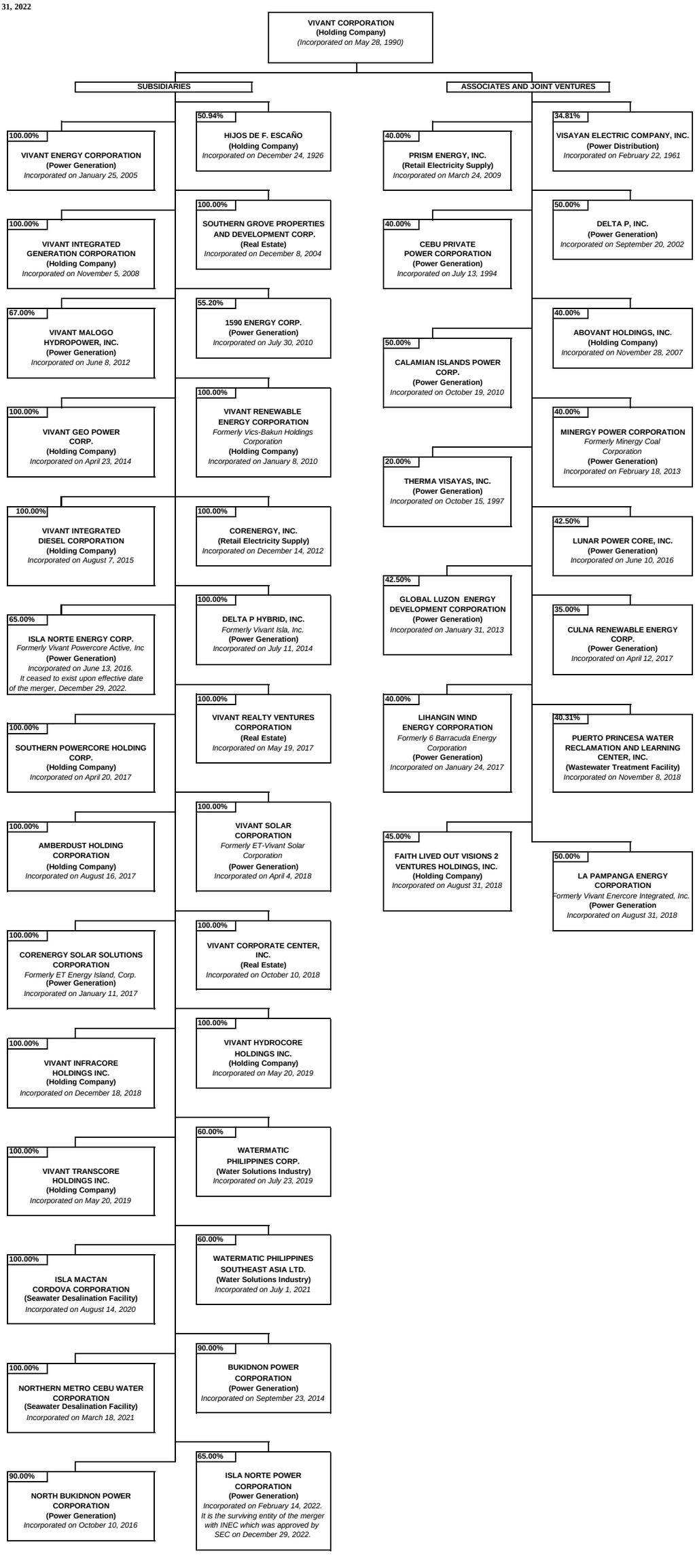
VIVANT CORPORATION

RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION

FOR THE YEAR ENDED DECEMBER 31, 2022

Items	Amount
Unappropriated Retained Earnings, Beginning	₱827,356,579
Adjustments:	
Deferred income tax assets that reduced the amount of provision for income tax	(29,280,379)
Deferred income tax liabilities that increased the amount of provision for income tax	9,340,019
Unappropriated Retained Earnings, as Adjusted, Beginning	807,416,219
Net Income Based on the Face of AFS	1,266,754,373
Less: Non-actual/Unrealized Income Net of Tax	
Equity in net income of an associate/joint venture	–
Unrealized foreign exchange gain - net (except those attributable to cash and cash equivalents)	–
Unrealized actuarial gain	–
Fair value adjustment (M2M gains)	–
Fair value adjustment of investment property resulting to gain	–
Adjustment due to deviation from PFRS/GAAP - gain	–
Gain on reversal of impairment loss	(29,018,552)
Gain on pre-termination of lease	–
Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS	–
Deferred income tax assets that reduced the amount of provision for income tax	(2,438,483)
Deferred income tax liability that reduced the amount of provision for income tax	9,639,897
Add: Non-actual Losses	
Unrealized foreign exchange loss - net (except those attributable to cash and cash equivalents)	–
Equity in net loss of an associate/joint venture	–
Depreciation on revaluation increment (after tax)	–
Adjustment due to deviation from PFRS/GAAP - loss	–
Loss on fair value adjustment of investment property (after tax)	–
Impairment loss on investment	–
Net Income Actual/Realized	1,244,937,235
Add (Less)	
Dividend declarations during the period	(444,282,550)
Appropriations of retained earnings during the period	(2,250,000,000)
Reversals of appropriations	1,627,466,400
Effects of prior period adjustments	–
Treasury shares	–
TOTAL RETAINED EARNINGS, END AVAILABLE FOR DIVIDEND DECLARATION	₱985,537,304

VIVANT CORPORATION AND SUBSIDIARIES
MAP OF THE RELATIONSHIPS OF THE COMPANIES WITHIN THE GROUP
DECEMBER 31, 2022



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INDEPENDENT AUDITOR'S REPORT
COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS

The Board of Directors and the Stockholders
Vivant Corporation
9th Floor, Oakridge IT Center V
Oakridge Business Park, A.S. Fortuna Street
Brgy. Banilad, Mandaue City
Cebu, Philippines 6014

We have audited in accordance with Philippine Standards on Auditing the consolidated financial statements of Vivant Corporation and its subsidiaries (the Group) as at December 31, 2022 and 2021 and for each of the three years in the period ended December 31, 2022, and have issued our report thereon dated March 16, 2023. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The Supplementary Schedule on Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Group's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRSs) and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for the purpose of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the basic consolidated financial statements prepared in accordance with PFRSs. The components of these financial soundness indicators have been traced to the Group's consolidated financial statements as at December 31, 2022 and 2021 and for each of the three years in the period ended December 31, 2022 and no material exceptions were noted.

SYCIP GORRES VELAYO & CO.

Margem A. Bagalay

Margem A. Bagalay
Partner
CPA Certificate No. 0098098
Tax Identification No. 200-544-506
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
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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. 08-001998-138-2021, November 10, 2021, valid until November 9, 2024
PTR No. 8854330, January 3, 2023, Makati City

March 16, 2023

A member firm of Ernst & Young Global Limited

VIVANT CORPORATION

SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

Ratio	Formula	2022	2021 (As Restated)
Current Ratio	Total Current Assets divided by Total Current Liabilities Total Current Assets ₱7,174,083,744 Divide by: Total Current Liabilities 3,839,520,889 Current Ratio 1.87	**1.87**	5.46
Acid Test Ratio/Quick Ratio	Quick Assets (*Total Current Assets less Inventories and Other Current Assets*) divided by Total Current Liabilities Total Current Assets ₱7,174,083,744 Less: Inventories 177,720,556 Other Current Assets 446,283,559 Quick Assets ₱6,550,079,629 Divide by: Total Current Liabilities 3,839,520,889 Acid Test Ratio 1.71	**1.71**	5.10
Solvency Ratio/Debt-to-Equity Ratio	Total Liabilities divided by Total Equity Total Liabilities ₱8,531,307,680 Divide by: Total Equity 17,908,695,788 Debt-to-Equity Ratio 0.48	**0.48**	0.43
Net Debt-to-Equity Ratio	Net Debt (*Total Debt less Cash and Cash Equivalents, Short-term investments and Financial Assets at FVTPL)* divided by Total Equity Total Notes Payable ₱5,793,924,168 Less: Cash and Cash Equivalents 1,901,784,675 Short-term Investments 2,991,572,551 Financial Assets at FVTPL – Net Debt ₱900,566,942 Divide by: Total Equity 17,908,695,788 Net Debt-to-Equity Ratio 0.05	**0.05**	(0.07)
Asset-to-Equity Ratio	Total Assets divided by Total Equity Total Assets ₱26,440,003,468 Divide by: Total Equity 17,908,695,788 Asset-to-Equity Ratio 1.48	**1.48**	1.43

Ratio	Formula	2022	2021 (As Restated)
Interest Rate Coverage Ratio	Earnings before Income Tax, Depreciation and Amortization (*net Income plus provision for income tax, interest and other charges, depreciation and amortization)* divided by Interest and Other Financing Charges Net Income ₱1,704,727,118 Less: Non-recurring income (114,236,888) Add: Provision for Income Tax 89,561,479 Interest and Other Financing Charges 270,707,630 EBIT ₱1,950,759,339 Add: Depreciation and Amortization 430,230,964 EBITDA ₱2,380,990,303 Interest and Other Financing Charges 270,707,630 Interest Expense Coverage Ratio 8.80	**8.80**	12.93
Return on Equity	Net Income attributable to Parent divided by Average Total Equity (*Equity attributable to Parent PY + Equity attributable to Parent CY divided by 2)* Net Income attributable to Parent ₱1,595,263,961 Equity attributable to Parent CY ₱16,494,496,694 Equity attributable to Parent PY 15,314,459,875 Average Total Equity ₱15,904,478,285 Return on Equity 10.03%	**10.03%**	12.83%
Return on Assets	Net Income attributable to Parent divided by Average Total Assets (*Total Assets PY + Total Assets CY divided by 2)* Net Income attributable to Parent ₱1,595,263,961 Total Assets CY ₱26,440,003,468 Total Assets PY 23,427,756,314 Average Total Assets ₱24,933,879,891 Return on Assets 6.40%	**6.40%**	8.42%
Net Income Margin	Net Income Attributable to Parent divided by Revenue Net Income Attributable to Parent ₱1,595,263,961 Revenue 6,518,852,236 Net Income Margin 24.47%	**24.47%**	36.90%

SECURITIES AND EXCHANGE COMMISSION
Secretariat Building, PICC Complex, Roxas Boulevard, Pasay City, 1307 Metro Manila Philippines
Tel: (632) 818-0921 Fax: (632) 818-5293 Email: mis@sec.gov.ph

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Receipt Date and Time: April 25, 2022 12:08:55 PM

Company Information

SEC Registration No.: 0000175222
Company Name: VIVANT CORPORATION
Industry Classification: J66940
Company Type: Stock Corporation

Document Information

Document ID: OST1042520228325027
Document Type: Financial Statement
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Period Covered: December 31, 2021
Submission Type: Annual, Parent
Remarks: None

COVER SHEET

for

AUDITED FINANCIAL STATEMENTS

SEC Registration Number

					1	7	5	2	2	2

COMPANY NAME

VIVANT CORPORATION

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

9th Floor, Oakridge IT Center 3, Oakridge Business Park, A.S. Fortuna Street, Brgy. Banila D, Mandaue City, Cebu, Philippines 6014

Form Type	Department requiring the report	Secondary License Type, If Applicable
AAFS	CRMD	N/A

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number	Mobile Number
vivant@vivant.com.ph	(032) 234-2256	N/A

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
1,415	June 17	December 31

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Atty. Joan A. Giduquio-Baron	jbaron@jpgarcialaw.com	(032) 232-0253	0917-5356692

CONTACT PERSON's ADDRESS

9th Floor, Oakridge IT Center 2, Oakridge Business Park, A.S. Fortuna Street, Brgy. Banilad, Mandaue City, Cebu, Philippines

NOTE 1: In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.

2: All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.

VIVANT

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The Management of **VIVANT CORPORATION** is responsible for the preparation and fair presentation of the financial statements, including the schedules attached therein, for the years ended December 31, 2021 and 2020, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

The Board of Directors is responsible for overseeing the Company's financial reporting process.

The Board of Directors reviews and approves the financial statements, including the schedules attached therein, and submits the same to the stockholders.

SyCip Gorres Velayo & Co., the independent auditor appointed by the stockholders for the years ended December 31, 2021 and 2020, has audited the financial statements of the company in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such audit.

RAMONITO E. GARCIA
Chairman of the Board

ARLO ANGELO G. SARMIENTO
Chief Executive Officer

MINUEL CARMELA N. FRANCO
Chief Financial Officer

Signed this 18th day of March, 2022.

9th Floor Oakridge IT Center 3
Oakridge Business Park, A. S. Fortuna Street
Brgy. Banilad, Mandaue City, Philippines 6014

Tel. no. (6332) 234-2256
Telefax: (6332) 234-2285

www.vivant.com.ph

ACKNOWLEDGEMENT

Republic of the Philippines }
Cebu City } s.s.

BEFORE ME, a Notary Public, for and in Cebu City, Philippines, this MAR 21 2022 personally appeared the following:

Name	Competent Evidence of Identity	Expiration Date	Place of Issue
Ramontito E. Garcia	Passport No. P4784127B	February 11, 2030	DFA Cebu
Arlo Angelo G. Sarmiento	Passport No. P6592337A	March 27,2028	DFA Cebu
Minuel Carmela N. Franco	Driver's License No. N02-89-113805	November 11, 2023	

known to me and to me known to have executed the foregoing instrument, and they acknowledged to me that the same are their free and voluntary act and deed and of the corporations they represent.

IN WITNESS WHEREOF, I have hereunto set my hand on the date and place above stated.

Doc. No. 87;
Page No. 18;
Book No. 37;
Series of 2022.

ATTY. JOAN A. GIDUQUIO - BARON
ROLL NO. 41829 NOTARY PUBLIC
CEBU, PHILIPPINES

ATTY. JOAN GIDUQUIO - BARON
NOTARY COMMISSION NO. 038-19
NOTARY PUBLIC
UNTIL JUNE 30, 2022
UNITS 1505-1507 AYALA LIFE - FGU CENTER
CEBU BUSINESS PARK, CEBU CITY
ROLL NO. 41829
PTR NO. 3048098 - CEBU CITY - 01-04-2022
IBP LIFETIME NO. 091431 - CEBU CITY

SGV
Building a better working world

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Philippines

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INDEPENDENT AUDITOR'S REPORT

The Board of Directors and the Stockholders
Vivant Corporation
9th Floor, Oakridge IT Center 3
Oakridge Business Park, A.S. Fortuna Street
Brgy. Banilad, Mandaue City, Cebu, Philippines

Report on the Audit of the Parent Company Financial Statements

Opinion

We have audited the parent company financial statements of Vivant Corporation (the Parent Company), which comprise the parent company statements of financial position as at December 31, 2021 and 2020, and the parent company statements of comprehensive income, parent company statements of changes in equity and parent company statements of cash flows for each of the three years in the period ended December 31, 2021, and notes to the parent company financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying parent company financial statements present fairly, in all material respects, the financial position of the Parent Company as at December 31, 2021 and 2020, and its financial performance and its cash flows for each of the three years in the period ended December 31, 2021 in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

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

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the parent company financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Parent Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Parent Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the parent company financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Parent Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the parent company financial statements, including the disclosures, and whether the parent company financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under Revenue Regulations 15-2010 in Note 22 to the parent company financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of the management of Vivant Corporation. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Margem A. Tagalog

Margem A. Tagalog
Partner
CPA Certificate No. 0098098
Tax Identification No. 206-544-506
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
SEC Partner Accreditation No. 98098-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. 08-001998-138-2021, November 10, 2021, valid until November 9, 2024
PTR No. 8854370, January 3, 2022, Makati City

March 18, 2022

VIVANT CORPORATION
PARENT COMPANY STATEMENTS OF FINANCIAL POSITION

	December 31	
	2021	2020
ASSETS		
Current Assets		
Cash and cash equivalents (Note 6)	**₱2,789,920,159**	₱2,650,122,434
Trade and other receivables (Notes 7 and 14)	**432,441,497**	192,745,896
Prepaid expenses and other current assets (Note 8)	**18,018,833**	30,201,715
Total Current Assets	**3,240,380,489**	2,873,070,045
Noncurrent Assets		
Investments in and advances to subsidiaries and associates (Note 9)	**7,649,741,634**	7,061,526,616
Property and equipment (Note 10)	**88,668,048**	95,509,251
Right-of-use assets (Note 21)	**35,101,179**	44,309,159
Deferred income tax assets - net (Note 16)	**20,083,572**	33,682,790
Other noncurrent assets (Note 11)	**156,363,407**	157,446,813
Total Noncurrent Assets	**7,949,957,840**	7,392,474,629
TOTAL ASSETS	**₱11,190,338,329**	₱10,265,544,674
LIABILITIES AND EQUITY		
Current Liabilities		
Trade and other current liabilities (Notes 12 and 14)	**₱73,803,811**	₱59,710,638
Current portion of notes payable (Note 13)	**39,233,441**	2,819,508,120
Current portion of lease liabilities (Note 21)	**13,342,909**	14,695,257
Total Current Liabilities	**126,380,161**	2,893,914,015
Noncurrent Liabilities		
Notes payable - net of current portion (Note 13)	**2,934,581,579**	–
Lease liabilities - net of current portion (Note 21)	**26,813,448**	34,095,790
Pension liability (Note 15)	**32,330,463**	52,448,185
Other noncurrent liabilities (Notes 14 and 15)	**11,425,702**	16,704,078
Total Noncurrent Liabilities	**3,005,151,192**	103,248,053
Total Liabilities	**3,131,531,353**	2,997,162,068
Equity		
Capital stock (Note 17)	**1,023,456,698**	1,023,456,698
Additional paid-in capital	**8,339,452**	8,339,452
Remeasurement of employee benefits (Note 15)	**(2,364,635)**	(8,128,554)
Remeasurement of financial assets at fair value through other comprehensive income (FVOCI; Note 11)	**3,655,000**	2,867,500
Retained earnings (Note 17)		
Appropriated for business expansion	**6,198,363,882**	5,213,900,230
Unappropriated	**827,356,579**	1,027,947,280
Total Equity	**8,058,806,976**	7,268,382,606
TOTAL LIABILITIES AND EQUITY	**₱11,190,338,329**	₱10,265,544,674

See accompanying Notes to Financial Statements.



VIVANT CORPORATION
PARENT COMPANY STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31		
	2021	2020	2019
REVENUES			
Dividend income (Note 9)	**₱1,361,755,901**	₱1,637,324,284	₱1,026,516,503
Revenues from contracts with customers			
Management and service fees (Note 14)	**152,368,564**	133,525,240	129,484,747
Service income (Note 14)	**9,042,794**	5,974,453	8,213,522
Engineering service income	**–**	460,644	10,531,392
Interest income (Note 6)	**18,182,298**	40,476,576	103,527,517
	1,541,349,557	1,817,761,197	1,278,273,681
EXPENSES			
Salaries and employee benefits (Notes 15 and 18)	**201,897,135**	165,524,142	118,196,811
Depreciation (Notes 10 and 21)	**41,275,612**	42,682,749	30,918,893
Professional fees (Note 14)	**40,007,307**	125,167,956	111,772,984
Outside services	**14,337,098**	12,899,739	9,373,855
Supplies	**9,410,372**	5,446,071	6,387,506
Directors' per diem	**9,300,000**	7,613,333	4,645,072
Communication and utilities	**6,978,450**	6,721,139	5,774,855
Travel	**6,863,436**	5,365,013	24,719,648
Taxes and licenses	**6,264,281**	5,073,306	13,881,971
Rent and association dues	**5,148,079**	3,748,301	3,430,502
Repairs and maintenance	**4,239,307**	3,000,865	2,852,244
Representation	**4,019,951**	3,978,050	3,889,559
Marketing	**342,054**	526,477	1,173,417
Meetings and conferences	**293,119**	181,689	1,321,658
Corporate social responsibility	**80,409**	94,620	456,222
Others (Note 7)	**14,076,869**	8,936,536	7,051,117
	364,533,479	396,959,986	345,846,314
INCOME FROM OPERATIONS	**1,176,816,078**	1,420,801,211	932,427,367
FINANCE CHARGES			
Interest expense (Notes 13 and 21)	**140,608,326**	172,712,667	173,197,836
Other financing charges	**272,176**	178,612	31,672
	140,880,502	172,891,279	173,229,508
OTHER INCOME			
Gain on reversal of impairment loss (Note 9)	**88,142,365**	–	59,824,418
Gain on sale of shares of an associate (Note 9)	**–**	39,085,242	–
Other income	**32,576,736**	6,439,846	3,586,038
	120,719,101	45,525,088	63,410,456
INCOME BEFORE INCOME TAX	**1,156,654,677**	1,293,435,020	822,608,315
PROVISION FOR INCOME TAX (Note 16)	**14,571,882**	4,738,589	17,302,253
NET INCOME	**1,142,082,795**	1,288,696,431	805,306,062

(Forward)

	Years Ended December 31		
	2021	2020	2019
OTHER COMPREHENSIVE INCOME (LOSS)			
Other comprehensive income (loss) that will not be reclassified to profit or loss:			
Remeasurement gain (loss) on employee benefits (Note 15)	**₱8,459,374**	₱373,655	(₱19,387,030)
Income tax effect	**(2,695,455)**	(112,096)	5,816,108
	5,763,919	261,559	(13,570,922)
Unrealized valuation gain on financial assets at FVOCI (Note 11)	**600,000**	30,000	1,820,000
Income tax effect	**187,500**	(4,500)	(273,000)
	787,500	25,500	1,547,000
Other comprehensive income (loss) for the year, net of tax	**6,551,419**	287,059	(12,023,922)
TOTAL COMPREHENSIVE INCOME	**₱1,148,634,214**	₱1,288,983,490	₱793,282,140
EARNINGS PER SHARE (BASIC/DILUTED) (Note 17)	**₱1.116**	₱1.259	₱0.787

See accompanying Notes to Financial Statements.

VIVANT CORPORATION

PARENT COMPANY STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2021, 2020 AND 2019

	Capital Stock	Additional Paid-in Capital	Remeasurement of Employee Benefits (Note 15)	Remeasurement of Financial Assets at FVOCI (Note 11)	Retained Earnings (Note 17) Appropriated	Retained Earnings (Note 17) Unappropriated	Total
At January 1, 2021	**₱1,023,456,698**	**₱8,339,452**	**(₱8,128,554)**	**₱2,867,500**	**₱5,213,900,230**	**₱1,027,947,280**	**₱7,268,382,606**
Net income	–	–	–	–	–	**1,142,082,795**	**1,142,082,795**
Other comprehensive income	–	–	**5,763,919**	**787,500**	–	–	**6,551,419**
Total comprehensive income	–	–	**5,763,919**	**787,500**	–	**1,142,082,795**	**1,148,634,214**
Reversal of appropriation for business expansion	–	–	–	–	**(965,536,348)**	**965,536,348**	–
Appropriation for business expansion	–	–	–	–	**1,950,000,000**	**(1,950,000,000)**	–
Cash dividends declared	–	–	–	–	–	**(358,209,844)**	**(358,209,844)**
At December 31, 2021	**₱1,023,456,698**	**₱8,339,452**	**(₱2,364,635)**	**₱3,655,000**	**₱6,198,363,882**	**₱827,356,579**	**₱8,058,806,976**
At January 1, 2020	₱1,023,456,698	₱8,339,452	(₱8,390,113)	₱2,842,000	₱4,449,483,361	₱971,489,778	₱6,447,221,176
Net income	–	–	–	–	–	1,288,696,431	1,288,696,431
Other comprehensive income	–	–	261,559	25,500	–	–	287,059
Total comprehensive income	–	–	261,559	25,500	–	1,288,696,431	1,288,983,490
Reversal of appropriation for business expansion	–	–	–	–	(1,521,583,131)	1,521,583,131	–
Appropriation for business expansion	–	–	–	–	2,286,000,000	(2,286,000,000)	–
Cash dividends declared	–	–	–	–	–	(467,822,060)	(467,822,060)
At December 31, 2020	₱1,023,456,698	₱8,339,452	(₱8,128,554)	₱2,867,500	₱5,213,900,230	₱1,027,947,280	₱7,268,382,606
At January 1, 2019	₱1,023,456,698	₱8,339,452	₱5,180,809	₱1,295,000	₱3,972,397,789	₱989,402,347	₱6,000,072,095
Net income	–	–	–	–	–	805,306,062	805,306,062
Other comprehensive income (loss)	–	–	(13,570,922)	1,547,000	–	–	(12,023,922)
Total comprehensive income	–	–	(13,570,922)	1,547,000	–	805,306,062	793,282,140
Reversal of appropriation for business expansion	–	–	–	–	(2,122,914,428)	2,122,914,428	–
Appropriation for business expansion	–	–	–	–	2,600,000,000	(2,600,000,000)	–
Cash dividends declared	–	–	–	–	–	(346,133,059)	(346,133,059)
At December 31, 2019	₱1,023,456,698	₱8,339,452	(₱8,390,113)	₱2,842,000	₱4,449,483,361	₱971,489,778	₱6,447,221,176

See accompanying Notes to Financial Statements.

VIVANT CORPORATION
PARENT COMPANY STATEMENTS OF CASH FLOWS

	Years Ended December 31		
	2021	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**₱1,156,654,677**	₱1,293,435,020	₱822,608,315
Adjustments for:			
Dividend income (Note 9)	**(1,361,755,901)**	(1,637,324,284)	(1,026,516,503)
Interest expense (Notes 13 and 21)	**140,608,326**	172,712,667	173,197,836
Gain on reversal of impairment loss (Note 9)	**(88,142,365)**	–	(59,824,418)
Depreciation (Notes 10 and 21)	**41,275,612**	42,682,749	30,918,893
Interest income (Note 6)	**(18,182,298)**	(40,476,576)	(103,527,517)
Unrealized foreign exchange loss (gain)	**(11,048,706)**	2,530	240,260
Pension expense (Note 15)	**10,824,812**	8,250,605	8,817,067
Gain on disposal of property and equipment (Note 10)	**(2,977,308)**	(25,500)	(299,787)
Gain on pretermination of a lease (Note 21)	**(89,591)**	–	(153,726)
Gain on sale of shares of an associate (Note 9)	–	(39,085,242)	–
Operating loss before working capital changes	**(132,832,742)**	(199,828,031)	(154,539,580)
Decrease (increase) in:			
Trade and other receivables	**(237,230,088)**	(140,613,123)	17,520,367
Prepaid expenses and other current assets	**4,312,511**	(14,060,962)	(6,766,521)
Creditable tax withheld under other noncurrent assets	**(2,508,572)**	(4,775,280)	(9,497,919)
Increase in trade and other current liabilities	**18,708,800**	18,917,555	1,838,592
Net cash used in operations	**(349,550,091)**	(340,359,841)	(151,445,061)
Interest paid	**(135,578,341)**	(168,179,316)	(170,272,988)
Contributions to the retirement fund	**(27,761,536)**	–	–
Net cash flows used in operating activities	**(512,889,968)**	(508,539,157)	(321,718,049)
CASH FLOWS FROM INVESTING ACTIVITIES			
Dividends received from subsidiaries and associates (Note 9)	**1,361,755,901**	1,650,124,284	1,013,716,503
Disposals of (additions to):			
Investments in and advances to subsidiaries and associates (Note 9)	**(500,072,653)**	(306,664,449)	(211,075,734)
Property and equipment (Note 10)	**(22,013,501)**	(22,603,302)	(51,315,759)
Other noncurrent assets	**772,027**	(1,121,289)	(6,365,309)
Interest received	**12,236,166**	37,092,877	80,052,543
Proceeds from disposal of property and equipment	**3,801,829**	–	299,787
Net cash flows from investing activities	**856,479,769**	1,356,828,121	825,312,031
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issuance of notes payable (2021 FRCN) (Notes 13 and 20)	**2,975,444,691**	–	–
Payments of:			
Payment of notes payable (2014 FRCN) (Notes 13 and 20)	**(2,820,000,000)**	(30,000,000)	(30,000,000)
Cash dividends (Notes 17 and 20)	**(357,702,924)**	(467,156,920)	(345,784,966)
Lease liabilities (Notes 20 and 21)	**(12,582,549)**	(14,244,182)	(7,830,714)
Cash flows used in financing activities	**(214,840,782)**	(511,401,102)	(383,615,680)
NET INCREASE IN CASH AND CASH EQUIVALENTS	**128,749,019**	336,887,862	119,978,302
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**11,048,706**	(2,530)	(240,260)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**2,650,122,434**	2,313,237,102	2,193,499,060
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 6)	**₱2,789,920,159**	₱2,650,122,434	₱2,313,237,102

See accompanying Notes to Financial Statements.

1. Corporate Information

Vivant Corporation (the "Parent Company" or "Vivant") was incorporated under the laws of the Republic of the Philippines and registered with the Securities and Exchange Commission (SEC) on May 28, 1990. The Parent Company's shares are listed in the Philippine Stock Exchange (PSE) with the symbol VVT.

The Parent Company's primary purpose is to invest in and manage the general business of any other corporation or corporations except management of fund securities portfolios and other similar assets of a managed entity.

The Parent Company is owned by Mai-I Resources Corporation (MRC) and JEG Development Corporation (JDC) with a combined ownership of 75.84% in 2021, 2020 and in 2019. MRC and JDC are entities incorporated and domiciled in the Philippines.

The principal office address of the Parent Company is currently located at 9th Floor, Oakridge IT Center 3, Oakridge Business Park, A.S. Fortuna Street, Brgy. Banilad, Mandaue City, Cebu, Philippines.

Details of the Parent Company's equity interests in its subsidiaries and associates as of December 31 are shown below:

	2021		2020	
	Percentage of Ownership			
	Direct	**Indirect**	Direct	Indirect
Subsidiaries				
Hijos De F. Escaño (HDFE)	**50.94**	–	50.94	–
Southern Grove Properties and Development Corp. (SGPDC)	**100.00** [f]	–	100.00 [f]	–
Vivant Realty Ventures Corporation (VRVC)	–	**100.00** [g]	–	100.00 [g]
Vivant Corporate Center, Inc. (VCCI)	–	**100.00** [g]	–	100.00 [g]
Vivant Infracore Holdings Inc. (VIHI)	**100.00**	–	100.00	–
Vivant Hydrocore Holdings Inc. (VHHI)	–	**100.00** [h]	–	100.00 [h]
Vivant Transcore Holdings Inc. (VTHI)	–	**100.00** [h]	–	100.00 [h]
Isla Mactan-Cordova Corporation (IMCC)	–	**100.00** [i]	–	100.00 [i]
Watermatic Philippines Corporation (WMP)	–	**60.00** [j]	–	60.00 [j]
Watermatic Southeast Asia, Ltd. (WMP SEA)	–	**60.00**[j]	–	–
Northern Metro Cebu Water Corporation (NMCWC)	–	**100.00** [i]	–	–
Vivant Energy Corporation (VEC)	**100.00**	–	100.00	–
Vivant Integrated Generation Corporation (VIGC)	–	**100.00** [e]	–	100.00 [e]
Vivant Geo Power Corp. (VGPC)	–	**100.00** [h]	–	100.00 [h]
Vivant Isla, Inc. (VII)	–	**100.00** [e]	–	100.00 [e]
Vivant Renewable Energy Corporation (VREC)	–	**100.00** [e] [d]	–	100.00 [e] [d]
Corenergy Inc. (Core)	–	**100.00** [e]	–	100.00 [e]
Vivant Integrated Diesel Corporation (VIDC)	–	**100.00** [e]	–	100.00 [e]
Isla Norte Energy Corp. (INEC)	–	**65.00** [e] [o]	–	65.00 [e] [o]
Southern Powercore Holding Corp. (SPHC)	–	**100.00** [h]	–	100.00 [h]
Amberdust Holding Corporation (AHC)	–	**100.00** [h]	–	100.00 [h]
Vivant-Malogo Hydropower, Inc. (VMHI)	–	**67.00** [n]	–	67.00 [n]
1590 Energy Corp. (1590 EC)	–	**55.20** [e]	–	55.20 [e]
Vivant Solar Corporation (VSC)	–	**100.00** [e] [j]	–	100.00 [e] [j]
Corenergy Solar Solutions Corporation (CSSC)	–	**100.00** [e] [c] [m]	–	100.00 [e] [c]

(Forward)

	2021		2020	
	Percentage of Ownership			
	Direct	**Indirect**	Direct	Indirect
Bukidnon Power Corporation (BPC)	–	**90.00** [k]	–	–
North Bukidnon Power Corporation (NBPC)	–	**90.00** [k]	–	–
Associate				
Visayan Electric Company, Inc. (VECO)	**34.81**	–	34.81	–

a. Indirect ownership through VEC
b. Indirect ownership through VREC
c. Ownership interest in CSSC is through VSC
d. Changed its corporate name from Vico-Balun Holdings Corporation (Vico-Balun) to VREC on October 2, 2015.
e. Changed its corporate name from Visaya Powercore Active Inc. (VPAI) to INEC on December 20, 2019.
f. Changed its corporate name from VC Ventures Net, Inc. (VNI) to SGPDC on January 6, 2016.
g. Indirect ownership through SGPDC
h. Indirect ownership through VIHI
i. Indirect ownership through VIHH
j. Changed its corporate name from ET Visaya (ETVVT) to VSC on November 9, 2020.
k. Indirect ownership through ADC
l. Indirect ownership through WMP.
m. Changed its corporate name from ETEI to CSSC on August 26, 2021.

Subsidiaries

Except for 1590 EC, INEC, VMHI, Core, VII, VGPC, VIDC, CSSC, WMP, WMP SEA and IMCC, all subsidiaries are also operating as holding and investing companies, which are primarily engaged in power generation and distribution and water infrastructure. 1590 EC is operating a diesel power plant, while VMHI is in its pre-operating stage of building a hydro power plant in Silay, Negros Occidental. Core is operating as a retail electricity supplier and engineering services provider. INEC started its interim commercial operations through an Interim Power Supply Agreement (IPSA) and is currently building a diesel-fired power plant in Bantayan, Cebu. CSSC is operating as a solar rooftop installations provider. WMP provides engineering services, mainly for water infrastructure projects. WMP SEA is engaged in the buying and selling of products for waste water and waste water treatment projects. IMCC is in its pre-operating stage of building a seawater desalination facility.

The following sets out a brief information of the Parent Company's subsidiaries and associates:

HDFE

HDFE was incorporated on December 24, 1926, which registration was renewed for another 50 years effective November 26, 1974. The primary purpose of HDFE is to invest in, hold, own, purchase, acquire, lease, contract, operate, improve, develop, grant, sell, exchange, or otherwise dispose of real and personal properties of every kind and description including shares of stocks, bonds and other securities or evidence of indebtedness of any other corporation, association, firm, or entity, domestic or foreign, where necessary or appropriate, and to process and exercise in respect thereof of all the rights, powers and privileges of ownership, including all voting powers of any stock so owned, without acting as, or engaging in, the business of an investment company, or dealer or broker in securities.

The registered office of HDFE is located at Unit 907-908 Ayala Life FGU Center, Mindanao Avenue corner Biliran Road, Cebu Business Park, Barangay Luz, Cebu City, Philippines 6000. The Company's application for amendment on the principal address on the articles of incorporation is ongoing with the SEC. The new registered office once the application for change will be approved is located at 9th Floor, Oakridge IT Center 3, Oakridge Business Park, A.S. Fortuna Street, Brgy. Banilad, Mandaue City, Cebu, Philippines.

SGPDC

On January 6, 2016, the SEC approved the amendment to its AOI changing its name from VC Ventures Net, Inc. to Southern Grove Properties and Development Corp. and its primary purpose is to engage in real estate business, to hold, construct, develop, manage, administer, sell, convey, encumber, purchase, acquire, rent or otherwise deal in and dispose of all kinds of real property or to act as real estate broker for such fees as may be legal and proper. It has also direct equity shareholdings in VRVC and VCCI, both real estate companies.

The registered office of the SGPDC is located at Unit 907-908, Ayala Life-FGU Center, Mindanao Avenue corner Biliran Road, Cebu Business Park, Barangay Luz, Cebu City, Philippines 6000. The Company's application with the SEC for the amendment of its principal address in the articles of incorporation is approved by SEC on May 20, 2021. The new registered office once the application for change will be approved is located at 9th Floor, Oakridge IT Center 3, Oakridge Business Park, A.S. Fortuna Street, Brgy. Banilad, Mandaue City, Cebu, Philippines.

VRVC

VRVC was incorporated on May 19, 2017. Its primary purpose is to engage in the real estate business. On July 3, 2017, VRVC purchased from HDFE, a company under common control, a parcel of land located at M.J. Cuenco Ave., Tinago Central, Barangay San Roque, Cebu City amounting to ₱27.9 million, with the intention of holding the land for capital appreciation. As of December 31, 2021, VRVC continues to recognize rental income from the purchased investment property.

The registered office of VRVC is located at Unit 907-908 Ayala Life FGU Center, Mindanao Avenue corner Biliran Road, Cebu Business Park, Barangay Luz, Cebu City, Philippines 6000. Its application for amendment on the principal address on the articles of incorporation was approved on March 25, 2021. The new registered office is located at 9th Floor, Oakridge IT Center 3, Oakridge Business Park, A.S. Fortuna Street, Brgy. Banilad, Mandaue City, Cebu, Philippines.

VCCI

VCCI was incorporated on October 10, 2018 and its primary purpose is to engage in the real estate business. As of December 31, 2021, VCCI has not yet started its operations.

The registered office of the Company is located at 9th Floor, Oakridge IT Center 3, Oakridge Business Park, A.S. Fortuna Street, Brgy. Banilad, Mandaue City, Cebu, Philippines.

VIHI

VIHI was incorporated on December 18, 2018 and its primary purpose is to purchase, subscribe for or otherwise acquire and own, hold, use, invest in, develop, sell, assign, transfer, lease, take option to, mortgage, pledge, exchange, and in all ways deal with, personal and real property of every kind and description, including share of the capital stock of corporations, bonds, notes, evidence of indebtedness, and other securities, contracts, or obligations of any corporation, domestic or foreign, without however engaging in dealership in securities, in the stock brokerage business or in the business of an investment company, all in accordance with the Corporation Code, the Securities Act and other applicable laws and regulations. As of December 31, 2021, VIHI is operating as a holding company for VTHI and VHHI.

The registered office of the Company is located at 9th Floor, Oakridge IT Center 3, Oakridge Business Park, A.S. Fortuna Street, Brgy. Banilad, Mandaue City, Cebu, Philippines.



VHHI

VHHI was incorporated on May 20, 2019 and its primary purpose is to purchase, subscribe for or otherwise acquire and own, hold, use, invest in, develop, sell, assign, transfer, lease, take option to, mortgage, pledge, exchange, and in all ways deal with, personal and real property of every kind and description, including share of the capital stock of corporations, bonds, notes, evidence of indebtedness, and other securities, contracts, or obligations of any corporation, domestic or foreign, without however engaging in dealership in securities, in the stock brokerage business or in the business of an investment company, all in accordance with the Corporation Code, the Securities Act and other applicable laws and regulations. As of December 31, 2021, VHHI is operating as a holding company for WMP, IMCC, NMCWC and FLOWS, a holding company.

Details of VHHI's direct and indirect equity holdings are provided in Note 9.

The registered office of the Company is located at 9th Floor, Oakridge IT Center 3, Oakridge Business Park, A.S. Fortuna Street, Brgy. Banilad, Mandaue City, Cebu, Philippines.

VTHI

VTHI was incorporated on May 20, 2019 and its primary purpose is to purchase, subscribe for or otherwise acquire and own, hold, use, invest in, develop, sell, assign, transfer, lease, take option to, mortgage, pledge, exchange, and in all ways deal with, personal and real property of every kind and description, including share of the capital stock of corporations, bonds, notes, evidence of indebtedness, and other securities, contracts, or obligations of any corporation, domestic or foreign, without however engaging in dealership in securities, in the stock brokerage business or in the business of an investment company, all in accordance with the Corporation Code, the Securities Act and other applicable laws and regulations. As of December 31, 2021, VTHI has not yet started its operations.

The registered office of the Company is located at 9th Floor, Oakridge IT Center 3, Oakridge Business Park, A.S. Fortuna Street, Brgy. Banilad, Mandaue City, Cebu, Philippines.

IMCC

IMCC was incorporated on August 14, 2020. Its primary purpose is to plan, layout (by duly licensed engineers), build, fund, operate and maintain a seawater desalination facility, ground and surface water treatment facility, waste water treatment facility, and water distribution systems; and to negotiate and sell bulk water to the water districts, private entities and consumers. As of December 31, 2021, IMCC has not yet started its operations.

The registered office of the Company is located at 9th Floor, Oakridge IT Center 3, Oakridge Business Park, A.S. Fortuna Street, Brgy. Banilad, Mandaue City, Cebu, Philippines.

WMP

WMP was incorporated on July 23, 2019 as a water treatment engineering company primarily engaged in the design, supply (which includes detailed design, procurement, and assembly), installation, commission, operation and maintenance of water treatment and waste water treatment plant to be owned by WMP or for third parties. WMP also engages in bulk water supply agreements using water sourced from ground water, surface water, or desalinated water. As of December 31, 2020, WMP has already started its operations.

The registered office of the Company is located at Unit 907-908 Ayala Life-FGU Center, Cebu Business Park, Brgy. Luz, Cebu City, Cebu, Philippines.



WMP SEA
WMP SEA was incorporated on July 1, 2021 according to the Companies Law 5769-1999, as a limited liability company under the laws of the Republic of Israel. Its primary purpose is to buy and sell products for waste water and waste water treatment projects. As of December 31, 2021, WMP SEA has already started its operations.

The registered office of the Company is located at Industrial Park Bar Lev Rd., Misgav, Israel.

NMCWC
NMCWC was incorporated on March 18, 2021. Its primary purpose is to develop, layout (by duly licensed engineers), build, fund, operate and maintain a seawater desalination facility, ground and surface water treatment facility, waste water treatment facility, and water distribution systems; and to negotiate and sell bulk water to the water districts, private entities and consumers. As of December 31, 2021, the Company has not yet started its operations.

The registered office of the Company is located at 9th Floor, Oakridge IT Center 3, Oakridge Business Park, A.S. Fortuna Street, Brgy. Banilad, Mandaue City, Cebu, Philippines.

VEC
VEC was incorporated on January 25, 2005 and its primary purpose is to establish, maintain and operate power plants of any kind and such other sources that may be a viable source of electric light, heat and power system and to sell to the general public, electricity as the corporation may determine. Its principal office is located at 9th Floor, Oakridge IT Center 3, Oakridge Business Park, A.S. Fortuna Street, Brgy. Banilad, Mandaue City, Cebu.

Details of VEC's direct and indirect equity holdings are provided in Note 9.

VIGC
VIGC was incorporated on November 5, 2008 with the primary purpose of holding investments in power generation companies. It has direct equity shareholdings in Minergy Power Corporation (MPC), Therma Visayas, Inc. (TVI) and LPCI, entities engaged in the power generation business and Abovant Holdings, Inc. (AHI), a holding entity.

The registered office of the Company is located at 9th Floor, Oakridge IT Center 3, Oakridge Business Park, A.S. Fortuna Street, Brgy. Banilad, Mandaue City, Cebu, Philippines.

VGPC
VGPC was incorporated on April 23, 2014. Its primary purpose is to establish, maintain, own, and operate geothermal, thermal, hydroelectric, solar, wind, coal, diesel power plants and such other sources that may be viable source of electric light, heat and power system and to sell and/or trade electricity for light, heat and power purposes within cities, municipalities and provinces of the Philippines as the corporation may determine and enter into business activity that now or hereafter may be necessary, incidental, proper, advisable or convenient in furtherance of or otherwise relating to such purpose. As of December 31, 2021, VGPC is still in the pre-operating stage.

The registered office of the Company is located at 9th Floor, Oakridge IT Center 3, Oakridge Business Park, A.S. Fortuna Street, Brgy. Banilad, Mandaue City, Cebu, Philippines.



VII
VII was incorporated on July 11, 2014. Its primary purpose is to engage in business of owning, acquiring, commissioning, operating, maintaining, evaluating, developing, constructing, holding and selling power generation facilities and related facilities, or any other business activity that now or hereafter may be necessary, incidental, proper, advisable or convenient in furtherance of or otherwise relating to such purpose. As of December 31, 2021, VII is still in the pre-operating stage.

The registered office of the Company is located at 9th Floor, Oakridge IT Center 3, Oakridge Business Park, A.S. Fortuna Street, Brgy. Banilad, Mandaue City, Cebu, Philippines.

VREC
VREC was incorporated on January 8, 2010 with the primary purpose of holding investments in power generation companies. On October 2, 2015, the SEC approved its application for change in corporate name from Vics Bakun Holdings Corporation to VREC. It also has direct equity shareholdings in VMHI, VGPC, SPHC, AHC, VSC, Culna Renewable Energy Corp. (CREC), and Lihangin Wind Energy Corporation (LWEC) as of December 31, 2021.

The registered office of the Company is located at 9th Floor, Oakridge IT Center 3, Oakridge Business Park, A.S. Fortuna Street, Brgy. Banilad, Mandaue City, Cebu, Philippines.

Core
Core was incorporated on December 14, 2012. Its primary purpose is to buy, source and obtain electricity from generating companies or from the wholesale electricity spot market to sell, broker, market or aggregate electricity to the end users, to provide services necessary in connection with the supply or delivery of electricity thereof, distribution utilities and other entities in the electric systems by a duly licensed electrical engineer, the conduct of energy examinations, inspections, assessments, maintenance, testing and commissioning, as amended dated May 31, 2019. As of December 31, 2021, Core has entered into Retail Supply Contracts and engineering service contracts with various customers.

The registered office of the Company is located at 9th Floor, Oakridge IT Center 3, Oakridge Business Park, A.S. Fortuna Street, Brgy. Banilad, Mandaue City, Cebu, Philippines.

VIDC
VIDC was incorporated on August 7, 2015. Its primary purpose is to establish, maintain, acquire, own, hold, and operate diesel powered generating facilities. As of December 31, 2021, VIDC is the holding company of INEC.

The registered office of the Company is located at 9th Floor, Oakridge IT Center 3, Oakridge Business Park, A.S. Fortuna Street, Brgy. Banilad, Mandaue City, Cebu, Philippines.

INEC
INEC was incorporated on June 13, 2016. Its primary purpose is to engage in the business of exploring, developing and utilizing renewable energy resources, and establishing, acquiring, maintaining, commissioning, owning and operating geothermal, thermal, hydroelectric, solar, wind, coal, diesel plants and such other sources that may be a viable source of electric light, heat and power system. INEC has started its interim commercial operations through an Interim Power Supply Agreement (IPSA) with Bantayan Electric Cooperative (BANELCO) in 2020.

As of December 31, 2021 and 2020, INEC is effectively 65%-owned by VEC and 35%-owned by GPI through a consortium formed by VIDC.

The registered office of INEC is at 9th Floor, Oakridge IT Center 3, Oakridge Business Park, A.S. Fortuna, Brgy. Banilad, Mandaue City, Cebu, Philippines 6014.

SPHC

SPHC was incorporated on April 20, 2017. Its primary purpose is to engage in the business of holding investments in power generation companies. As of December 31, 2021, SPHC has not yet started its commercial operations.

The registered office of SPHC is at 9th Floor, Oakridge IT Center 3, Oakridge Business Park, A.S. Fortuna, Brgy. Banilad, Mandaue City, Cebu, Philippines 6014.

AHC

AHC was incorporated on August 16, 2017. Its primary purpose is to engage in the business of a holding company. As of December 31, 2021, AHC has not yet started its commercial operations.

In May 2021, AHC in partnership with VEC acquired 9% ownership in BPC equivalent to 66,825,000 and 7,425,000 common stocks with par value of ₱1.00 per share, respectively. Further, AHC acquired 9% ownership in NBPC equivalent to 9,720,000 and 1,080,000 common stocks with par value of ₱10.00 per share, respectively.

On June 28, 2021, VREC assigned its 45,000 common shares in AHC with par value of ₱1.00 per share to VEC.

The registered office of AHC is at 9th Floor, Oakridge IT Center 3, Oakridge Business Park, A.S. Fortuna, Brgy. Banilad, Mandaue City, Cebu, Philippines 6014.

VMHI

VMHI was incorporated on June 8, 2012. Its primary purpose is to engage in the business of owning, acquiring, operating, generating, collecting and distributing electricity.

VMHI is in its starting phase or pre-operational stage as a power generating entity that will implement a greenfield power plant project, involving the construction and operation of a series of run-of-river hydropower facility in Barangay Capitan Ramon in Silay City, Negros Occidental. VMHI will implement the project in phases, where Phase 1 will involve the construction and operation of a six (6) MW power plant facility along the Malogo river. The project has concluded its detailed engineering design. A tender process is underway for the construction to coincide with the project timetable, but subject to adjustments that may be brought about by regulations from the grid system operator.

The registered office of the Company is located at 9th Floor, Oakridge IT Center 3, Oakridge Business Park, A.S. Fortuna Street, Brgy. Banilad, Mandaue City, Cebu, Philippines.

1590 EC

1590 EC was incorporated and started operations on July 30, 2010. It is primarily engaged in power generation and operates a 225 MW diesel-fired power plant in Bauang, La Union. 1590 EC is also partly-owned by GPI, Eco Utilities Ventures Holdings Company, Inc. and ICS Renewables Holdings, Inc. (ICS), among others. The principal place of business is located at 9th Floor, Oakridge IT Center 3, Oakridge Business Park, A.S. Fortuna Street, Brgy. Banilad, Mandaue City, Cebu Philippines.

The registered office of the Company is located at 9th Floor, Oakridge IT Center 3, Oakridge Business Park, A.S. Fortuna Street, Brgy. Banilad, Mandaue City, Cebu, Philippines.

VSC

VSC, formerly ET Vivant, was incorporated on April 4, 2018 primarily to engage in developing and constructing solar power generation and related facilities for lighting and power purposes and whole-selling the electric power to the wholesale electricity spot market, private distribution utilities, private electric cooperative and other off-takers and selling and/or trading electricity for light, heat and power purposes. VSC has direct equity shareholdings in CSSC, an entity engaged in the solar power generation business. As of December 31, 2021, VSC has started its commercial operations.

The registered office of the Company is located at 9th Floor, Oakridge IT Center 3, Oakridge Business Park, A.S. Fortuna Street, Brgy. Banilad, Mandaue City, Cebu, Philippines.

CSSC

CSSC, formerly ET Energy Island Corporation (ETEI), was incorporated on January 11, 2017 with the primary purpose to explore, develop, build, construct, install, commission, rehabilitate, maintain, own, manage, operate and invest in, bid for or otherwise acquire power generating plants and related facilities and to engage in the business of generating, marketing, selling and supplying electricity generated from solar photovoltaic systems and components; planning and construction of photovoltaic power plants and to provide consulting services associated with photovoltaic power plants, provided that it shall not operate a public utility. In January 2019, CSSC has started its commercial operations.

The registered office of the Company is located at 9th Floor, Oakridge IT Center 3, Oakridge Business Park, A.S. Fortuna Street, Brgy. Banilad, Mandaue City, Cebu, Philippines.

BPC

BPC was incorporated to develop, construct, erect assemble, commission, own, operate, maintain, rehabilitate and manage facilities used in the generation of electricity including but not limited to facilities that utilize renewable energy sources and other power generating plants and related facilities. BPC has two (2) operating power plants in Bukidnon and have started commercial operations on February 26, 2016 for Plant 1 and February 26, 2017 for Plant 2.

In May 2021, VEC and AHC acquired 81% and 9% ownership of BPC equivalent to 66,825,000 and 7,425,000 common stocks with par value of ₱1.00 per share, respectively.

The registered office address of BPC is at National Highway Barandias, Pangantucan, Bukidnon.

NBPC

NBPC was incorporated to develop, construct, erect, assemble, commission, own, operate, maintain, rehabilitate and manage facilities used in the generation of electricity including but not limited to facilities that utilize renewable energy sources and other power generating plants and related facilities. NBPC has started its commercial operations on September 26, 2018.

In May 2021, VEC and AHC acquired 81% and 9% ownership of NBPC equivalent to 9,720,000 and 1,080,000 common stocks with par value of ₱10.00 per share, respectively.

The registered office address of NBPC is at 2nd Floor Z-Gas Building, Purok 6A, South Poblacion, Maramag, Bukidnon.

Associate. VECO qualifies as an associate of the Parent Company.

VECO
VECO was incorporated on February 22, 1961 and whose corporate term was extended for another 50 years from after the expiration on February 23, 2012. VECO is a power distribution entity, the primary activities of which are to establish, maintain and operate electric light, heat and power systems and to sell to the general public electricity for light, heat and power purposes.

VECO serves the electrical power needs of four cities (Cebu, Mandaue, Talisay and Naga) and four municipalities (Minglanilla, San Fernando, Consolacion and Lilo-an) of the greater part of Metro Cebu by virtue of legislative franchise grants.

The registered office address of VECO is at J. Panis Street, Banilad, Cebu City, Philippines.

The parent company financial statements as of December 31, 2021 and 2020 and for each of the three years in the period ended December 31, 2021 were approved and authorized for issuance by the Board of Directors (BOD) on March 18, 2022.

2. Basis of Preparation and Statement of Compliance

Basis of Preparation
The parent company financial statements have been prepared on a historical cost basis except for financial assets at FVOCI, which have been measured at fair value. The financial statements are presented in Philippine Peso (₱), the Parent Company's functional currency. All values are rounded to the nearest Peso except as otherwise indicated.

The Parent Company also prepares and issues consolidated financial statements for the same period as these separate financial statements presented in accordance with Philippine Financial Reporting Standards (PFRSs). These may be obtained at 9th Floor, Oakridge IT Center 3, Oakridge Business Park, A.S. Fortuna Street, Brgy. Banilad, Mandaue City, Cebu, Philippines.

Statement of Compliance
The parent company financial statements have been prepared in compliance with PFRSs.

3. Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of amendments effective as at January 1, 2021. The Parent Company has not early adopted any amendment that has been issued but is not yet effective.

Unless otherwise indicated, adoption of these amendments did not have an impact on the parent company financial statements.

- Amendment to PFRS 16, *Leases*, COVID-19-related Rent Concessions beyond June 30, 2021

  The amendment provides relief to lessees from applying the PFRS 16 requirement on lease modifications to rent concessions arising as a direct consequence of the COVID-19 pandemic. A lessee may elect not to assess whether a rent concession from a lessor is a lease modification if it meets all of the following criteria:
  - The rent concession is a direct consequence of COVID-19;
  - The change in lease payments results in a revised lease consideration that is substantially the same as, or less than, the lease consideration immediately preceding the change;
  - Any reduction in lease payments affects only payments originally due on or before June 30, 2022; and
  - There is no substantive change to other terms and conditions of the lease.

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

  The amendment is effective for annual reporting periods beginning on or after April 1, 2021. Early adoption is permitted.

  The Parent Company adopted the amendment beginning April 1, 2021. The amendments did not have a material effect on the parent company financial statements.

- Amendments to PFRS 9, *Financial Instruments*, PAS 39, *Financial Instruments: Recognition and Measurement*, PFRS 7, *Financial Instruments: Disclosures*, PFRS 4, *Insurance Contracts* and PFRS 16, Interest Rate Benchmark Reform - Phase 2

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

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



The Parent Company shall also disclose information about:

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

The Parent Company adopted the amendments beginning January 1, 2021. The amendments did not have a material impact on the parent company financial statements.

Standards Issued but not yet Effective

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

Effective beginning on or after January 1, 2022

- Amendments to PFRS 3, *Business Combinations*, 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 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.

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

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

  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 amendments are not expected to have a material impact on the parent company financial statements.

- 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 Parent Company will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.

- *Annual Improvements to PFRSs 2018-2020 Cycle*

  - Amendments to PFRS 1, *First-time Adoption of Philippine 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 PFRSs. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of PFRS 1.

    The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted. The amendments are not expected to have a material impact on the parent company financial statements.

  - Amendments to PFRS 9, 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 Parent Company will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendments are not expected to have a material impact on the parent company financial statements.

  - Amendments to PAS 41, *Agriculture*, Taxation in Fair Value Measurements

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



An entity applies the amendment prospectively to fair value measurements on or after the beginning of the first annual reporting period beginning on or after January 1, 2022 with earlier adoption permitted. The amendments are not expected to have a material impact on the parent company financial statements.

Effective beginning on or after January 1, 2023

- Amendments to PAS 12, *Income Taxes*, 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 effective for annual reporting periods beginning on or after January 1, 2023 and apply prospectively.

- Amendments to PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*, 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 parent company financial statements.

- Amendments to PAS 1, *Presentation of Financial Statements*, 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 parent company financial statements.

Effective beginning on or after January 1, 2024

- Amendments to PAS 1, Classification of Liabilities as Current or Noncurrent

  The amendments clarify paragraphs 69 to 76 of PAS 1 to specify the requirements for classifying liabilities as current or noncurrent. 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; and
  - 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 amendments are not expected to have a material impact on the parent company financial statements.

Deferred Effectivity

- Amendments to PFRS 10, *Consolidated Financial Statements*, and PAS 28, *Investments in Associates and Joint Ventures*, 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 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.

4. Summary of Significant Accounting Policies

Current and Noncurrent Classification

The Parent Company presents assets and liabilities in the parent company statement of financial position based on current/noncurrent classification. An asset is current when it is:

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

All other assets are classified as 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 months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Parent Company classifies all other liabilities as noncurrent.

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

Fair Value Measurement

The Parent Company measures financial instruments, such as, cash on hand and in banks, short-term placements, trade and other receivables, trade and other payables, notes payable and non-financial assets such as investment properties and financial assets at FVOCI, at fair value at each reporting date.

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 by the Parent Company.

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

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

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

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

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

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

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

Financial Instruments

Initial Recognition and Subsequent Measurement

- *Classification of Financial Assets.* Financial assets are classified in their entirety based on the contractual cash flows characteristics of the financial assets and the Parent Company's business model for managing the financial assets. The Parent Company classifies its financial assets into the following measurement categories:
  - Financial assets measured at amortized cost;
  - Financial assets measured at fair value through profit or loss (FVPL);
  - Financial assets measured at FVOCI, where cumulative gains or losses previously recognized are reclassified to profit or loss; and
  - Financial assets measured at FVOCI, where cumulative gains or losses previously recognized are not reclassified to profit or loss.

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

  In making this assessment, the Parent Company determines whether the contractual cash flows are consistent with a basic lending arrangement, i.e., interest includes consideration only for the time value of money, credit risk and other basic lending risks and costs associated with holding the financial asset for a particular period of time. In addition, interest can include a profit margin that is consistent with a basic lending arrangement. The assessment as to whether the cash flows meet the test is made in the currency in which the financial asset is denominated. Any other contractual terms that introduce exposure to risks or volatility in the contractual cash flows that is unrelated to a basic lending arrangement, such as exposure to

changes in equity prices or commodity prices, do not give rise to contractual cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

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

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

  As at December 31, 2021 and 2020, the Parent Company has financial assets at amortized cost consisting of cash and cash equivalents, trade and other receivables, and receivable from RFM Corporation included under "Other noncurrent assets" (see Notes 6, 7 and 11).

- *Financial Assets at FVPL.* Financial assets at FVPL are measured at FVPL unless these are measured at amortized cost or at FVOCI. Included in this classification are equity investments held for trading and debt instruments with contractual terms that do not represent solely payments of principal and interest. Financial assets held at FVPL are initially recognized at fair value, with transaction costs recognized in the consolidated statement of comprehensive income as incurred. Subsequently, they are measured at fair value and any gains or losses are recognized in the consolidated statement of comprehensive income. 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 FVPL, irrespective of the business model.



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

The Parent Company assesses whether embedded derivatives are required to be separated from host contracts when the Parent Company first becomes party to the contract. An embedded derivative is separated from the host financial liability or nonfinancial contract and accounted for as a derivative if all of the following conditions are met:

- the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics of the host contract;
- a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and
- the hybrid or combined instrument is not recognized as at FVPL.

For derivatives embedded in financial asset host contracts, the Parent Company applies the financial asset classification and measurement requirements to the entire instrument. No embedded derivatives in financial asset host contracts are recognized separately in the financial statements.

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.

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

As at December 31, 2021 and 2020, the Parent Company has no financial assets at FVPL.

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

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

Dividends are recognized in profit or loss only when:
- the Parent Company's right to receive payment of the dividend is established;
- it is probable that the economic benefits associated with the dividend will flow to the Parent Company; and
- the amount of the dividend can be measured reliably.

As at December 31, 2021 and 2020, the Parent Company has financial assets at FVOCI amounting to ₱8.0 million and ₱7.4 million, respectively, which is presented as part of "Other noncurrent assets" (see Note 11).

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

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

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

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

Where a financial liability is designated at FVPL, the movement in fair value attributable to changes in the Parent Company's own credit quality is calculated by determining the changes in credit spreads above observable market interest rates and is presented separately in other comprehensive income. This category also includes derivative financial instruments entered into by the Parent Company 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.

The Parent Company's financial liabilities include accounts payable, accrued interest, accrued expenses and advances from related parties (under "Trade and other current liabilities"), interest-bearing loans (under "Notes payable") and lease liabilities (see Notes 12, 13 and 21).



Impairment of Financial Assets. The Parent Company recognizes ECL for the following financial assets that are not measured at FVPL:

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

No ECL is recognized on equity investments.

ECLs are measured in a way that reflects the following:

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

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

- *Stage 1: 12-month ECL.* For credit exposures where there have not been significant increases in credit risk since initial recognition and that are not credit-impaired upon origination, the portion of lifetime ECLs that represent the ECLs that result from default events that are possible within the 12-months after the reporting date are recognized.

- *Stage 2: Lifetime ECL - not credit-impaired.* For credit exposures where there have been significant increases in credit risk since initial recognition on an individual or collective basis but are not credit-impaired, lifetime ECLs representing the ECLs that result from all possible default events over the expected life of the financial asset are recognized.

- *Stage 3: Lifetime ECL - credit-impaired.* Financial assets are credit-impaired when one or *more* events that have a detrimental impact on the estimated future cash flows of those financial assets have occurred. For these credit exposures, lifetime ECLs are recognized and interest revenue is calculated by applying the credit-adjusted effective interest rate to the amortized cost of the financial asset.

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

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

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

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

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

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

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

- *Offsetting Financial Instruments.* Financial assets and financial liabilities are offset and the net amount is reported in the parent company statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Derecognition of Financial Assets and Liabilities

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

  - the rights to receive cash flows from the asset have expired;

  - The Parent Company 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 Parent Company 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.



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

Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Parent Company's continuing involvement is the amount of the transferred asset that the Parent Company may repurchase, except that in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, the extent of the Parent Company's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

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

Cash and Cash Equivalents

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

Prepaid Expenses and Other Current Assets

Prepayments and other current assets are recognized and carried at cost, less any impairment in value. These are recognized as assets when it is probable that any future economic benefit associated with the item will flow to or from the entity and the item has a cost or value that can be measured with reliability. An asset is not recognized in the parent company statement of financial position when expenditure has been incurred for which it is considered improbable that economic benefits will flow to the entity beyond the current accounting period. Instead, such a transaction results in the recognition of an expense in the parent company statement of comprehensive income.

Investments in and Advances to Subsidiaries and Associates

A subsidiary is an entity over which the Parent Company has the power to govern the financial and operating policies generally accompanying a shareholding of more than half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Parent Company controls another entity.

An associate is an entity over which the Parent Company has significant influence and which is neither a subsidiary nor a joint venture. 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.

Investments in and advances to subsidiaries and associates are carried at cost, less impairment in value, in the parent company financial statements.

The Parent Company recognizes income from the investments only to the extent that the Parent Company receives distributions or establishes a right to receive distributions from accumulated profits of the subsidiaries and associates arising after the date of acquisition. Distributions received in excess of such profits are regarded as a recovery of investment and are recognized as a reduction of the cost of the investment.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation and impairment losses, if any.

Initially, an item of property and equipment is measured at its cost, which comprises its purchase price and any directly attributable costs of bringing the asset to the location and condition for its intended use. Subsequent expenditures are added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the originally assessed standard of per performance, will flow to the Parent Company. The costs of day-to-day servicing of an asset are recognized as an expense in the period in which they are incurred.

Depreciation is computed using the straight-line method over the assets' estimated useful lives. Leasehold improvements are depreciated using the straight-line method over the estimated useful life of the improvements or the term of the lease, whichever is shorter. The estimated useful lives are as follows:

	Number of Years
Condominium units and improvements	5–40
Transportation equipment	5
Office furniture and equipment	2–10
Leasehold improvements	3–10
Other equipment	3–5

The useful lives and depreciation method are reviewed at each reporting date to ensure that such useful lives and depreciation method are consistent with the expected pattern of economic benefits from those assets.

Fully depreciated assets are retained in the accounts until they are no longer in use and no further charge for depreciation is made in respect to those assets.

When an asset is disposed of, or is permanently withdrawn from use and no future economic benefits are expected from its disposal, the cost and the related accumulated depreciation and impairment losses, if any, are removed from the accounts and any resulting gain or loss arising from the retirement or disposal is recognized in profit or loss.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Construction in progress represents structures under construction and is stated at cost. This includes cost of construction and other direct costs. Borrowing costs that are directly attributable to the construction of property and equipment are capitalized during the construction period. Property and equipment under construction are not depreciated until such time as the relevant assets are completed and put into operational use.

Leases

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

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

Right-of-use Assets. The Parent Company recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. Unless the Parent Company is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term as follows:

	Number of Years
Land	15
Office space	1–4

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

Lease Liabilities. At the commencement date of the lease, the Parent Company recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. 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 Parent Company and payments of penalties for terminating a lease, if the lease term reflects the Parent Company 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 Parent Company uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.



Short-term Leases. The Parent Company applies the short-term lease recognition exemption to its short-term leases of office space and lot (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). Lease payments on short-term leases are recognized as expense on a straight-line basis over the lease term.

Foreign-currency-denominated Transactions

Transactions in foreign currencies are recorded using the exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are restated using the rate of exchange at reporting date. Exchange gains and losses arising from foreign currency transactions and translations of foreign-currency-denominated monetary assets and liabilities are credited or charged to current operations.

Impairment of Nonfinancial Assets

As at December 31, 2021 and 2020, the Parent Company has investments in subsidiaries and associates, property and equipment and right-of-use assets which are classified as nonfinancial assets subject to impairment.

The Parent Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Parent Company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset 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 to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples or other available fair value indicators.

Impairment losses of continuing operations are recognized in the parent company statement of comprehensive income in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Parent Company estimates the assets or CGU's recoverable amount.

A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the parent company statement of comprehensive income unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Equity

Capital Stock. Capital stock is recognized as issued when the stock is paid for or subscribed under a binding subscribing agreement and is measured at par value for all issued shares.

Additional Paid-in Capital. Consideration received in excess of par value are recognized as additional paid-in capital, net of incremental costs that are directly attributable to the issuance of new shares.

Retained Earnings. Retained earnings consist of appropriated and unappropriated balances. Appropriated retained earnings are restricted for specific purposes and/or are not available for dividend declaration. Unappropriated retained earnings are not restricted and include the cumulative balance of net income or loss, any dividend distributions, prior period adjustments and effects of any change in accounting policy.

Revenue Recognition

Revenue is measured based on the consideration to which the Parent Company expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

Revenue is recognized when the Parent Company satisfies a performance obligation by transferring a promised good or service to the customer, which is when the customer obtains control of the good or service. A performance obligation may be satisfied at a point in time or over time. The amount of revenue recognized is the amount allocated to the satisfied performance obligation. The Parent Company has concluded that it is the principal in its revenue arrangements because it controls the goods or services before these goods or services are transferred to the customer.

The following specific recognition criteria must also be met before revenue is recognized:

Revenues from Contracts with Customers

- *Management and Service Fees.* Revenue from management and service fees, arising from services involving consultancy, management, technical, and services covered by Service Level Agreements (SLAs), are recognized over time when the related services are rendered based on the terms of the management and service contracts.

- *Service Income.* Revenue from service income arising from intercompany charges are recognized over time when the related services are rendered based on agreed hourly billing rates.

- *Engineering Service Income.* Revenue from engineering services, arising from engagement with customers availing technical and engineering expertise and covered by service contracts, are recognized over time when the services are rendered.

For the years ended December 31, 2021, 2020 and 2019, the Parent Company has no variable consideration and the timing of revenue recognition currently does not result in any contract assets or liabilities and there are no unfulfilled performance obligations at any point in time.

Dividends. Dividends are recognized when the Parent Company's right to receive the payment is established.



Interest Income. Interest income is recognized as the interest accrues, taking into account the effective yield on the asset.

Other Income. Other income includes services to third party, rental income from short-term leases and gain on disposal of property and equipment. These are generally recognized when earned. Rental income is recognized on a straight-line basis over the term of the lease while gain on disposal of property and equipment is recognized as the difference between the consideration and the book value of the property and equipment disposed.

Expense Recognition

Expenses are decreases in economic benefits during the accounting period in the form of outflows or decrease of assets or incurrence of liabilities that result in decreases in equity, other than those relating to distributions to equity participants. Expenses are recognized in the parent company statement of comprehensive income when incurred.

Provisions

Provisions are recognized when the Parent Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Parent Company expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain.

The expense relating to any provision is presented in the parent company statement of comprehensive income, net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a borrowing cost.

Pension Benefits

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.

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 the parent company statement of comprehensive income. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuaries.

Net interest on the net defined benefit liability 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 the parent company statement of comprehensive income.

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 parent company statement of income in subsequent periods.

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

Taxes

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

Deferred Income Tax. Deferred income tax is provided using the liability method on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred income tax liabilities are recognized for all taxable temporary differences, except:

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

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

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

- where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

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

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted as of the reporting date. Income tax relating to items recognized directly in equity is recognized in equity and not in the parent company statement of comprehensive income.

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

Value-Added Tax (VAT). Revenues, expenses, and assets are recognized net of the amount of VAT, if applicable.

When VAT from sales of services (output VAT) exceeds VAT passed on from purchases of goods or services (input VAT), the excess is recognized as payable in the parent company statement of financial position. When VAT passed on from purchases of goods or services (input VAT) exceeds VAT from sales of services (output VAT), the excess is recognized as an asset in the parent company statement of financial position to the extent of the recoverable amount.

Contingencies

Contingent liabilities are not recognized in the parent company 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 parent company financial statements but disclosed when an inflow of economic benefits is probable.

Events After the Reporting Period

Post year-end events that provide additional information about the Parent Company's position at the reporting date (adjusting events) are reflected in the parent company financial statements. Post year-end events that are not adjusting events are disclosed when material.

Earnings Per Share

Basic earnings per common share is calculated by dividing net income for the year attributable to the common stockholders of the Parent Company by the weighted average number of common shares issued and outstanding during the year, after retroactive adjustments for any stock dividend declared.

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

As of December 31, 2021 and 2020, the Parent Company does not have dilutive common stock equivalents.

5. Significant Accounting Judgments, Estimates and Assumptions

The preparation of the parent company financial statements in compliance with PFRSs requires the Parent Company to make judgments, estimates and assumptions that affect the amounts reported in the parent company financial statements and related notes. In preparing these parent company financial statements, the Parent Company made its best judgments and estimates of certain amounts, giving due consideration to materiality. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability in future periods.

The Parent Company believes that the following represent a summary of these significant accounting estimates and the related impact and associated risks in the parent company financial statements.

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

Estimating Allowance for Impairment of Losses on Investments in and Advances to Subsidiaries and Associates. Investments in and advances to subsidiaries and associates are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. In 2019, there was an increase in the carrying value of HDFE's investment properties being appraised. Thus, a reversal of prior impairment was recognized in 2019 amounting to ₱59.8 million. In 2021, there was a further increase in the carrying value of HDFE's investment properties being appraised. Thus, a reversal of prior impairment was recognized in 2021 amounting to ₱88.1 million.

Estimating Provision for Pension Liability. The costs of defined benefit pension plans, as well as the present value of the pension obligation, are determined using actuarial valuations. An actuarial valuation involves making various assumptions. These include the determination of the discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined benefit obligations are highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

The pension liability as of December 31, 2021 and 2020 amounted to ₱32.3 million and ₱52.4 million, respectively (see Note 15).

Further details about the assumptions used are provided in Note 15.

Estimating Realizability of Deferred Income Tax Assets. The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of such deferred income tax assets to be utilized. The Parent Company's assessment on the recognition of deferred income tax assets on deductible temporary differences is based upon the likely timing and level of future taxable profits determined from the tax planning strategies of the Parent Company.

Deferred income tax assets amounted to ₱30.1 million and ₱35.4 million as of December 31, 2021 and 2020, respectively. Deferred income tax assets have not been recognized on net operating loss carry-over (NOLCO) of ₱961.8 million and ₱910.3 million as of December 31, 2021 and 2020, respectively, because management believes that it is not probable that sufficient taxable profit will be available to allow all or part of the deferred income tax assets to be utilized (see Note 16).

Estimating the Incremental Borrowing Rate for Lease Liability. The Parent company cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Parent Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Parent Company 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Parent Company estimates the IBR using observable inputs when available and is required to make certain entity-specific estimates.

The Parent Company's lease liabilities amounted to ₱40.2 million and ₱48.8 million as of December 31, 2021 and 2020, respectively (see Note 21).

6. Cash and Cash Equivalents

	2021	2020
Cash on hand and in banks	**₱668,507,724**	₱42,785,270
Short-term investments	**2,121,412,435**	2,607,337,164
	₱2,789,920,159	₱2,650,122,434

Cash in banks earn interest at the respective bank deposit rates. Short-term investments are cash equivalents and made for varying periods of up to three months depending on the immediate cash requirements of the Parent Company and earn interest at the respective short-term investment rates.

Interest income recognized from cash in banks and short-term investments amounted to ₱18.2 million, ₱40.5 million and ₱103.5 million in 2021, 2020 and 2019, respectively. Accrued interest receivable amounted to ₱4.3 million and ₱1.9 million as of December 31, 2021 and 2020, respectively (see Note 7).

7. Trade and Other Receivables

	2021	2020
Accounts receivable:		
Related parties (see Note 14)	**₱26,016,461**	₱12,126,756
Third parties	**198,000**	–
Advances to related parties (see Note 14)	**383,373,087**	162,999,642
Advances to employees	**3,551,687**	2,701,824
Accrued interest receivable (see Note 6)	**4,326,578**	1,861,064
Others (see Note 14)	**16,985,607**	13,789,545
	434,451,420	193,478,831
Less allowance for impairment and credit losses	**2,009,923**	732,935
	₱432,441,497	₱192,745,896

Accounts receivable represent amounts owed by third parties and related parties for consultancy, management, technical and other related services rendered by the Parent Company. These are noninterest-bearing and collectible within 10 to 30 days.

Advances to employees pertain to cash advanced to the Parent Company's employees for official business expenses which are subject to liquidation upon completion of the purpose for which the cash is advanced.

Other receivables arise from transactions other than those related to the Parent Company's normal course of business such as nontrade intercompany charges, receivable from government agencies and others.

The following table shows the movement in the allowance for impairment losses of receivables:

	2021	2020
At January 1	**₱732,935**	₱486,937
Provision	**1,276,988**	245,998
At December 31	**₱2,009,923**	₱732,935

The Parent Company recognized provision for estimated credit losses in 2021 and 2020 amounting to ₱1.3 million and ₱0.2 million, respectively, as a result from performing collective impairment tests using the simplified approach, presented under "Others" as part of "Expenses" in the parent company statements of comprehensive income.

8. Prepaid Expenses and Other Current Assets

	2021	2020
Prepayments	**₱8,468,932**	₱11,028,837
Input VAT	**3,163,739**	2,550,213
Others (see Note 13)	**6,386,162**	16,622,665
	₱18,018,833	₱30,201,715

Prepayments include prepaid rentals and advance payments for health insurance coverage and all risks of direct physical loss or damage to the Parent Company's properties. Others include unused office supplies.

9. Investments in and Advances to Subsidiaries and Associates

The components of the carrying values of investments accounted for under the cost method and advances to subsidiaries and associates are as follows:

	Nature of Business	Ownership	2021	Ownership	2020
Investments in Subsidiaries					
VEC	Holding Company/ Power generation	**100.00**	**₱5,532,915,995**	100.00	₱5,430,918,341
HDFE	Holding company	**50.94**	**760,507,362**	50.94	760,507,362
VIHI	Holding company	**100.00**	**605,336,770**	100.00	298,405,520
SGPDC	Real estate	**100.00**	**66,750,000**	100.00	5,000,000
VRVC*	Real estate	–	**26,156,250**	–	–
			6,991,666,377		6,494,831,223
Less allowance for impairment loss			**369,572,855**		457,715,219
			6,622,093,522		6,037,116,004
Investments in Associate					
VECO	Power distribution	**34.81**	**919,693,137**	34.81	919,693,137
			919,693,137		919,693,137
Advances for Future Stock Subscription					
SGPDC			–		61,750,000
VRVC			–		26,156,250
HDFE			**16,811,225**		16,811,225
VIHI			**91,143,750**		–
			107,954,975		104,717,475
			₱7,649,741,634		₱7,061,526,616

*Only preferred shares issued

Subsidiaries

VEC, HDFE, VIHI and SGPDC qualify as the Parent Company's subsidiaries. The relevant operations of the subsidiaries are as follows:

VEC

VEC is a holding company with the following direct and indirect equity shareholdings:

	2021		2020	
	Percentage of Ownership			
	Direct	**Indirect**	Direct	Indirect
Subsidiaries				
VIGC	**100.00**	**–**	100.00	–
VREC	**100.00**	**–**	100.00	–
Core	**100.00**	**–**	100.00	–
VII	**100.00**	**–**	100.00	–
VIDC	**100.00**	**–**	100.00	–
AHC	**100.00**	**–**	–	100.00
INEC	**1.00**	**64.00**	1.00	64.00
1590 EC	**55.20**	**–**	55.20	–
VMHI	**20.00**	**47.00**	20.00	47.00
VGPC	**–**	**100.00**	**–**	100.00
BPC	**81.00**	**9.00**	**–**	**–**
NBPC	**81.00**	**9.00**	**–**	**–**
SPHC	**–**	**100.00**	–	100.00
VSC	**–**	**100.00**	–	100.00
CSSC	**–**	**100.00**	–	100.00
La Pampanga Energy Corp. (LPEC; formerly VEII)	**–**	**–**	100.00	–

(Forward)

	2021		2020	
	Percentage of Ownership			
	Direct	**Indirect**	Direct	Indirect
Associates				
Cebu Private Power Corporation	**40.00**	–	40.00	–
Prism Energy, Inc. (PEI)	**40.00**	–	40.00	–
LPCI	–	**42.50**	–	42.50
Global Luzon Energy Development Corporation (GLEDC)	–	**42.50**	–	42.50
AHI	–	**40.00**	–	40.00
MPC	–	**40.00**	–	40.00
LWEC	–	**40.00**	–	40.00
CREC	–	**35.00**	–	35.00
Subang Renewable Energy Corporation	–	–	–	30.00
TVI	**18.00**	**2.00**	18.00	2.00
Joint Ventures				
Calamiam Islands Power Corp. (CIPC)	**50.00**	–	50.00	–
Delta P, Inc. (DPI)	**50.00**	–	50.00	–
LPEC	**50.00**	–	–	–

VEC declared dividends to the Parent Company amounting to ₱631.8 million in 2021, ₱862.8 million in 2020 and ₱581.4 million in 2019 (see Note 14).

In 2019, the Parent Company made an additional investment in VEC amounting to ₱25.6 million, which represents 25,632,713 preferred shares with par value of ₱1.00 per share.

In 2020, the Parent Company made an additional investment in VEC amounting to ₱169.0 million, which represents 168,953,224 preferred shares with par value of ₱1.00 per share. In 2020, the Parent Company also transferred its shares in PEI in exchange for 47,517,642 preferred shares in VEC. The additional investment in VEC was valued at the fair value of PEI shares amounting to ₱47.5 million (see Note 1). A gain of ₱39.1 million was recognized in the parent company statement of comprehensive income in 2020 in relation to this transfer (see Note 9).

In 2021, the Parent Company made an additional investment in VEC amounting to ₱102.0 million, which represents 101,997,654 preferred shares with par value of ₱1.00 per share.

HDFE

As of December 31, 2019, an appraisal of HDFE's investment properties showed an increase in their fair market values, thereby increasing the carrying value of the Parent Company's investment in HDFE. Reversal of allowance for impairment loss amounting to ₱59.8 million was recognized in the parent company statement of comprehensive income in 2019. In 2020, the Parent Company made advances for future stock subscription to HDFE amounting to ₱16.8 million. Reversal of allowance for impairment loss amounting to ₱88.1 million was recognized in the parent company statement of comprehensive income in 2021.

VIHI
VIHI is a holding company with the following direct and indirect equity shareholdings:

	2021		2020	
	Percentage of Ownership			
	Direct	**Indirect**	Direct	Indirect
Subsidiaries				
VHHI	**100.00**	–	100.00	–
WMP	–	**60.00**	–	60.00
WMP SEA	–	**60.00**	–	–
IMCC	–	**100.00**	–	100.00
NMCWC	–	**100.00**	–	–
VTHI	**100.00**	–	100.00	–
Associates				
Faith Lived Out Visions 2 Ventures Holdings, Inc. (FLOWS)	–	**45.00**	–	45.00
Puerto Princesa Water Reclamation and Learning Center, Inc. (PPWRLC)	–	**40.31**	–	40.31

In 2019, the Parent Company made investments in VIHI amounting to ₱72.2 million, which represents 7,385,625 common shares with par value of ₱1.00 per share and 64,783,125 preferred shares with par value of ₱1.00 per share. In the same year, the Parent Company made investments for the acquisition of Watermatic Philippines Corporation (WMP) on behalf of VHHI, a subsidiary of VIHI, amounting ₱105.3 million.

In 2020, the Parent Company made additional investments in VIHI amounting to ₱120.9 million, which represents 12,090,000 common shares and 108,810,000 preferred shares with par value of ₱1.00 per share.

In 2021, the Parent Company made additional investments in VIHI amounting to ₱306.9 million, which represents 30,524,375 common shares and 276,406,875 preferred shares with par value of ₱1.00 per share, and advances for future stock subscriptions amounting to ₱91.1 million for issuance of 9,283,125 common shares and 81,860,625 preferred shares, both with par value of ₱1.00 per share.

SGPDC
In 2019, the Parent Company made additional advances for future stock subscription to SGPDC for investments in SGPDC amounting to ₱8.0 million, which represents 800,000 common shares with par value of ₱1.00 per share and 7,200,000 million preferred shares with par value of ₱1.00 per share.

In 2021, SGPDC's application for the increase in authorized capital stock was approved by the SEC on May 20, 2021. Thus, the advances for future stock subscription were converted to equity amounting to ₱61.8 million, which represents 1,675,000 common shares with par value of ₱1.00 per share and 60,075,000 preferred shares with par value of ₱1.00 per share.

VRVC
In 2018, the Parent Company made advances for future stock subscription to VRVC amounting to ₱26.2 million. VRVC's application for the increase in authorized capital stock was approved by the SEC on March 25, 2021. Thus, the advances for future stock subscription were converted to preferred shares.

Associate

VECO
VECO declared cash dividends to the Parent Company amounting to ₱730.0 million, ₱741.3 million and ₱432.3 million in 2021, 2020 and 2019, respectively (see Note 14).

10. Property and Equipment

Construction in progress mainly includes costs for renovation and improvements of the office in 2021 and 2020.

	2021						
	Condominium Units and Improvements	Transportation Equipment	Office Furniture and Equipment	Leasehold Improvements	Other Equipment	Construction in Progress	Total
Cost							
At January 1	**₱36,421,603**	**₱49,430,399**	**₱67,663,092**	**₱53,095,723**	**₱8,511,303**	**₱7,532,208**	**₱222,654,328**
Additions	–	13,542,857	4,463,229	380,000	114,750	3,512,665	22,013,501
Transfers	–	–	4,888,893	–	–	(4,888,893)	–
Disposals	–	(11,918,676)	(1,373,329)	–	(155,356)	–	(13,447,361)
At December 31	36,421,603	51,054,580	75,641,885	53,475,723	8,470,697	6,155,980	231,220,468
Accumulated Depreciation							
At January 1	24,168,842	30,997,800	50,123,378	13,677,412	8,177,645	–	127,145,077
Additions	487,127	8,653,452	9,880,267	8,831,177	178,160	–	28,030,183
Disposals	–	(11,244,989)	(1,222,496)	–	(155,355)	–	(12,622,840)
At December 31	24,655,969	28,406,263	58,781,149	22,508,589	8,200,450	–	142,552,420
Net Book Value	**₱11,765,634**	**₱22,648,317**	**₱16,860,736**	**₱30,967,134**	**₱270,247**	**₱6,155,980**	**₱88,668,048**

	2020						
	Condominium Units and Improvements	Transportation Equipment	Office Furniture and Equipment	Leasehold Improvements	Other Equipment	Construction in Progress	Total
Cost							
At January 1	₱36,421,603	₱42,383,971	₱57,236,173	₱18,329,065	₱8,511,303	₱37,242,933	₱200,125,048
Additions	–	7,046,428	6,127,963	345,658	–	9,083,253	22,603,302
Transfers	–	–	4,372,978	34,421,000	–	(38,793,978)	–
Disposals	–	–	(74,022)	–	–	–	(74,022)
At December 31	36,421,603	49,430,399	67,663,092	53,095,723	8,511,303	7,532,208	222,654,328
Accumulated Depreciation							
At January 1	23,681,715	23,611,316	40,300,133	5,938,780	7,196,110	–	100,728,054
Additions	487,127	7,386,484	9,897,267	7,738,632	981,535	–	26,491,045
Disposals	–	–	(74,022)	–	–	–	(74,022)
At December 31	24,168,842	30,997,800	50,123,378	13,677,412	8,177,645	–	127,145,077
Net Book Value	₱12,252,761	₱18,432,599	₱17,539,714	₱39,418,311	₱333,658	₱7,532,208	₱95,509,251

11. Other Noncurrent Assets

	2021	2020
Creditable tax withheld	**₱137,904,240**	₱135,395,668
Financial assets at FVOCI	**8,000,000**	7,400,000
Input VAT - noncurrent	–	3,419,955
Others - net of allowance for impairment loss of ₱46.1 million	**10,459,167**	11,231,190
	₱156,363,407	₱157,446,813

Creditable Tax Withheld
These pertain to taxes withheld by customers on income payments to the Parent Company for sales of services that can be applied against its income tax liabilities.

Financial Assets at FVOCI

As of December 31, 2021 and 2020, the carrying values of the financial assets at FVOCI are as follows:

	2021	2020
Cost:		
Cebu Country Club, Inc.	**₱3,400,000**	₱3,400,000
Tower Club, Inc.	**300,000**	300,000
	3,700,000	3,700,000
Fair value remeasurement gain (loss):		
Cebu Country Club, Inc.	**4,600,000**	4,000,000
Tower Club, Inc.	**(300,000)**	(300,000)
	4,300,000	3,700,000
	₱8,000,000	₱7,400,000

Cebu Country Club, Inc. In 2012, the Parent Company acquired proprietary ownership shares in the Cebu Country Club, Inc. The non-listed equity security is stated at fair value based on the published buying and selling prices of these shares.

Tower Club, Inc. In 2014, the Parent Company acquired proprietary ownership shares in the Tower Club, Inc. The non-listed equity security is stated at fair value based on the published buying and selling prices of these shares. On September 25, 2020, the shareholders of Tower Club agreed to shorten its corporate life and permanently close by January 2022.

Fair value hierarchy disclosures for the Parent Company's financial assets at FVOCI are provided in Note 19.

Others

Others include receivable from RFM Corporation, the Parent Company's previous owner, which has been fully provided with allowance for impairment losses as of December 31, 2021 and 2020. Also included in this account are security deposits with various tenants and other parties.

12. Trade and Other Current Liabilities

	2021	2020
Advances from related parties (see Note 14)	**₱20,455,608**	₱153,591
Accrued interest (see Note 13)	**18,170,546**	23,293,093
Accounts payable	**11,355,151**	6,262,349
Accrued taxes payable	**7,417,954**	11,924,327
Accrued expenses	**4,384,623**	8,516,905
Dividends payable (see Note 20)	**4,327,007**	3,820,087
Deferred output VAT - net	**3,993,182**	2,550,213
Others	**3,699,740**	3,190,073
	₱73,803,811	₱59,710,638

Accounts payable consist mainly of liabilities for payroll, professional fees and other expenses.

Accrued taxes payable are accruals for documentary stamp tax, VAT, and withholding taxes on wages and on certain income tax payments. Accrued expenses includes accruals for legal fees, securities and transfer fees and other expenses.

Others include contributions payable to government agencies.

13. **Notes Payable**

	2021	2020
2021 Fixed Rate Corporate Notes (FRCN)		
₱1.0 billion at 3.4510% interest per annum	**₱1,000,000,000**	₱–
₱2.0 billion at 4.3000% interest per annum	**2,000,000,000**	–
2014 Fixed Rate Corporate Notes (FRCN)		
₱1.0 billion at 5.7271% interest per annum	–	940,000,000
₱2.0 billion at 5.4450% interest per annum	–	1,880,000,000
	3,000,000,000	2,820,000,000
Less unamortized debt issue costs	**26,184,980**	491,880
	2,973,815,020	2,819,508,120
Less current portion - net of unamortized debt issue costs of ₱10.8 million in 2021 and ₱0.5 million in 2020	**39,233,441**	2,819,508,120
	₱2,934,581,579	₱–

The Parent Company entered into a Notes Facility Agreement (Agreement) to issue ₱3.0 billion in Fixed Rate Corporate Notes (FRCN or the Notes) on January 29, 2014 to fund its equity investments in power generation projects, to include, but not limited to, MPC and TVI.

The FRCN was fully subscribed by a consortium of local banks and was issued in two tranches and has a maturity of seven (7) years from the drawdown date. The Notes are unsecured. The first drawdown amounting to ₱1.0 billion was made on February 3, 2014. The second drawdown amounting to ₱2.0 billion was made on March 31, 2014. The Notes are payable at 1% based on the principal amount of the notes in the first six (6) years and 94% at maturity on February 3, 2021. The Notes were settled on said date.

On December 4, 2020, the Parent Company signed an Agreement to issue ₱3.0 billion worth of FRCN with tenors of two (2) years and five (5) years. The proceeds from the issuance of the Notes will be used to finance capital expenditures for existing assets and investments in power generation and/or water infrastructure projects and partly to refinance the existing 7-year FRCN which matured in February 2021.

The Parent Company issued an FRCN last January 27, 2021 amounting to ₱3.0 billion to fund its equity investments in power generation and infrastructure projects. The FRCN was fully subscribed by a consortium of local banks and was issued in two tranches and has a maturity of seven (7) years from the drawdown date. The Note are unsecured.

The first tranche is for a term of two years and payable on January 27, 2023 while the second tranche is for a term of five years and will mature on January 27, 2026 with principal payment of ₱50.0 million for the first four years and a balloon payment of ₱1.8 billion on maturity.

Repayments of outstanding principal amounts are scheduled as follows:

	2021	2020
Within one year	**₱50,000,000**	₱2,820,000,000
More than one year but not more than five years	**2,950,000,000**	–
	₱3,000,000,000	₱2,820,000,000

The Agreement requires that the Parent Company shall not permit its debt-to-equity ratio to exceed 2.5:1. The debt-to-equity ratio is based on the Parent Company's debt and consolidated equity. In addition, the Agreement requires the current ratio to not fall below 1.25:1 and is based on the consolidated current assets and consolidated current liabilities. The Parent Company has complied with these ratio requirements as of December 31, 2021 and 2020.

Interest expense recognized in the parent company statements of comprehensive income related to these notes payable amounted to ₱128.1 million, ₱164.6 million and ₱166.3 million in 2021, 2020 and 2019, respectively, and the related accrued interest expense as of December 31, 2021 and 2020 amounted to ₱18.2 million and ₱23.3 million, respectively (see Note 12).

Debt issue costs were incurred in connection with the financing arrangements. These costs are amortized, using the EIR method, over the term of the related loans. The Parent Company has recognized amortization of debt issue costs amounting to ₱10.2 million, ₱4.8 million and ₱4.6 million in 2021, 2020 and 2019, respectively. These are presented under "Interest expense" in the parent company statements of comprehensive income.

14. Related Party Transactions

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

In the normal course of business, the Parent Company enters into transactions with related parties principally consisting of the following:

		2021			
		Outstanding Balance			
Category	Volume	Receivable	Payable	Terms	Conditions
Subsidiaries					
Dividend income (see Note 9):					
VEC	₱631,800,000	₱–	₱–	15-30 days; noninterest-bearing	Unsecured
Management and service fees income (see Note 14a):					
HDFE	840,000	67,900	–	15-30 days; noninterest-bearing	Unsecured
INEC	3,202,080	3,586,330	–	15-30 days; noninterest-bearing	Unsecured
VEC	101,413,680	9,296,254	–	15-30 days; noninterest-bearing	Unsecured; no impairment
VIHI	43,752,804	12,000,868	–	15-30 days; noninterest-bearing	Unsecured; no impairment
WMP	900,000	333,000	–	15-30 days; noninterest-bearing	Unsecured; no impairment
Service income (see Note 14a):					
VEC	1,418,948	329,723	–	15-30 days; noninterest-bearing	Unsecured; no impairment
1590EC	21,207	5,945	–	15-30 days; noninterest-bearing	Unsecured
CSSC (Formerly ETEI)	58,008	2,706,447	–	15-30 days; noninterest-bearing	Unsecured; no impairment
CORE	142,811	226,909	–	15-30 days; noninterest-bearing	Unsecured; no impairment
HDFE	4,414	–	–	15-30 days; noninterest-bearing	Unsecured; no impairment
IMCC	689,096	459,822	–	15-30 days; noninterest-bearing	Unsecured; no impairment

(Forward)

		2021			
		Outstanding Balance			
Category	Volume	Receivable	Payable	Terms	Conditions
INEC	₱164,938	₱1,379,723	₱–	15-30 days; noninterest-bearing	Unsecured; no impairment
NMCWC	64,900	72,688	–	15-30 days; noninterest-bearing	Unsecured; no impairment
SGPDC	500,427	228,225	–	15-30 days; noninterest-bearing	Unsecured; no impairment
VIHI	4,156,808	78,485	–	15-30 days; noninterest-bearing	Unsecured; no impairment
VHHI	1,755	–	125,563	15-30 days; noninterest-bearing	Unsecured; no impairment
VMHI	–	154,311	–	15-30 days; noninterest-bearing	Unsecured; no impairment
VRVC	141,455	158,430	–	15-30 days; noninterest-bearing	Unsecured; no impairment
VSC	123,575	–	–	15-30 days; noninterest-bearing	Unsecured; no impairment
WMP	–	376,450	–	15-30 days; noninterest-bearing	Unsecured; no impairment
BPC	764,979	841,477	–	15-30 days; noninterest-bearing	Unsecured; no impairment
NBPC	760,062	851,270	–	15-30 days; noninterest-bearing	Unsecured; no impairment
Advances (see Note 14c):					
VEC	20,712,096	1,731,643	19,653,483	15-30 days; noninterest-bearing	Unsecured; no impairment
1590 EC	491,977	5,343	–	15-30 days; noninterest-bearing	Unsecured; no impairment
SGPDC	3,307	9,924,254	–	15-30 days; noninterest-bearing	Unsecured; no impairment
VRVC	722	722	–	15-30 days; noninterest-bearing	Unsecured; no impairment
VMHI	521	210	–	15-30 days; noninterest-bearing	Unsecured; no impairment
VIGC	1,180	580	–	15-30 days; noninterest-bearing	Unsecured; no impairment
CORE	50,613	47,885	–	15-30 days; noninterest-bearing	Unsecured; no impairment
HDFE	59,899	448,831	–	15-30 days; noninterest-bearing	Unsecured; no impairment
INEC	125,996	80,777	6	15-30 days; noninterest-bearing	Unsecured; no impairment
IMCC	48,878	6,199	–	15-30 days; noninterest-bearing	Unsecured; no impairment
NBPC	10,992	10,872	–	15-30 days; noninterest-bearing	Unsecured; no impairment
BPC	10,257	10,257	–	15-30 days; noninterest-bearing	Unsecured; no impairment
NMCWC	3,325	–	–	15-30 days; noninterest-bearing	Unsecured; no impairment
VIHI	202,613,188	200,678,471	802,119	15-30 days; noninterest-bearing	Unsecured; no impairment
VHHI	198,833	–	–	15-30 days; noninterest-bearing	Unsecured; no impairment
VREC	480	260	–	15-30 days; noninterest-bearing	Unsecured; no impairment
CSSC (Formerly ETEI)	1,080	946	–	15-30 days; noninterest-bearing	Unsecured; no impairment
VSC (Formerly ETVVT)	159	50	–	15-30 days; noninterest-bearing	Unsecured
WMP	20,105,477	20,000,000	–	15-30 days; noninterest-bearing	Unsecured; no impairment
Transferred pension obligations (see Note 14d)					
VEC	5,278,376	–	11,425,702	On Demand; noninterest-bearing	Unsecured

(Forward)

		2021			
		Outstanding Balance			
Category	**Volume**	**Receivable**	**Payable**	**Terms**	**Conditions**
Lease liabilities (see Note 14e)					
SGPDC	**₱413,189**	**₱–**	**₱3,453,471**	**15-30 days; noninterest-bearing**	**Unsecured**
Associates					
Dividend income (see Note 9):					
VECO	**729,955,901**	–	–	**15-30 days; noninterest-bearing**	**Unsecured**
Advances (see Note 14c):					
LPCI	–	**300**	–	**15-30 days; noninterest-bearing**	**Unsecured; no impairment**
GLEDC	–	**30,609**	–	**15-30 days; noninterest-bearing**	**Unsecured; no impairment**
CREC	–	**258**	–	**15-30 days; noninterest-bearing**	**Unsecured; no impairment**
Interim Financing Agreement (see Note 14f)					
FLOWS	–	**150,000,000**	–	**On Demand; interest-bearing**	**Unsecured**
Service income (see Note 14a)					
GLEDC	–	**25,101**	–	**15-30 days; noninterest-bearing**	**Unsecured; no impairment**
Joint Ventures					
Management and service fees income (see Note 14a):					
DPI	–	**732,109**	–	**15-30 days; noninterest-bearing**	**Unsecured; no impairment**
Service income (see Note 14a):					
CIPC	**5,798**	**6,378**	–	**15-30 days; noninterest-bearing**	**Unsecured**
DPI	**5,405**	**5,339,121**	–	**15-30 days; noninterest-bearing**	**Unsecured; no impairment**
LPEC	**18,208**	**20,393**	–	**15-30 days; noninterest-bearing**	**Unsecured; no impairment**
Advances (see Note 14c):					
CIPC	**208,416**	**5,372**	–	**15-30 days; noninterest-bearing**	**Unsecured; no impairment**
DPI	**313,945**	**345,413**	–	**15-30 days; noninterest-bearing**	**Unsecured; no impairment**
LPEC	**2,572**	**1,159**	–	**15-30 days; noninterest-bearing**	**Unsecured; no impairment**
Stockholders					
Professional fees (see Note 14b):					
JDC	**5,524,165**	–	–	**15-30 days; noninterest-bearing**	**Unsecured**
MRC	**8,286,248**	–	–	**15-30 days; noninterest-bearing**	**Unsecured**
Advances (see Note 14c):					
Shareholder	–	**42,676**	–	**15-30 days; noninterest-bearing**	**Unsecured; no impairment**

		2020			
		Outstanding Balance			
Category	Volume	Receivable	Payable	Terms	Conditions
Subsidiaries					
Dividend income (see Note 9):					
VEC	₱862,813,084	₱–	₱–	15-30 days; noninterest-bearing	Unsecured
Management and service fees income (see Note 14a):					
1590 EC	15,400,000	–	–	15-30 days; noninterest-bearing	Unsecured
HDFE	840,000	–	–	15-30 days; noninterest-bearing	Unsecured
VEC	114,225,240	10,470,647	–	15-30 days; noninterest-bearing	Unsecured; no impairment

(Forward)

	2020				
		Outstanding Balance			
Category	Volume	Receivable	Payable	Terms	Conditions
WMP	₱900,000	₱924,000	₱–	15-30 days; noninterest-bearing	Unsecured; no impairment
Service income (see Note 14a):					
VEC	2,405,674	206,445	–	15-30 days; noninterest-bearing	Unsecured; no impairment
VRVC	205,091	229,702	–	15-30 days; noninterest-bearing	Unsecured; no impairment
1590EC	15,673	–	–	15-30 days; noninterest-bearing	Unsecured
CSSC (Formerly ETEI)	1,570,734	2,701,643	–	15-30 days; noninterest-bearing	Unsecured; no impairment
VSC (Formerly ETVVT)	134,437	143,830	–	15-30 days; noninterest-bearing	Unsecured; no impairment
CORE	352,250	139,959	–	15-30 days; noninterest-bearing	Unsecured; no impairment
HDFE	421,292	45,920		15-30 days; noninterest-bearing	Unsecured; no impairment
IMCC	77,530	86,834		15-30 days; noninterest-bearing	Unsecured; no impairment
INEC	1,066,958	1,194,993	–	15-30 days; noninterest-bearing	Unsecured; no impairment
SGPDC	285,576	172,544	–	15-30 days; noninterest-bearing	Unsecured; no impairment
VMHI	5,265	154,311	–	15-30 days; noninterest-bearing	Unsecured; no impairment
VHHI	20,000	–	–	15-30 days; noninterest-bearing	Unsecured
WMP	72,665	440,290	–	15-30 days; noninterest-bearing	Unsecured; no impairment
Advances (see Note 14c):					
VEC	214,619	1,548,455	153,449	15-30 days; noninterest-bearing	Unsecured; no impairment
1590 EC	64,480	46,450	–	15-30 days; noninterest-bearing	Unsecured; no impairment
SGPDC	262	9,923,235	–	15-30 days; noninterest-bearing	Unsecured; no impairment
VRVC	200	–	–	15-30 days; noninterest-bearing	Unsecured
VMHI	106	106	–	15-30 days; noninterest-bearing	Unsecured; no impairment
VIGC	700	200	–	15-30 days; noninterest-bearing	Unsecured; no impairment
VGPC	–	–	30	15-30 days; noninterest-bearing	Unsecured
CORE	8,496	5,434	–	15-30 days; noninterest-bearing	Unsecured; no impairment
HDFE	17,251,223	425,866	–	15-30 days; noninterest-bearing	Unsecured; no impairment
VIDC	674	–	–	15-30 days; noninterest-bearing	Unsecured
INEC	7,006	7,000	6	15-30 days; noninterest-bearing	Unsecured; no impairment
IMCC	1,353	1,353		15-30 days; noninterest-bearing	Unsecured; no impairment
AHC	–	–	106	15-30 days; noninterest-bearing	Unsecured
VCCI	30	–	–	15-30 days; noninterest-bearing	Unsecured
VIHI	1,204	1,204	–	15-30 days; noninterest-bearing	Unsecured; no impairment
VHHI	3,019,152	2,320	–	15-30 days; noninterest-bearing	Unsecured; no impairment
CSSC (Formerly ETEI)	13,514	4,045	–	15-30 days; noninterest-bearing	Unsecured; no impairment

(Forward)

	2020				
		Outstanding Balance			
Category	Volume	Receivable	Payable	Terms	Conditions
VSC (Formerly ETVVT)	₱600	₱–	₱–	15-30 days; noninterest-bearing	Unsecured
WMP	627,018	627,018	–	15-30 days; noninterest-bearing	Unsecured; no impairment
Transferred pension obligations (see Note 14d)					
VEC	–	–	16,704,078	On Demand; noninterest-bearing	Unsecured
Lease liabilities (see Note 14e)					
SGPDC	393,512	–	3,556,975	15-30 days; noninterest-bearing	Unsecured
Associates					
Dividend income (see Note 9):					
VECO	741,311,200	–	–	15-30 days; noninterest-bearing	Unsecured
PEI	33,200,000	–	–	15-30 days; noninterest-bearing	Unsecured
Advances (see Note 14c):					
LPCI	–	300	–	15-30 days; noninterest-bearing	Unsecured; no impairment
GLEDC	–	30,609	–	15-30 days; noninterest-bearing	Unsecured; no impairment
CREC	–	339	–	15-30 days; noninterest-bearing	Unsecured; no impairment
Interim Financing Agreement (see Note 14f)					
FLOWS	150,000,000	150,000,000	–	On Demand; interest-bearing	Unsecured
Service income (see Note 14a)					
CREC	12,914	14,463	–	15-30 days; noninterest-bearing	Unsecured; no impairment
GLEDC	–	25,101	–	15-30 days; noninterest-bearing	Unsecured; no impairment
Joint Ventures					
Management and service fees income (see Note 14a):					
DPI	–	732,109	–	15-30 days; noninterest-bearing	Unsecured; no impairment
Service income (see Note 14a):					
CIPC	81,356	–	–	15-30 days; noninterest-bearing	Unsecured
DPI	89,851	5,333,176	–	15-30 days; noninterest-bearing	Unsecured; no impairment
Advances (see Note 14c):					
CIPC	8,796	2,601	–	15-30 days; noninterest-bearing	Unsecured; no impairment
DPI	24,954	330,431	–	15-30 days; noninterest-bearing	Unsecured; no impairment
Stockholders					
Professional fees (see Note 14b):					
JDC	4,525,243	–	–	15-30 days; noninterest-bearing	Unsecured
MRC	6,787,865	–	–	15-30 days; noninterest-bearing	Unsecured
Advances (see Note 14c):					
Shareholder	–	42,676	–	15-30 days; noninterest-bearing	Unsecured; no impairment

The transactions above are generally settled in cash.

a. Management and service fees and service income from subsidiaries, associates and joint ventures represent compensation for consultancy, management, technical and other related services rendered by the Parent Company to and for the use of the Parent Company's facilities in accordance with the terms of the respective agreements with the related parties. Services covered by SLAs or management contracts are recognized as part of the "Management and service fees" account while those not within the scope of work in the SLAs and rendered to the subsidiaries, associates and joint ventures on irregular basis are recognized as part of the "Service income" account in the parent company statements of comprehensive income.

b. The Parent Company entered into agreements with MRC and JDC, its stockholders, to perform consultancy services. For the consideration of the services rendered by MRC and JDC, the Parent Company will pay management fees agreed upon by the parties, without need for further demand. These are recognized as part of "Professional fees" in the parent company statements of comprehensive income.

c. Advances to and from subsidiaries, associates, joint ventures and shareholders pertain to advances for working capital requirements. Advances to shareholder pertains to the life insurance plan advanced by the Parent Company for a member of its BOD.

d. In 2021, the Parent Company reacquired pension obligations from VEC due to employee transfers amounting to ₱5.3 million.

e. In 2017, the Parent Company entered into lease agreements as lessee with SGPDC to lease a condominium unit and a parcel of land. The condominium unit was leased for a fixed period of three (3) years from January 1, 2017 to December 31, 2019 while the land was leased for a period of seventeen (17) years and four (4) months from September 1, 2017 to December 31, 2034.

f. On February 14, 2020, the Parent Company entered into an Interim Financing Agreement (IFA) with FLOWS for the development of a combined sewerage and septage facility serving the City of Puerto Princesa. The IFA is for a term of four (4) months or until June 13, 2020 at an interest rate of 5.7810% per annum. On June 13, 2020, the IFA was extended for three months or until September 13, 2020 at an interest of 6.2595%, 4.2578% and 4.3016% per annum on the first, second and third month, respectively. FLOWS is in the process of securing bank refinancing of the interim loan.

The retirement fund (the Fund) of the Parent Company is in the form of a trust being maintained and managed by a trust and investment entity in the Philippines. The Fund, which is invested mostly in fixed income securities, has a carrying amount and fair value of ₱43.4 million and ₱15.6 million as of December 31, 2021 and 2020, respectively (see Note 15). The Parent Company does not have any other transactions with the Fund in 2021 and 2020.

Compensation and Benefits of Key Management Personnel

The compensation of the Parent Company's key management personnel by benefit type follows:

	2021	2020	2019
Short-term employee benefits	**₱126,171,515**	₱109,123,867	₱78,125,480
Post-employment pension benefits	**7,267,643**	6,237,048	6,990,120
	₱133,439,158	₱115,360,915	₱85,115,600

15. Retirement Plan

The Parent Company has a funded, noncontributory, defined benefit pension plan ("the Plan") covering all regular, permanent employees. The Plan provides lump sum benefits upon a member's normal retirement. The benefits are based on the member's final monthly salary and length of service with the Parent Company.

The Fund is administered by a trust and investment entity in the Philippines under the supervision of a trustee. The trustee is responsible for the investment strategy of the plan.

The existing regulatory framework, Republic Act (RA) 7641, *The Retirement Pay Law*, requires a provision for retirement pay to qualified private sector employees in the absence of any retirement plan in the entity, provided however that the employee's retirement benefits under any collective bargaining and other agreements shall not be less than those provided under the law. The law does not require minimum funding of the plan.

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

The components of the pension expense recognized under "Salaries and employee benefits" in the parent company statements of comprehensive income follow:

	2021	2020	2019
Current service cost	**₱9,071,965**	₱6,035,415	₱5,879,280
Net interest cost	**1,752,847**	2,215,190	2,395,524
Past service cost	**–**	–	542,263
	₱10,824,812	₱8,250,605	₱8,817,067

Remeasurement effects recognized in the parent company statements of comprehensive income follow:

	2021	2020	2019
Remeasurement gain (loss) on defined benefit obligation	**₱9,126,706**	₱–	(₱19,728,536)
Remeasurement gain (loss) on plan assets	**(667,332)**	373,655	341,506
	₱8,459,374	₱373,655	(₱19,387,030)

The Parent Company's pension liability as of December 31, 2021 and 2020 follows:

	2021	2020
Present value of defined benefit obligation	**₱75,762,674**	₱68,012,639
Fair value of plan assets	**(43,432,211)**	(15,564,454)
Pension liability	**₱32,330,463**	₱52,448,185

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

	2021	2020
At January 1	**₱68,012,639**	₱59,676,255
Current service cost	**9,071,965**	6,035,415
Interest cost on defined benefit obligation	**2,526,400**	2,300,969
Remeasurement loss (gain) due to:		
Changes in financial assumptions	**(15,788,783)**	–
Experience adjustments	**6,662,077**	–
Acquired obligation due to employee transfers (see Note 14)	**5,278,376**	–
At December 31	**₱75,762,674**	₱68,012,639

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

	2021	2020
At January 1	**₱15,564,454**	₱15,105,020
Contributions to the retirement fund	**27,761,536**	–
Interest income included in net interest cost	**773,553**	85,779
Remeasurement gain (loss) on return on plan assets	**(667,332)**	373,655
At December 31	**₱43,432,211**	₱15,564,454

Changes in the amounts recognized in the parent company statements of financial position for pension liability follow:

	2021	2020
At January 1	**₱52,448,185**	₱44,571,235
Contributions to the retirement fund	**(27,761,536)**	–
Pension expense	**10,824,812**	8,250,605
Remeasurement gain	**(8,459,374)**	(373,655)
Acquired obligation due to employee transfers (see Note 14)	**5,278,376**	–
At December 31	**₱32,330,463**	₱52,448,185

The major categories of the plan assets are as follows:

	2021	2020
Unquoted investments:		
Unitized investment trust funds (UITF)	**₱43,432,082**	₱15,564,205
Cash and cash equivalents	**129**	249
	₱43,432,211	₱15,564,454

The control and administration of the fund vest on the trustee. The trustee shall have the full and complete power and authority to hold, manage, administer, convert, sell, assign, alter, divide, invest, and reinvest the fund without distinction between principal and income, to the same extent and with the same effect as might be lawfully done by persons who own and control property and may thus exercise every power and right with respect to each item of property in this trust authority specified in the agreement and expressly conferred upon it by law.

The overall investment policy and strategy of the Parent Company's defined benefit pension plan is guided by the objective of providing the necessary funding for the benefits payable under the plan and achieving such liquidity as deemed appropriate in the circumstances.

The Parent Company does not expect to contribute to the Fund in 2022.

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

	2021	2020
Discount rate	**5.10%**	4.97%
Future salary increase rate	**5.00%**	7.00%

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

		Increase (Decrease) in the Present Value of Defined Benefit Obligation	
	Increase (Decrease)	**2021**	2020
Discount rate	+100 basis points	**(₱5,629,583)**	**(₱3,725,759)**
	−100 basis points	**6,552,202**	**5,869,570**
Future salary increase rate	+100 basis points	**6,862,423**	**6,617,354**
	−100 basis points	**(6,016,049)**	**(4,479,944)**

The average duration of the defined benefit obligation at the end of the reporting period is 15.7 years and 17.0 years as of December 31, 2021 and 2020, respectively.

The expected benefit payment assumes that all actuarial assumptions will materialize. Shown below is the maturity analysis of the undiscounted benefit payments as of December 31:

	2021	2020
Less than one year	**₱27,816,466**	₱34,359,279
More than 1 year to 5 years	**5,231,320**	2,999,519
More than 5 years to 10 years	**30,699,726**	14,420,752
More than 10 years to 15 years	**88,575,839**	48,157,149
More than 15 years to 20 years	**72,621,911**	75,180,341
More than 20 years	**98,460,211**	116,951,040
	₱323,405,473	₱292,068,080

16. **Income Tax**

	2021	2020	2019
Final (at 20% and 7.5%)	**₱3,480,619**	₱7,976,967	₱21,424,703
Deferred	**11,091,263**	(3,238,378)	(4,122,450)
	₱14,571,882	₱4,738,589	₱17,302,253

The reconciliation of the income tax expense computed at the statutory tax rate to provision for income tax reported in the parent company statements of comprehensive income follows:

	2021	2020	2019
Income before income tax	**₱1,156,654,677**	₱1,293,435,020	₱822,608,315
Income tax computed at the statutory tax rate	**₱289,163,669**	₱388,030,506	₱246,782,494
Adjustments to income tax resulting from:			
Nontaxable dividend income	**(340,438,975)**	(491,197,285)	(307,954,951)
Unrecognized deferred income tax assets on NOLCO	**75,466,411**	106,319,008	91,658,940
Nontaxable gains	**(22,057,989)**	–	(18,060,343)
Nondeductible expenses	**7,998,592**	5,080,458	13,050,802
Interest income subjected to final tax	**(4,212,382)**	(11,471,065)	(31,058,255)
Impact of CREATE Law	**5,171,937**	–	–
Final taxes paid	**3,480,619**	7,976,967	21,424,703
Others	–	–	1,458,863
	₱14,571,882	₱4,738,589	₱17,302,253

The components of the Parent Company's net deferred income tax assets as of December 31 are as follows:

	2021	2020
Deferred income tax assets on:		
Allowance for impairment losses	**₱11,602,774**	₱13,923,328
Pension liability	**14,234,789**	12,250,792
Net acquired and transferred obligation due to employee transfers	**2,856,424**	5,011,223
Unamortized past service cost	**525,694**	630,833
Unrealized foreign exchange loss	**60,698**	72,837
	29,280,379	31,889,013
Deferred income tax asset on pension liability recognized in other comprehensive income	**788,212**	3,483,666
	30,068,591	35,372,679
Deferred income tax liabilities on:		
Unamortized debt issue costs	**6,546,245**	147,564
Unrealized foreign exchange gain	**2,793,774**	37,917
Unrealized gains in UITF	–	671,908
	9,340,019	857,389
Deferred income tax liability on unrealized valuation gain of financial assets at FVOCI recognized in other comprehensive income	**645,000**	832,500
Net deferred income tax assets	**₱20,083,572**	₱33,682,790

On September 30, 2020, the Bureau of Internal Revenue (BIR) issued Revenue Regulations No. 25-2020 to implement Section 4(bbbb) of RA No. 11494, otherwise known as "Bayanihan to Recover as One Act". This RR provides that the net operating loss of the business or enterprise 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.

As of December 31, 2021, the Parent Company has incurred NOLCO before taxable year 2020 which can be claimed as deductions from the regular taxable income for the next three (3) consecutive taxable years, as follows:

Year Incurred	Availment Period	Amount	NOLCO Applied Previous Year's	NOLCO Expired	NOLCO Applied Current Year	NOLCO Unapplied
2018	2019–2021	₱250,378,347	₱–	₱250,378,347	₱–	₱–
2019	2020–2022	305,529,801	–	–	–	305,529,801
		₱555,908,148	₱–	₱250,378,347	₱–	₱305,529,801

As of December 31, 2021, the Parent Company has incurred NOLCO in taxable years 2021 and 2020 which can be claimed as deduction from the regular taxable income for the next five (5) consecutive taxable years pursuant to the Bayanihan to Recover as One Act, as follows:

Year Incurred	Availment Period	Amount	Additions	NOLCO Expired	NOLCO Applied Current Year	NOLCO Unapplied
2020	2021–2025	₱354,396,692	₱–	₱–	₱–	₱354,396,692
2021	2022–2026	–	301,865,641	–	–	301,865,641
		₱354,396,692	₱301,865,641	₱–	₱–	₱656,262,333

As of December 31, 2021 and 2020, the Parent Company did not recognize deferred income tax assets on NOLCO because management believes that it is not probable that sufficient taxable profit will be available to allow all or part of the deferred income tax assets to be utilized.

Enactment of Corporate Recovery and Tax Incentives for Enterprises (CREATE) Bill into Law
President Rodrigo Duterte signed into law on March 26, 2021 the Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act to attract more investments and maintain fiscal prudence and stability in the Philippines. RA 11534 or the CREATE Act introduces reforms to the corporate income tax and incentives systems. It takes effect 15 days after its complete publication in the Official Gazette or in a newspaper of general circulation or April 11, 2021.

The following are the key changes to the Philippine tax law pursuant to the CREATE Act which have an impact on the Parent Company:

- Effective July 1, 2020, regular corporate income tax (RCIT) rate is reduced from 30% to 25% for domestic and resident foreign corporations. For domestic corporations with net taxable income not exceeding ₱5 million and with total assets not exceeding ₱100 million (excluding land on which the business entity's office, plant and equipment are situated) during the taxable year, the RCIT rate is reduced to 20%.

- Minimum corporate income tax (MCIT) rate reduced from 2% to 1% of gross income effective July 1, 2020 to June 30, 2023.

- Imposition of improperly accumulated earnings tax (IAET) is repealed.

As clarified by the Philippine Financial Reporting Standards Council in its Philippine Interpretations Committee Q&A No. 2020-07, the CREATE Act was not considered substantively enacted as of December 31, 2020 even though some of the provisions have retroactive effect to July 1, 2020. The passage of the CREATE Act into law on March 26, 2021 was considered as a non-adjusting subsequent event. Accordingly, current and deferred taxes as of and for the year ended December 31, 2020 were computed and measured using the applicable income tax rates as of December 31, 2020 (i.e., 30% RCIT / 2% MCIT) for financial reporting purposes.

Applying the provisions of the CREATE Act, the Parent Company would have been subjected to lower regular corporate income tax rate of 25% effective July 1, 2020.

- This did not affect the provision for current income tax for the year ended December 31, 2020 and creditable tax withheld as of December 31, 2020 since the Parent Company incurred gross loss and NOLCO and thus, was not in a taxable position.

- This resulted in lower net deferred income tax assets as of December 31, 2020 by ₱5.5 million, lower benefit from deferred tax for the year then ended by ₱5.2 million, lower accumulated remeasurement on employee benefits - net of tax by ₱0.6 million and higher accumulated remeasurement of financial assets at FVOCI - net of tax by ₱0.3 million. These adjustments have been recognized in the 2021 financial statements.

17. Equity

Capital Stock

There were no changes in the Parent Company's authorized, issued and outstanding common shares as of December 31, 2021 and 2020.

Authorized capital stock - ₱1 par value	2,000,000,000
Issued and outstanding shares	1,023,456,698
Unissued shares	976,543,302

The Parent Company's issued capital stock originally consists of 224,880,067 common shares and 600,000,000 preferred shares that were listed in the Philippine Stock Exchange (PSE) since 2003 and 198,576,631 preferred shares that were approved for listing by the PSE on June 29, 2004. In June 2005, the SEC approved the amendment to Article VII that relates to the conversion of the Parent Company's preferred shares to common shares. As of December 31, 2021 and 2020, the Parent Company's issued capital stock all consists of common shares.

The Parent Company has 1,415 stockholders as of December 31, 2021, 1,425 stockholders as of December 31, 2020, and 1,423 stockholders as of December 31, 2019, and has complied with the Minimum Public Ownership requirement of the PSE for listed entities as of the same dates.

Appropriation of Retained Earnings for Business Expansion

Out of the 2016 retained earnings appropriation, the Parent Company made additional investment of ₱606.0 million in 2017 in two power plant projects in the Visayas and Mindanao, which amount was then reverted to unappropriated retained earnings in 2017.

In a BOD meeting held on December 21, 2017, the BOD has determined that the Parent Company's operation require to continue the existing appropriations amounting to ₱2.2 billion for the investment in the two ongoing power plants in Visayas and Mindanao and a rooftop solar installation project starting 2018. In the same BOD meeting, a resolution was approved allocating and restricting part of its retained earnings amounting to an additional ₱1.3 billion to be used for future investments in these projects which are expected to be completed starting 2018.

Out of the 2017 retained earnings appropriation, the Parent Company made additional investment of ₱1.2 billion in 2018 on the power plant projects in the Visayas and in the rooftop solar installation project, which amount was then reverted to unappropriated retained earnings in 2018.

In a BOD meeting held on December 12, 2018, the BOD has determined that the Parent Company's operation require to continue the existing appropriations amounting to ₱2.3 billion for the investments in the two ongoing power plant projects in the Visayas, one ongoing power plant project in Mindanao and a rooftop solar installation project. In the same BOD meeting, a resolution was approved allocating and restricting part of its retained earnings amounting to additional ₱1.7 billion to be used for the investment in one ongoing power plant project in the Visayas estimated to start commercial operations in 2021, new power generation projects in Luzon and the Visayas, and for infrastructure projects in the Visayas starting 2019.

Out of the 2018 retained earnings appropriation, the Parent Company reverted its prior appropriations amounting to ₱2.1 billion on the power plant projects in the Visayas and Mindanao due to its completion in 2019 and made additional investment amounting ₱31.6 million in 2019 on the new power generation project in Luzon, rooftop solar installation project, and infrastructure projects in Visayas.

In a BOD meeting held on November 13, 2019, the BOD has determined that the Parent Company's operation require to continue the existing appropriations amounting to ₱1.8 billion to provide appropriations for the investment in the new power generation project in the Visayas, and the ongoing solar installations projects and infrastructure projects in the Visayas. In the same BOD meeting, a resolution was approved allocating and restricting part of its retained earnings amounting to additional ₱2.6 billion to be used for the investment in the new power generation project in the Visayas estimated to start commercial operations in 2021, solar rooftop installations projects, ongoing power plant project in Luzon, and ongoing infrastructure projects in Visayas.

Out of the 2019 retained earnings appropriation, the Parent Company made additional investments of ₱1.5 billion in 2020 on the new power generation project in the Visayas, ongoing solar installations projects and infrastructure projects in Visayas, which amount was then reverted to unappropriated retained earnings in 2020.

In a BOD meeting held on November 13, 2020, the BOD has determined that the Parent Company's operation require to continue the existing appropriations amounting to ₱3.0 billion to provide appropriations for the investment in the ongoing power generation projects in the Visayas, solar installation projects, and infrastructure projects in Visayas. In the same BOD meeting, a resolution was approved allocating and restricting part of its retained earnings amounting to additional ₱2.3 billion to be used for investment in the new power generation projects in Luzon and Mindanao and ongoing projects on power generation, solar rooftop installation, and infrastructure projects in Visayas.

Out of the 2020 retained earnings appropriation, the Parent Company made additional investments of ₱1.0 billion in 2021 on the new power generation project in Mindanao, and on-going power generation projects, solar installation projects and on-going infrastructure projects in the Visayas, which amount was then reverted to unappropriated retained earnings in 2021.

In a BOD meeting held on November 12, 2021, the BOD has determined that the Parent Company's operation require to continue the existing appropriations amounting to ₱4.2 billion to provide appropriations for the investment in the new power generation projects in Luzon, on-going power generation projects in the Visayas, and solar installation projects and infrastructure projects in Luzon and the Visayas. In the same BOD meeting, a resolution was approved allocating and restricting part of its retained earnings amounting to additional ₱2.0 billion to be used for the investment in the on-going and new infrastructure projects in Luzon and the Visayas starting in 2022.



Dividends

The BOD declared cash dividends to its stockholders as follows:

	2021	2020	2019
Date of declaration	**May 19, 2021**	May 13, 2020	May 15, 2019
Date of record	**June 4, 2021**	May 27, 2020	May 29, 2019
Date of payment	**June 23, 2021**	June 23, 2020	June 24, 2019
Regular dividends declared	**₱358,209,844**	₱467,822,060	₱346,133,059
Dividends per share	**₱0.35**	₱0.4571	₱0.3382

Earnings per Share

The earnings per share as of December 31 are computed as follows:

	2021	2020	2019
Net income for the year	**₱1,142,082,795**	₱1,288,696,431	₱805,306,062
Number of outstanding common shares	**1,023,456,698**	1,023,456,698	1,023,456,698
Basic and diluted earnings per share	**₱1.116**	₱1.259	₱0.787

There are no potential dilutive shares as of December 31, 2021, 2020 and 2019.

18. Personnel Expenses

	2021	2020	2019
Salaries and employee benefits	**₱191,072,323**	₱157,273,537	₱109,379,744
Pension expense (see Note 15)	**10,824,812**	8,250,605	8,817,067
	₱201,897,135	₱165,524,142	₱118,196,811

19. Financial Risk Management Objectives and Policies

The Parent Company's principal financial instruments comprise cash and cash equivalents, trade and other receivables, financial assets at FVOCI, trade and other current liabilities, lease liabilities and notes payable. The main purpose of these financial instruments is to raise funds for the Parent Company's operations.

The main risks arising from the Parent Company's financial instruments are credit risk and liquidity risk. The BOD reviews and agrees policies for managing each of these risks and these policies are summarized below.

Credit Risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or a customer contract, leading to a financial loss. The Parent Company is exposed to credit risk from its operating activities (primarily for trade receivables) and from its financing activities, including deposits with banks and financial institutions and other financial instruments. With respect to cash investments, the risk is mitigated by the short-term and/or liquid nature of its investments mainly in bank deposits and placements, which are placed with financial institutions of high credit standing.

Receivable balances are actively monitored on an ongoing basis and acted upon regularly to avoid significant concentrations of credit risk.

The maximum exposure to credit risk, net of allowance for doubtful accounts, amounted to ₱3,218.6 million and ₱2,839.9 million as of December 31, 2021 and 2020, respectively.

There are no significant concentrations of credit risk within the Parent Company.

The Parent Company writes off a financial asset, in whole or in part, when the asset is considered uncollectible, it has exhausted all practical recovery efforts and has concluded that it has no reasonable expectations of recovering the financial asset in its entirety or a portion thereof. The Parent Company writes off an account when all of the following conditions are met:

- the asset is in past due for over 90 days, or is already an item-for-forfeiture; and
- contract restructuring is no longer possible.

The Parent Company may also write off financial assets that are still subject to enforcement activity.

The following are the details of the Parent Company's assessment of credit quality and the related ECLs as of December 31, 2021 and 2020:

- *General Approach*

    - *Cash and Cash Equivalents and Accrued Interest Receivable.* As of December 31, 2021 and 2020, the ECL relating to the cash and cash equivalents and accrued interest receivable of the Parent Company is minimal as these are deposited in reputable banks which have good bank standing, and is considered to have low credit risk.

    - *Advances to Related Parties, Advances to Employees and Dividends Receivable.* The Parent Company did not recognize ECL relating to advances to related parties, advances to employees and dividends receivable since there were no history of default payments, except for the receivable from RFM Corporation, which is specifically and fully provided with allowance for impairment amounting to ₱46.1 million as of December 31, 2021 and 2020 (see Note 11). This assessment is undertaken each financial year through examining the financial position of the related parties and the markets in which the related parties operate.

- *Simplified Approach*

    - *Accounts and Other Receivables.* The Parent Company applied the simplified approach under PFRS 9, using a 'provision matrix'. As of December 31, 2021 and 2020, the allowance for impairment losses as a result from performing collective and specific impairment test amounted to ₱2.0 million and ₱0.7 million, respectively. Management evaluated that the Parent Company's accounts and other receivables are of high grade and of good credit quality.

The tables below show the maximum exposure to credit risk based on the Parent Company's stage classification as of December 31:

	2021				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Lifetime ECL Simplified Approach	Total
Gross carrying amount	₱3,177,374,824	₱–	₱46,078,063	₱43,200,068	₱3,266,652,955
Loss allowance	–	–	(46,078,063)	(2,009,923)	(48,087,986)
Carrying amount	₱3,177,374,824	₱–	₱–	₱41,190,145	₱3,218,564,969

	2020				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Lifetime ECL Simplified Approach	Total
Gross carrying amount	₱2,814,738,140	₱–	₱46,078,063	₱25,916,301	₱2,886,732,504
Loss allowance	–	–	(46,078,063)	(732,935)	(46,810,998)
Carrying amount	₱2,814,738,140	₱–	₱–	₱25,183,366	₱2,839,921,506

As of December 31, 2021 and 2020, the aging analysis per class of financial assets is as follows:

	2021						
	Neither Past Due nor Impaired	Past Due but not Impaired					
		Less than 30 Days	31–60 Days	61–90 Days	Over 90 days	Impaired	Total
Financial Assets at Amortized Cost							
Cash and cash equivalents (excluding cash on hand)	₱2,789,675,159	₱–	₱–	₱–	₱–	₱–	₱2,789,675,159
Trade and other receivables:							
Accounts receivable	–	13,728,249	4,083,595	3,833,678	4,568,939	–	26,214,461
Advances to related parties	–	118,799,866	189,054	231,615	264,153,352	–	383,373,087
Accrued interest receivable	4,326,578	–	–	–	–	–	4,326,578
Others	–	1,181,814	2,420,370	60,276	11,313,224	2,009,923	16,985,607
Due from RFM Corporation (under "Other noncurrent assets")	–	–	–	–	–	46,078,063	46,078,063
	₱2,794,001,737	₱133,709,129	₱6,693,019	₱4,125,569	₱280,035,515	₱48,087,986	₱3,266,652,955

	2020						
	Neither Past Due nor Impaired	Past Due but not Impaired					
		Less than 30 Days	31–60 Days	61–90 Days	Over 90 days	Impaired	Total
Financial Assets at Amortized Cost							
Cash and cash equivalents (excluding cash on hand)	₱2,649,877,434	₱–	₱–	₱–	₱–	₱–	₱2,649,877,434
Trade and other receivables:							
Accounts receivable	–	10,554,647	84,000	84,000	1,404,109	–	12,126,756
Advances to related parties	–	478,011	107,816	200	162,213,615	–	162,999,642
Accrued interest receivable	1,861,064	–	–	–	–	–	1,861,064
Others	–	2,664,991	247,499	1,276,594	8,887,526	732,935	13,789,545
Due from RFM Corporation (under "Other noncurrent assets")	–	–	–	–	–	46,078,063	46,078,063
	₱2,651,738,498	₱13,677,649	₱439,315	₱1,360,794	₱172,505,250	₱46,810,998	₱2,886,732,504

Liquidity Risk

Liquidity risk is the risk that the Parent Company will not be able to meet its financial obligations as they fall due.

The Parent Company maintains sufficient cash and cash equivalents to finance its operations. Any excess cash is invested in short-term money market placements. These placements and the Parent Company's trade receivables are maintained to meet maturing obligations. The Parent Company, in general, matches the appropriate long-term funding instruments with the general nature of its equity instruments.

The following tables summarize the Parent Company's financial assets that can be used to manage its liquidity risk and the maturity profile of the Parent Company's financial liabilities based on contractual undiscounted payments as of December 31:

	2021			
	Contractual Undiscounted Payments			
	Total	On Demand	Less than 1 Year	More than 1 Year
Financial Assets				
At amortized cost:				
Cash and cash equivalents	**₱2,789,920,159**	**₱668,507,724**	**₱2,121,412,435**	**₱–**
Trade and other receivables:				
Accounts receivable	**26,214,461**	–	**26,214,461**	–
Advances to related parties	**383,373,087**	–	**383,373,087**	–
Accrued interest receivable	**4,326,578**	–	**4,326,578**	–
Others	**14,975,684**	–	**14,975,684**	–
At FVOCI	**8,000,000**	–	–	**8,000,000**
	3,226,809,969	**668,507,724**	**2,550,302,245**	**8,000,000**
Financial Liabilities				
At amortized cost:				
Notes payable*	**3,366,048,250**	–	**168,521,250**	**3,197,527,000**
Lease liabilities**	**45,006,390**	–	**15,092,128**	**29,914,262**
Accrued interest	**18,170,546**	–	**18,170,546**	–
Accounts payable, accrued expenses and advances from related parties	**36,195,382**	–	**36,195,382**	–
Dividends payable	**4,327,007**	–	**4,327,007**	–
	3,469,747,575	–	**242,306,313**	**3,227,441,262**
Net Financial Assets (Liabilities)	**(₱242,937,606)**	**₱668,507,724**	**2,307,995,932**	**(₱3,219,441,262)**

**Including contractual interest to maturity*
***Contractual undiscounted lease payments*

	2020			
	Contractual Undiscounted Payments			
	Total	On Demand	Less than 1 Year	More than 1 Year
Financial Assets				
At amortized cost:				
Cash and cash equivalents	₱2,650,122,434	₱42,785,270	₱2,607,337,164	₱–
Trade and other receivables:				
Accounts receivable	12,126,756	–	12,126,756	–
Advances to related parties	162,999,642	–	162,999,642	–
Accrued interest receivable	1,861,064	–	1,861,064	–
Others	13,056,610	–	13,056,610	–
At FVOCI	7,400,000	–	–	7,400,000
	2,847,566,506	42,785,270	2,797,381,236	7,400,000
Financial Liabilities				
At amortized cost:				
Notes payable*	5,834,318,401	–	2,834,318,401	3,000,000,000
Lease liabilities**	55,509,626	–	17,213,256	38,296,370
Accrued interest	23,293,093	–	23,293,093	–
Accounts payable, accrued expenses and advances from related parties	14,932,845	–	14,932,845	–
Dividends payable	3,820,087	–	3,820,087	–
	5,931,874,052	–	2,893,577,682	3,038,296,370
Net Financial Assets (Liabilities)	(₱3,084,307,546)	₱42,785,270	(₱96,196,446)	(₱3,030,896,370)

**Including contractual interest to maturity*
***Contractual undiscounted lease payments*

Fair Value Measurement

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

Fair Value Hierarchy

The Parent Company uses the following hierarchy for determining the fair value of assets and liabilities:

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

The Parent Company's financial assets at FVOCI is carried at fair value classified under Level 2 as at December 31, 2021 and 2020, since its fair value was measured based on published buying and selling prices in a relatively inactive market, and no significant adjustments were made to market observations due to the relatively nonvolatile movements in historical prices of the said club shares (see Note 11).

As of December 31, 2021 and 2020, the carrying values of the Parent Company's financial instruments, except for the notes payable, approximate fair values due to their relatively short-term maturity.

The Parent Company considers the notes payable with fair value of ₱3.1 billion and ₱3.0 billion of December 31, 2021 and 2020, respectively, under Level 3 classification. The carrying amounts of these notes payable amounted to ₱3.0 billion and ₱2.8 billion as of December 31, 2021 and 2020.

For the years ended December 31, 2021, 2020 and 2019, there were no changes in the valuation techniques used in the Level 2 and Level 3 fair value measurements.

For the years ended December 31, 2021, 2020 and 2019, there were no transfers between Level 1 and Level 2 fair value measurements.

Valuation Techniques Used to Derive Level 3 Fair Values

The following tables show an analysis of the Parent Company's long-term notes payable for which fair values are disclosed at Level 3 of the fair value hierarchy as at December 31:

Description	**Fair Value as of December 31, 2021**	**Valuation Technique**	**Key Unobservable Inputs**	**Range (Weighted Average)**
Notes payable	**₱3,059,496,945**	**Discounted Cash Flow Approach**	**Risk-free interest rate**	**1.01%–5.08% (2.90%)**

Description	Fair Value as of December 31, 2020	Valuation Technique	Key Observable Inputs	Range (Weighted Average)
Notes payable	₱2,966,026,459	Discounted Cash Flow Approach	Risk-free interest rate	0.99%–3.95% (1.72%)

Capital Management

The Parent Company considers its total equity as its capital. The primary objective of the Parent Company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value.

The Parent Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Parent Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

No changes were made in the objectives, policies or processes for the years ended December 31, 2021, 2020 and 2019.

The Parent Company is required to maintain a minimum current ratio and maximum debt-to-equity ratio as part of its covenants on its notes payable. The Parent Company has complied with these ratio requirements as of December 31, 2021 and 2020 (see Note 13). The Parent Company is also subject to Minimum Public Ownership requirement of the PSE. As of December 31, 2021 and 2020, the Parent Company has complied with the requirement. The Parent Company is not subject to other externally imposed capital requirements (see Note 17).

The Parent Company monitors capital using a gearing ratio, which is net debt divided by equity plus net debt. The Parent Company determines net debt as notes payable less cash and cash equivalents.

Gearing ratios of the Parent Company as of December 31 are as follows:

	2021	2020
Notes payable	**₱2,973,815,020**	₱2,819,508,120
Less cash and cash equivalents	**2,789,920,159**	2,650,122,434
Net cash and cash equivalents (a)	**183,894,861**	169,385,686
Equity	**8,058,806,976**	7,268,382,606
Equity and net cash and cash equivalents (b)	**₱8,242,701,837**	₱7,437,768,292
Gearing ratio (a/b)	**0.02:1.00**	0.02:1.00

20. Changes in Liabilities Arising from Financing Activities

	2021			
	Notes Payable	**Dividends Payable**	**Lease Liabilities**	**Total Liabilities from Financing Activities**
At January 1	**₱2,819,508,120**	**₱3,820,087**	**₱48,791,047**	**₱2,872,119,254**
Net Cash flows	**155,444,691**	**(357,702,924)**	**(12,582,549)**	**(214,840,782)**
Noncash changes:				
Amortization of debt issue costs	**10,152,531**	–	–	**10,152,531**
Dividends declared	–	**358,209,844**	–	**358,209,844**
Debt issue cost paid in 2020	**(11,290,322)**	–	–	**(11,290,322)**
Modifications	–	–	**3,947,859**	**3,947,859**
At December 31	**₱2,973,815,020**	**₱4,327,007**	**₱40,156,357**	**₱3,018,298,384**

	2020			
	Notes Payable	Dividends Payable	Lease Liabilities	Total Liabilities from Financing Activities
At January 1	₱2,844,726,970	₱3,154,947	₱64,017,183	₱2,911,899,100
Cash flows	(30,000,000)	(467,156,920)	(14,244,182)	(511,401,102)
Noncash changes:				
Amortization of debt issue costs	4,781,150	–	–	4,781,150
Dividends declared	–	467,822,060	–	467,822,060
Modifications	–	–	(981,954)	(981,954)
At December 31	₱2,819,508,120	₱3,820,087	₱48,791,047	₱2,872,119,254

	2019			
	Notes Payable	Dividends Payable	Lease Liabilities	Total Liabilities from Financing Activities
At January 1*	₱2,870,154,989	₱2,806,854	₱22,300,351	₱2,895,262,194
Cash flows	(30,000,000)	(345,784,966)	(7,830,714)	(383,615,680)
Noncash changes:				
Amortization of debt issue costs	4,571,981	–	–	4,571,981
Dividends declared	–	346,133,059	–	346,133,059
Additions and modifications	–	–	52,032,876	52,032,876
Pretermination of lease	–	–	(2,485,330)	(2,485,330)
At December 31	₱2,844,726,970	₱3,154,947	₱64,017,183	₱2,911,899,100

**includes effects of PFRS 16 adoption for lease liabilities*

21. Lease Agreements

The Parent Company has lease contracts for various items of land and office space used in its operations. Lease of land has a lease term of 17 years, while office space generally has lease terms between 2 and 5 years. Generally, the Parent Company is restricted from assigning and subleasing the leased assets. The Parent Company identified these as leases under PFRS 16.

Set out below are the carrying amounts of the Parent Company's right-of-use assets and lease liabilities and the movements for the years ended December 31, 2021 and 2020:

	2021			
	Right-of-use Assets			
	Land	**Office Space**	**Total**	**Lease Liabilities**
As at January 1, 2021	**₱3,239,804**	**₱41,069,355**	**₱44,309,159**	**₱48,791,047**
Modifications	–	**4,037,449**	**4,037,449**	**3,947,859**
Depreciation expense	**(231,415)**	**(13,014,015)**	**(13,245,430)**	–
Interest expense	–	–	–	**2,383,116**
Payments	–	–	–	**(14,965,665)**
As at December 31, 2021	**₱3,008,389**	**₱32,092,789**	**₱35,101,178**	**₱40,156,357**

	2020			
	Right-of-use Assets			
	Land	Office Space	Total	Lease Liabilities
As at January 1, 2020	₱3,471,218	₱58,011,599	₱61,482,817	₱64,017,183
Modifications	–	(981,954)	(981,954)	(981,954)
Depreciation expense	(231,414)	(15,960,290)	(16,191,704)	–
Interest expense	–	–	–	3,363,921
Payments	–	–	–	(17,608,103)
As at December 31, 2020	₱3,239,804	₱41,069,355	₱44,309,159	₱48,791,047

As of December 31, 2021 and 2020, current portion of lease liabilities recognized in the parent company statements of financial position amounted to ₱13.3 million and ₱14.7 million, respectively, and noncurrent portion of lease liabilities amounted to ₱26.8 million and ₱34.1 million, respectively.

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

	2021	2020
Depreciation expense of right-of-use assets	**₱13,245,430**	₱16,191,704
Interest expense on lease liabilities	**2,383,116**	3,363,921
Rent expense - short-term leases	**1,285,846**	355,098
Gain on pretermination of a lease	**89,591**	–
	₱17,003,983	₱19,910,723

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

	2021	2020
1 year	**₱15,092,128**	₱17,213,256
more than 1 year to 2 years	**15,978,038**	17,867,613
more than 2 years to 3 years	**9,262,486**	15,321,171
more than 3 years to 5 years	**867,696**	867,696
more than 5 years	**3,806,042**	4,239,890
	₱45,006,390	₱55,509,626

22. Supplementary Information Required under Revenue Regulations 15-2010

In compliance with the requirements set forth by the RR 15-2010, hereunder are the information on taxes, duties, and license fees paid or accrued by the Parent Company in 2021:

Details of the Parent Company's net sales, output VAT and input VAT accounts are as follows:

Value-Added Tax (VAT)

Output VAT. The Parent Company is a VAT-registered company. The Parent Company's sources of revenue are management and service fees and service income from subsidiaries, associates, and joint ventures. The VAT rate is 12.0%.

Net Sales/Receipts and Output VAT Declared in the Parent Company's VAT Returns

	Net Sales/ Receipts	Output VAT
Net sales	₱165,592,766	₱19,871,132

The Parent Company's taxable sales are based on actual collections received, hence, may not be the same as the amounts accrued under "Management and service fees" and "Service income" in the parent company statement of comprehensive income.

Input VAT. The Parent Company recognized input VAT for the purchases of goods and services from other VAT-registered individuals or corporations in 2021 amounting to ₱119,708,901.

Total input VAT available for application as of December 31, 2021 is as follows:

At January 1	₱5,970,168
Current year's domestic purchases or payments for:	
Services lodged under expenses	10,834,483
Capital goods subject to amortization	1,306,821
Capital goods not subject to amortization	692,508
Goods other than capital goods	1,531,256
Total available input tax	20,335,236
Adjustments:	
Amortization of input VAT from capital goods	(964,160)
Deferred input VAT	608,891
Claims against output VAT	(16,816,228)
At December 31	₱3,163,739

Customs Duties

The Parent Company does not engage in import/export transactions, hence, no customs duties were paid or recorded during the year.

Excise Tax

The Parent Company does not engage in transactions that will give rise to payment of excise taxes.

Documentary Stamp Tax

The Parent Company paid documentary stamp taxes in 2021 amounting to ₱4,689,406 of which ₱4,572,313 is from subsidiaries' share issuance, ₱18,326 are from the advances from related parties and ₱98,767 from telegraphic transfer from bank transactions, insurance-related and other transactions entered during the year.

Other Taxes and Licenses

Other taxes paid during the year are as follows:

Business permit	₱875,916
Fringe benefit tax	391,564
Real property tax	95,350
Community tax	11,000
BIR annual registration fee	500
Others	200,545
	₱1,574,875

Withholding Taxes
The amount of taxes withheld in 2021 follows:

Expanded withholding taxes	₱42,529,735
Withholding taxes on compensation and benefits	22,790,780
Final withholding taxes	125,901
	₱65,446,416

Tax Assessments and Cases
The Parent Company does not have any pending tax cases outside the administration of the BIR.

VIVANT CORPORATION

RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION

FOR THE YEAR ENDED DECEMBER 31, 2021

Items	Amount
Unappropriated Retained Earnings, Beginning	₱1,027,947,280
Adjustments:	
Deferred income tax assets that reduced the amount of provision for income tax	(31,776,916)
Deferred income tax liabilities that increased the amount of provision for income tax	857,388
Unappropriated Retained Earnings, as Adjusted, Beginning	997,027,752
Net Income Based on the Face of AFS	1,142,082,795
Less: Non-actual/Unrealized Income Net of Tax	
Equity in net income of an associate/joint venture	–
Unrealized foreign exchange gain - net (except those attributable to cash and cash equivalents)	–
Unrealized actuarial gain	–
Fair value adjustment (M2M gains)	–
Fair value adjustment of investment property resulting to gain	–
Adjustment due to deviation from PFRS/GAAP - gain	–
Gain on reversal of impairment loss	(88,142,365)
Gain on pre-termination of lease	–
Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS	–
Deferred income tax assets that reduced the amount of provision for income tax	5,304,087
Deferred income tax liability that reduced the amount of provision for income tax	8,482,630
Add: Non-actual Losses	
Unrealized foreign exchange loss - net (except those attributable to cash and cash equivalents)	–
Equity in net loss of an associate/joint venture	–
Depreciation on revaluation increment (after tax)	–
Adjustment due to deviation from PFRS/GAAP - loss	–
Loss on fair value adjustment of investment property (after tax)	–
Impairment loss on investment	–
Net Income Actual/Realized	1,067,727,147
Add (Less)	
Dividend declarations during the period	(358,209,844)
Appropriations of retained earnings during the period	(1,950,000,000)
Reversals of appropriations	965,536,348
Effects of prior period adjustments	–
Treasury shares	–
TOTAL RETAINED EARNINGS, END AVAILABLE FOR DIVIDEND DECLARATION	₱722,081,403

Fredlin Agang

From: vivantcorporation@vivant.com.ph on behalf of eafs@bir.gov.ph
Sent: Friday, April 22, 2022 3:55 PM
To: VIVANTCORPORATION@VIVANT.COM.PH
Cc: VIVANTCORPORATION@VIVANT.COM.PH
Subject: Your BIR AFS eSubmission uploads were received

Hi VIVANT CORPORATION,

Valid files

- EAFS242603734ITRTY122021.pdf
- EAFS242603734AFSTY122021.pdf
- EAFS242603734TCRTY122021-01.pdf
- EAFS242603734OTHTY122021.pdf
- EAFS242603734RPTTY122021.pdf

Invalid file

- <None>

Transaction Code: **AFS-0-4RSZWSVX04QVQVVZ1NZRVNV2P08C67E8JE**
Submission Date/Time: **Apr 22, 2022 03:54 PM**
Company TIN: **242-603-734**

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- The submitted forms, documents and attachments are complete, truthful and correct based on the personal knowledge and the same are from authentic records;
- The submission is without prejudice to the right of the BIR to require additional document, if any, for completion and verification purposes;
- The hard copies of the documents submitted through this facility shall be submitted when required by the BIR in the event of audit/investigation and/or for any other legal purpose.

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COVER SHEET

for

AUDITED FINANCIAL STATEMENTS

SEC Registration Number

					1	7	5	2	2	2

COMPANY NAME

VIVANT CORPORATION AND SUBSIDIARIES

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

9th Floor Oakridge IT Center 3, Oakridge Business Park, A.S. Fortuna Street, Brgy. Banilad, Mandaue City, Philippines 6014

Form Type	Department requiring the report	Secondary License Type, If Applicable
AACFS	CRMD	N/A

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number	Mobile Number
vivant@vivant.com.ph	(032) 234-2256	N/A

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
1,415	June 17	December 31

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Atty. Joan A. Giduquio-Baron	jbaron@jpgarcialaw.com	(032) 232-0253	0917-5356692

CONTACT PERSON's ADDRESS

9th Floor Oakridge IT Center 2, Oakridge Business Park, A.S. Fortuna Street, Brgy. Banilad, Mandaue City, Cebu, Philippines, 6014

NOTE 1 : *In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.*

2 : *All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.*

SyCip Gorres Velayo & Co.
8th Floor JEG Tower @ One Acacia
Acacia Street corner Archbishop Reyes Avenue
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Fax: (032) 266 2313
ey.com/ph

INDEPENDENT AUDITOR'S REPORT

The Board of Directors and the Stockholders
Vivant Corporation
9th Floor, Oakridge IT Center 3
Oakridge Business Park, A.S. Fortuna Street
Brgy. Banilad, Mandaue City
Cebu, Philippines 6014

Opinion

We have audited the consolidated financial statements of Vivant Corporation and its subsidiaries (the Group), which comprise the consolidated statements of financial position as at December 31, 2021 and 2020, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2021, 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, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2021 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 Professional Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

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

Accounting for the Investment in Visayan Electric Company, Inc. (VECO)

As disclosed in Notes 1 and 10 to the consolidated financial statements, the Group owns 34.81% of VECO, an associate engaged in power distribution services, as at December 31, 2021 and accounts for the investment under the equity method. The application of the equity method of accounting to the Group's investment in VECO is significant to our audit because the carrying value of the investment accounted for 13% of the consolidated total assets and it contributed 35% to the consolidated net income of the Group as at and for the year ended December 31, 2021, respectively. VECO's net income is significantly affected by the electricity revenue which depends on the electric consumption captured, the rates applied across different customer groups, and the systems involved in the billing process. The electric consumption captured is based on the meter readings taken on various dates for the different groups of customers (i.e., industrial, commercial, and residential customers) within the franchise area of operation.

The disclosures relating to the investment in VECO are included in Note 10 to the consolidated financial statements.

Audit Response

We obtained the relevant financial information of VECO and recomputed the Group's share in the net income of VECO for the year ended December 31, 2021. We evaluated the design and tested the controls over VECO's billing and revenue process. These include the capture and accumulation of meter data in the billing system as well as a calculation of the billed amounts, and uploading of the billed amounts from the billing system to the financial reporting system. We performed a test calculation of the rates using the Energy Regulatory Commission-approved rates and formulae, then compared them with the rates used in the billing statements.

Impairment Testing of Goodwill

The Group is required to annually test the amount of goodwill for impairment under PAS 36, *Impairment of Assets*. As of December 31, 2021, the goodwill attributable to several cash-generating units (CGUs), presented as part of "Other noncurrent assets" in the consolidated statement of financial position, amounted to ₱299.0 million, which is considered significant to the consolidated financial statements. In addition, management's assessment process requires significant judgment and is based on assumptions such as discount and growth rates and revenue assumptions, which are subject to estimation uncertainty due to the current economic conditions which have been impacted by the coronavirus pandemic.

The disclosures relating to the impairment testing of goodwill are included in Note 13 to the consolidated financial statements.

Audit Response

We assessed the appropriateness of the methodologies and assumptions used, which included discount and growth rates and revenue assumptions. We obtained an understanding of management's processes involved in producing the budgets and forecasts used in the analysis. We compared the key assumptions used, such as growth rate and revenue assumptions, against the historical performance of the CGUs and considered our understanding of the CGUs' signed and committed arrangements with their customers, the outlook in their respective industries and other relevant external data, taking into consideration the impact associated with the coronavirus pandemic. We tested the parameters used in the determination of the discount rates against market data. We also reviewed the Group's disclosures about the assumptions to which the outcome of the impairment test is most sensitive, specifically, those that have the most significant effect on the determination of the recoverable amount of goodwill.

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2021, but does not include the consolidated financial statements and our auditor's report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2021 are expected to be made available to us after the date of this auditor's report.

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

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

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Margem A. Tagalog.

SYCIP GORRES VELAYO & CO.

Margem A. Tagalog
Partner
CPA Certificate No. 0098098
Tax Identification No. 206-544-506
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
SEC Partner Accreditation No. 98098-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. 08-001998-138-2021, November 10, 2021, valid until November 9, 2024
PTR No. 8854370, January 3, 2022, Makati City

March 18, 2022

VIVANT CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	December 31	
	2021	2020
ASSETS		
Current Assets		
Cash and cash equivalents (Note 6)	**₱5,650,024,939**	₱4,872,331,464
Trade and other receivables (Note 7)	**880,046,705**	814,103,832
Advances to associates, joint ventures and stockholders (Note 16)	**276,564,877**	253,060,382
Inventories - at cost (Note 8)	**152,675,459**	220,498,758
Prepayments and other current assets (Note 9)	**330,572,837**	281,892,670
Total Current Assets	**7,289,884,817**	6,441,887,106
Noncurrent Assets		
Investments in associates and joint ventures (Note 10)	**11,614,930,568**	11,247,606,324
Property, plant and equipment (Note 11)	**3,318,784,838**	2,260,461,407
Right-of-use assets (Note 24)	**442,360,406**	672,222,914
Investment properties (Note 12)	**863,642,001**	757,280,601
Deferred income tax assets (Note 20)	**20,414,257**	34,013,474
Other noncurrent assets (Note 13)	**1,467,011,681**	1,167,489,781
Total Noncurrent Assets	**17,727,143,751**	16,139,074,501
TOTAL ASSETS	**₱25,017,028,568**	₱22,580,961,607
LIABILITIES AND EQUITY		
Current Liabilities		
Current portion of trade and other payables (Note 14)	**₱1,032,237,239**	₱875,837,380
Current portion of long-term notes payable (Note 15)	**92,076,898**	2,819,508,120
Current portion of lease liabilities (Note 24)	**200,707,787**	360,063,325
Short term notes payable (Note 15)	**–**	749,300,741
Advances from related parties (Note 16)	**5,689,112**	5,689,112
Income tax payable	**4,016,925**	36,955,619
Total Current Liabilities	**1,334,727,961**	4,847,354,297
Noncurrent Liabilities		
Long-term notes payable - net of current portion (Note 15)	**4,381,463,942**	–
Lease liabilities - net of current portion (Note 24)	**158,012,021**	303,114,979
Pension liability (Note 19)	**61,460,008**	87,541,306
Deferred income tax liabilities (Note 20)	**205,019,567**	189,832,424
Other noncurrent liabilities - net of current portion (Notes 14 and 23)	**838,293,931**	837,635,182
Total Noncurrent Liabilities	**5,644,249,469**	1,418,123,891
Total Liabilities	**6,978,977,430**	6,265,478,188
Equity Attributable to Equity Holders of the Parent		
Capital stock - ₱1 par value (Note 21)		
Authorized - 2,000,000,000 shares		
Issued - 1,023,456,698 shares	**1,023,456,698**	1,023,456,698
Additional paid-in capital	**8,339,452**	8,339,452
Other components of equity:		
Share in revaluation increment of an associate (Note 10)	**1,702,071,167**	1,658,598,674

(Forward)

	December 31	
	2021	2020
Share in remeasurement losses on employee benefits of associates and joint ventures (Note 10)	**(₱94,016,067)**	(₱96,181,114)
Remeasurement loss on employee benefits (Note 19)	**(56,940)**	(13,035,095)
Unrealized valuation gain on financial assets at fair value through other comprehensive income (FVOCI)	**4,643,039**	2,862,209
Equity reserves (Note 21)	**(25,128,554)**	(25,128,554)
Retained earnings (Notes 10 and 21):		
Appropriated for business expansion	**6,198,363,882**	5,213,900,230
Unappropriated	**8,177,690,481**	7,674,801,422
Equity Attributable to Equity Holders of the Parent	**16,995,363,158**	15,447,613,922
Equity Attributable to Non-controlling Interests (Note 21)	**1,042,687,980**	867,869,497
Total Equity	**18,038,051,138**	16,315,483,419
TOTAL LIABILITIES AND EQUITY	**₱25,017,028,568**	₱22,580,961,607

See accompanying Notes to Consolidated Financial Statements.

VIVANT CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31		
	2021	2020	2019
REVENUE			
Revenue from contracts with customers			
Sale of power (Note 23)			
Generation	**₱1,577,500,737**	₱328,907,875	₱2,446,354,295
Ancillary services	**1,174,695,315**	1,407,752,125	1,009,757,401
Retail electricity supply	**301,048,099**	120,232,272	70,589,533
Management and service fees (Note 16)	**102,589,626**	210,189,238	97,547,438
Engineering service income	**42,037,953**	111,068,559	18,582,784
	3,197,871,730	2,178,150,069	3,642,831,451
EQUITY IN NET EARNINGS OF ASSOCIATES AND JOINT VENTURES (Note 10)	**1,769,960,102**	1,530,892,007	2,183,383,722
INTEREST INCOME (Note 6)	**22,961,585**	62,242,191	153,411,964
	4,990,793,417	3,771,284,267	5,979,627,137
COSTS OF SERVICES			
Generation costs (Notes 17 and 23)	**1,787,029,991**	896,158,327	2,332,094,275
Engineering service fees (Note 17)	**71,039,720**	117,711,267	1,451,250
	1,858,069,711	1,013,869,594	2,333,545,525
OPERATING EXPENSES			
Salaries and employee benefits (Notes 18 and 19)	**322,364,136**	284,005,583	202,975,160
Professional fees (Note 16)	**155,599,643**	157,302,439	173,671,643
Depreciation and amortization (Notes 11, 13 and 24)	**51,170,700**	48,356,782	31,861,829
Taxes and licenses (Note 12)	**40,165,758**	58,940,183	55,333,078
Outside services	**36,535,466**	25,698,856	19,532,232
Management fees (Note 16)	**25,270,413**	26,002,274	22,206,974
Travel	**13,294,561**	10,788,470	37,462,373
Representation	**9,529,837**	5,998,099	8,566,625
Communication and utilities	**9,523,925**	7,276,738	7,084,959
Rent and association dues	**8,564,767**	5,949,841	3,613,177
Project termination cost (Note 1)	**–**	–	53,111,200
Provision for estimated liability (Note 14)	**–**	–	32,577,442
Other operating expenses (Note 17)	**81,773,381**	78,333,134	70,956,984
	753,792,587	708,652,399	718,953,676
INCOME FROM OPERATIONS	**2,378,931,119**	2,048,762,274	2,927,127,936
OTHER INCOME (CHARGES)			
Finance costs on loans (Note 15)	**(165,305,661)**	(172,911,936)	(170,922,101)
Finance costs on lease liabilities (Note 24)	**(52,513,071)**	(75,342,137)	(85,661,701)
Foreign exchange gains (losses) - net	**16,129,762**	4,313,061	(4,387,978)
Gain on fair value measurement of investment properties (Note 12)	**106,361,400**	–	235,326,709
Gain on disposal of an associate (Notes 1 and 10)	**3,684,540**	–	–
Gain on loss of control of a subsidiary (Note 1)	**3,079,734**	–	–
Other income - net (Notes 11, 12 and 17)	**24,797,384**	56,411,994	41,931,060
	(63,765,912)	(187,529,018)	16,285,989

(Forward)

	Years Ended December 31		
	2021	2020	2019
INCOME BEFORE INCOME TAX	**₱2,315,165,207**	₱1,861,233,256	₱2,943,413,925
PROVISION FOR INCOME TAX (Note 20)	**171,157,540**	154,412,620	271,663,175
NET INCOME	**2,144,007,667**	1,706,820,636	2,671,750,750
OTHER COMPREHENSIVE INCOME (LOSS)			
Items that will not be reclassified to profit or loss:			
Remeasurement gain (loss) on employee benefits (Note 19)	**17,451,341**	(7,457,347)	(26,956,362)
Income tax effect	**(3,453,873)**	2,237,205	7,310,862
	13,997,468	(5,220,142)	(19,645,500)
Unrealized valuation gain on financial assets at FVOCI (Note 13)	**2,550,000**	30,000	1,820,000
Income tax effect	**187,500**	(4,500)	(273,000)
	2,737,500	25,500	1,547,000
Share in the remeasurement gains (losses) on employee benefits of associates and joint ventures, net of tax (Note 10)	**2,165,047**	(15,767,833)	(2,240,958)
Share in revaluation increment of an associate, net of tax (Note 10)	**112,003,656**	407,012,356	–
OTHER COMPREHENSIVE INCOME (LOSS) FOR THE YEAR	**130,903,671**	386,049,881	(20,339,458)
TOTAL COMPREHENSIVE INCOME	**₱2,274,911,338**	₱2,092,870,517	₱2,651,411,292
NET INCOME			
Attributable to:			
Equity holders of the parent	**₱1,777,031,392**	₱1,442,131,978	₱2,338,934,325
Non-controlling interests	**366,976,275**	264,688,658	332,816,425
	₱2,144,007,667	₱1,706,820,636	₱2,671,750,750
TOTAL COMPREHENSIVE INCOME			
Attributable to:			
Equity holders of the parent	**₱1,905,959,080**	₱1,830,637,661	₱2,320,970,603
Non-controlling interests	**368,952,258**	262,232,856	330,440,689
	₱2,274,911,338	₱2,092,870,517	₱2,651,411,292
EARNINGS PER SHARE			
Basic and diluted, for net income for the year attributable to equity holders of the parent (Note 22)	**₱1.736**	₱1.409	₱2.285

See accompanying Notes to Consolidated Financial Statements.

VIVANT CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2021, 2020 AND 2019

	Equity Attributable to Equity Holders of the Parent											
								Retained Earnings (Note 21)				
	Capital Stock (Note 21)	Additional Paid-in Capital	Share in Revaluation Increment of an Associate	Share in Remeasurement Losses on Employee Benefits of Associates and Joint Ventures	Remeasurement Gain on Employee Benefits	Unrealized Valuation Gain (Loss) on Financial Assets at FVOCI	Equity Reserves	Appropriated	Unappropriated	Total	Equity Attributable to Non-Controlling Interests	Total Equity
Balances at January 1, 2021	**₱1,023,456,698**	**₱8,339,452**	**₱1,658,598,674**	**(₱96,181,114)**	**(₱13,035,095)**	**₱2,862,209**	**(₱25,128,554)**	**₱5,213,900,230**	**₱7,674,801,422**	**₱15,447,613,922**	**₱867,869,497**	**₱16,315,483,419**
Total comprehensive income	**–**	**–**	**112,003,656**	**2,165,047**	**12,978,155**	**1,780,830**	**–**	**–**	**1,777,031,392**	**1,905,959,080**	**368,952,258**	**2,274,911,338**
Appropriation for business expansion	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**1,950,000,000**	**(1,950,000,000)**	**–**	**–**	**–**
Reversal of appropriation for business expansion	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(965,536,348)**	**965,536,348**	**–**	**–**	**–**
Acquisition of subsidiaries (Note 13)	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**26,582,798**	**26,582,798**
Additional investments of non-controlling interests of subsidiaries	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**55,847,573**	**55,847,573**
Loss of control of a subsidiary	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(500,000)**	**(500,000)**
Share in the amount transferred to retained earnings representing depreciation on the revaluation increment of an associate (Note 10)	**–**	**–**	**(68,531,163)**	**–**	**–**	**–**	**–**	**–**	**68,531,163**	**–**	**–**	**–**
Cash dividends	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(358,209,844)**	**(358,209,844)**	**(276,064,146)**	**(634,273,990)**
Balances at December 31, 2021	**₱1,023,456,698**	**₱8,339,452**	**₱1,702,071,167**	**(₱94,016,067)**	**(₱56,940)**	**₱4,643,039**	**(₱25,128,554)**	**₱6,198,363,882**	**₱8,177,690,481**	**₱16,995,363,158**	**₱1,042,687,980**	**₱18,038,051,138**
Balances at January 1, 2020	₱1,023,456,698	₱8,339,452	₱1,323,680,397	(₱80,413,281)	(₱10,270,755)	₱2,836,709	(₱25,128,554)	₱4,449,483,361	₱7,392,814,294	₱14,084,798,321	₱713,299,149	₱14,798,097,470
Total comprehensive income (loss)	–	–	407,012,356	(15,767,833)	(2,764,340)	25,500	–	–	1,442,131,978	1,830,637,661	262,232,856	2,092,870,517
Appropriation for business expansion	–	–	–	–	–	–	–	2,286,000,000	(2,286,000,000)	–	–	–
Reversal of appropriation for business expansion	–	–	–	–	–	–	–	(1,521,583,131)	1,521,583,131	–	–	–
Additional investments of non-controlling interests of a subsidiary	–	–	–	–	–	–	–	–	–	–	16,000,907	16,000,907
Conversion of deposit for future stock subscription to equity	–	–	–	–	–	–	–	–	–	–	73,008,585	73,008,585
Share in the amount transferred to retained earnings representing depreciation on the revaluation increment of an associate (Note 10)	–	–	(72,094,079)	–	–	–	–	–	72,094,079	–	–	–
Cash dividends	–	–	–	–	–	–	–	–	(467,822,060)	(467,822,060)	(196,672,000)	(664,494,060)
Balances at December 31, 2020	₱1,023,456,698	₱8,339,452	₱1,658,598,674	(₱96,181,114)	(₱13,035,095)	₱2,862,209	(₱25,128,554)	₱5,213,900,230	₱7,674,801,422	₱15,447,613,922	₱867,869,497	₱16,315,483,419
Balances at January 1, 2019	₱1,023,456,698	₱8,339,452	₱1,398,039,947	(₱78,172,323)	₱6,999,009	₱1,289,709	(₱43,845)	₱3,972,397,789	₱5,802,739,051	₱12,135,045,487	₱435,418,470	₱12,570,463,957
Total comprehensive income (loss)	–	–	–	(2,240,958)	(17,269,764)	1,547,000	–		2,338,934,325	2,320,970,603	330,440,689	2,651,411,292
Appropriation for business expansion	–	–	–	–	–	–	–	2,600,000,000	(2,600,000,000)	–	–	–
Reversal of appropriation for business expansion	–	–	–	–	–	–	–	(2,122,914,428)	2,122,914,428	–	–	–
Acquisition of a subsidiary (Note 13)	–	–	–	–	–	–	–	–	–	–	21,249,999	21,249,999
Additional investments of non-controlling interests of a subsidiary	–	–	–	–	–	–	–	–	–	–	12,737,500	12,737,500
Purchase of NCI's share (Note 21)	–	–	–	–	–	–	(25,084,709)	–	–	(25,084,709)	(5,907,509)	(30,992,218)
Share in the amount transferred to retained earnings representing depreciation on the revaluation increment of an associate (Note 10)	–	–	(74,359,550)	–	–	–	–	–	74,359,550	–	–	–
Cash dividends	–	–	–	–	–	–	–	–	(346,133,060)	(346,133,060)	(80,640,000)	(426,773,060)
Balances at December 31, 2019	₱1,023,456,698	₱8,339,452	₱1,323,680,397	(₱80,413,281)	(₱10,270,755)	₱2,836,709	(₱25,128,554)	₱4,449,483,361	₱7,392,814,294	₱14,084,798,321	₱713,299,149	₱14,798,097,470

See accompanying Notes to Consolidated Financial Statements.

VIVANT CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31		
	2021	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**₱2,315,165,207**	₱1,861,233,256	₱2,943,413,925
Adjustments for:			
Equity in net earnings of associates and joint ventures (Note 10)	**(1,769,960,102)**	(1,530,892,007)	(2,183,383,722)
Depreciation and amortization (Notes 11, 13, and 24)	**344,601,772**	306,122,597	269,322,566
Finance costs on loans (Note 15)	**165,305,661**	172,911,936	170,922,101
Gain on fair value remeasurement of investment properties (Note 12)	**(106,361,400)**	–	(235,326,709)
Finance costs on lease liabilities (Note 24)	**52,513,071**	75,342,137	85,661,701
Interest income (Note 6)	**(22,961,585)**	(62,242,191)	(153,411,964)
Pension expense (Note 19)	**22,223,302**	15,961,646	11,987,522
Unrealized foreign exchange losses (gains)	**(16,129,762)**	(4,313,061)	4,387,978
Gain on disposal of an associate (Notes 1 and 10)	**(3,684,540)**	–	–
Loss (gain) on disposal of property and equipment (Note 17)	**(3,101,818)**	(330,357)	96,818
Gain on loss of control of a subsidiary (Notes 1 and 10)	**(3,079,734)**	–	–
Gain on pre-termination of lease	**–**	–	(153,732)
Operating income before working capital changes	**974,530,072**	833,793,956	913,516,484
Decrease (increase) in:			
Trade and other receivables	**(235,835,774)**	60,810,583	(88,576,075)
Inventories	**73,650,755**	(17,654,034)	(93,355,049)
Prepayments and other current assets	**(44,969,824)**	(119,190,857)	24,191,045
Increase (decrease) in trade and other payables	**120,888,620**	(261,872,673)	143,083,792
Net cash generated from operations	**888,263,849**	495,886,975	898,860,197
Income taxes paid	**(180,075,218)**	(147,936,527)	(187,494,039)
Interest paid	**(199,430,760)**	(241,567,931)	(253,658,954)
Contributions to the retirement fund (Note 19)	**(30,853,258)**	(3,122,623)	(454,148)
Net cash flows from operating activities	**477,904,613**	103,259,894	457,253,056
CASH FLOWS FROM INVESTING ACTIVITIES			
Dividends received from associates and joint ventures (Note 10)	**1,755,155,896**	1,884,511,195	1,317,391,449
Additions to property, plant and equipment (Note 11)	**(721,327,849)**	(1,010,719,915)	(399,126,651)
Net cash outflow from acquisition of subsidiaries (Note 13)	**(392,811,115)**	–	(61,131,114)
Additions to financial assets at FVOCI (Note 13)	**(94,000,000)**	–	–
Additional investments and advances to associates and joint ventures (Note 10)	**(49,742,306)**	(102,381,502)	(8,400,000)
Proceeds from:			
Disposal of an equity interest in an associate (Note 10)	**33,225,513**	–	–
Disposal of property, plant and equipment (Note 11)	**3,627,540**	330,357	299,789
Disposal of financial assets at FVOCI	**2,620,000**	–	–
Redemption of preferred shares (Note 10)	–	40,000,000	–
Interest received	**20,397,915**	66,969,905	153,575,414

(Forward)

	Years Ended December 31		
	2021	2020	2019
Decrease (increase) in other noncurrent assets	**₱10,738,517**	(₱123,180,917)	(₱25,662,576)
Cash in subsidiary whose control was lost (Notes 1 and 10)	**(560,316)**		
Advances to suppliers on purchase of fixed assets	**–**	(104,303,524)	–
Additions to investment properties (Note 12)	**–**	–	(10,500,000)
Net cash flows from investing activities	**567,323,795**	651,225,599	966,446,311
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from loans	**4,506,974,410**	779,300,741	–
Payments of:			
Loans (Note 15)	**(3,945,898,260)**	(60,000,000)	(30,000,000)
Cash dividends (Note 21)	**(632,912,067)**	(745,895,948)	(480,184,967)
Lease liabilities (Note 24)	**(298,971,986)**	(193,715,915)	(259,530,952)
Additional investments and deposits for future stock subscriptions of non-controlling interests of a subsidiary (Note 21)	**55,847,565**	89,009,492	12,737,500
Net proceeds (payments) of advances from related parties (see Note 26)	**31,295,643**	(160,410,109)	(13,112,210)
Purchase of NCI's shares (Note 21)	**–**	–	(30,992,218)
Net cash flows used in financing activities	**(283,664,695)**	(291,711,739)	(801,082,847)
NET INCREASE IN CASH AND CASH EQUIVALENTS	**761,563,713**	462,773,754	622,616,520
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**16,129,762**	4,313,061	(4,387,978)
TOTAL CASH AT BEGINNING OF YEAR			
Cash and cash equivalents (Note 6)	**4,872,331,464**	4,405,244,649	3,787,016,107
Restricted cash (Notes 9 and 13)	**2,002,202**	650,000	650,000
	4,874,333,666	4,405,894,649	3,787,666,107
TOTAL CASH AT END OF YEAR			
Cash and cash equivalents (Note 6)	**5,650,024,939**	4,872,331,464	4,405,244,649
Restricted cash (Notes 9 and 13)	**2,003,311**	2,002,202	650,000
	₱5,652,028,250	₱4,874,333,666	₱4,405,894,649

See accompanying Notes to Consolidated Financial Statements.

1. Corporate Information

Vivant Corporation (the "Parent Company" or "Vivant") was incorporated under the laws of the Republic of the Philippines and registered with the Securities and Exchange Commission (SEC) on May 28, 1990. The Parent Company is listed in the Philippine Stock Exchange using the symbol VVT. Vivant is the ultimate parent of the Group.

The Parent Company's primary purpose is to invest in and manage the general business of any other corporation or corporations except management of fund securities portfolios and other similar assets of a managed entity.

The Parent Company is owned by Mai-I Resources Corporation (MRC) and JEG Development Corporation (JDC) with a combined ownership of 75.84%. MRC and JDC are entities incorporated and domiciled in the Philippines.

The Parent Company and its Subsidiaries (collectively referred to as the Group) are engaged in various business activities, through its subsidiaries and affiliates, namely electric power generation (both renewable and non-renewable energy), electric power distribution, retail electricity supply, electrical engineering services, water infrastructure and real estate.

The principal office address of the Parent Company is currently located at 9th Floor Oakridge IT Center 3, Oakridge Business Park, A.S. Fortuna Street, Barangay Banilad, Mandaue City, Cebu.

The consolidated financial statements comprise the financial statements of the Parent Company and the following subsidiaries, associates and joint ventures, all incorporated in the Philippines, as at December 31, 2021 and 2020:

	2021		2020	
	Percentage of Ownership			
	Direct	**Indirect**	Direct	Indirect
Subsidiaries				
Hijos De F. Escaño (HDFE)	**50.94**	**–**	50.94	–
Southern Grove Properties and Development Corp. (SGPDC)	**100.00** [n]	**–**	100.00 [n]	–
Vivant Realty Ventures Corporation (VRVC)	**–**	**100.00** [q] [r]	–	100.00 [q] [r]
Vivant Corporate Center, Inc. (VCCI)	**–**	**100.00** [q] [w]	–	100.00 [q] [w]
Vivant Infracore Holdings Inc. (VIHI)	**100.00** [v]	**–**	100.00 [v]	–
Vivant Hydrocore Holdings Inc. (VHHI)	**–**	**100.00** [y] [bb]	–	100.00 [y] [bb]
Vivant Transcore Holdings Inc. (VTHI)	**–**	**100.00** [y] [bb]	–	100.00 [y] [bb]
Isla Mactan Cordova Corporation (IMCC)	**–**	**100.00** [p] [cc]	–	100.00 [p] [cc]
Watermatic Philippines Corporation (WMP)	**–**	**60.00** [z] [cc]	–	60.00 [z] [cc]
Watermatic Southeast Asia, Ltd. (WMP SEA)	**–**	**60.00**[ee] [ff]	**–**	**–**
Northern Metro Cebu Water Corporation (NMCWC)	**–**	**100.00**[cc] [jj]	**–**	**–**
Vivant Energy Corporation (VEC)	**100.00**	**–**	100.00	**–**
Vivant Integrated Generation Corporation (VIGC)	**–**	**100.00** [a]	–	100.00 [a]
Vivant Geo Power Corp. (VGPC)	**–**	**100.00** [b] [g]	–	100.00 [b] [g]
Vivant Isla, Inc. (VII)	**–**	**100.00** [a] [h]	–	100.00 [a] [h]
Vivant Renewable Energy Corporation (VREC)	**–**	**100.00** [a] [f]	–	100.00 [a] [f]
Corenergy Inc. (Core)	**–**	**100.00** [a]	–	100.00 [a]
Vivant Integrated Diesel Corporation (VIDC)	**–**	**100.00** [a] [i]	–	100.00 [a] [i]
Isla Norte Energy Corp. (INEC)	**–**	**65.00** [e] [m]	–	65.00 [e] [m]

(Forward)

	2021		2020	
	Percentage of Ownership			
	Direct	**Indirect**	Direct	Indirect
Southern Powercore Holding Corp. (SPHC)	–	**100.00** [b] [s]	–	100.00 [b] [s]
Amberdust Holding Corporation (AHC)	–	**100.00** [a] [t]	–	100.00 [b] [t]
Vivant-Malogo Hydropower, Inc. (VMHI)	–	**67.00** [a]	–	67.00 [a]
1590 Energy Corp. (1590 EC)	–	**55.20** [a]	–	55.20 [a]
Vivant Solar Corporation (VSC)	–	**100.00** [a] [x]	–	100.00 [a] [x]
Corenergy Solar Solutions Corporation (CSSC)	–	**100.00** [a] [d]	–	100.00 [a] [d]
Bukidnon Power Corporation (BPC)	–	**90.00**[gg] [ii]	–	–
North Bukidnon Power Corporation (NBPC)	–	**90.00**[hh] [ii]	–	–
Associates				
Visayan Electric Company, Inc. (VECO)	**34.81**	–	34.81	–
Prism Energy, Inc. (PEI)	–	**40.00** [a]	–	40.00 [a]
Abovant Holdings, Inc. (AHI)	–	**40.00** [c]	–	40.00 [c]
Cebu Private Power Corporation (CPPC)	–	**40.00** [a]	–	40.00 [a]
Minergy Power Corporation (MPC)	–	**40.00** [c]	–	40.00 [c]
Therma Visayas, Inc. (TVI)	–	**20.00** [c]	–	20.00 [c]
Lunar Power Core Inc. (LPCI)	–	**42.50** [c] [k]	–	42.50 [c] [k]
Global Luzon Energy Development Corporation (GLEDC)	–	**42.50** [c] [o]	–	42.50 [c] [o]
Sabang Renewable Energy Corporation (SREC)	–	–	–	30.00 [b] [p]
Culna Renewable Energy Corp. (CREC)	–	**35.00** [b] [u]	–	35.00 [b] [u]
Lihangin Wind Energy Corp (LWEC)	–	**40.00** [b] [aa]	–	40.00 [b] [aa]
Faith Lived Out Visions 2 Ventures Holdings, Inc. (FLOWS)	–	**45.00** [cc] [dd]	–	45.00 [cc] [dd]
Puerto Princesa Water Reclamation and Learning Center, Inc. (PPWRLC)	–	**40.31**[kk] [ll]	–	40.31[kk] [ll]
Joint Ventures				
Calamian Islands Power Corp. (CIPC)	–	**50.00** [a]	–	50.00 [a]
Delta P, Inc. (Delta P)	–	**50.00** [a] [j]	–	50.00 [a] [j]
La Pampanga Energy Corp (LPEC)	–	**50.00** [a] [l]	–	100.00 [a] [l]

a. Indirect ownership through VEC
b. Indirect ownership through VREC
c. Indirect ownership through VIGC
d. Incorporated January 11, 2017. Ownership interest in ETEI is through VSC. Changed its corporate name from ET Energy Inc. (ETEI) to Corenergy Solar Solutions Corporation (CSSC) on August 26, 2021.
e. Indirect ownership through VIDC.
f. Incorporated on January 8, 2010. Changed its corporate name from Vics-Bakun Holdings Corporation (Vics-Bakun) to VREC on October 2, 2015.
g. Incorporated on April 23, 2014
h. Incorporated on July 11 2014
i. Incorporated on August 7, 2015
j. Increased to 50% effective May 28, 2015
k. Incorporated on June 10, 2016
l. Incorporated on May 26, 2016. Changed its corporate name from Vivant Enercore Integrated, Inc. to La Pampanga Energy Corporation (LPEC) on January 13, 2021. Ownership interest was diluted to 50% in May 2021.
m. Incorporated on June 13, 2016. Changed its corporate name from Vivant Powercore Active Inc. (VPAI) to INEC on December 20, 2019.
n. Incorporated on December 8, 2004
o. Incorporated on January 31, 2013. Ownership interest in GLEDC is through LPCI.
p. Incorporated on August 14, 2020
q. Indirect ownership through SGPDC
r. Incorporated May 19, 2017
s. Incorporated April 20, 2017
t. Incorporated August 16, 2017
u. Incorporated April 12, 2017
v. Incorporated December 18, 2018
w. Incorporated October 10, 2018.
x. Incorporated April 4, 2018. Changed its corporate name from ET-Vivant Solar Corporation (EVC) to VSC on November 9, 2020.
y. Incorporated May 20, 2019
z. Incorporated July 23, 2019
aa. Incorporated January 24, 2017. Changed its corporate name from 6 Barracuda Energy Corp. (6 Barracuda) to (LWEC) on June 15, 2020
bb. Indirect ownership through VIHI
cc. Indirect ownership through VHHI
dd. Incorporated August 31, 2018
ee. Incorporated on July 1, 2021

	2021		2020	
	Percentage of Ownership			
	Direct	**Indirect**	Direct	Indirect

ff. Indirect ownership through WMP
gg. Incorporated September 23, 2014
hh. Incorporated October 10, 2016
ii. Indirect ownership through AHC
jj. Incorporated March 21, 2021
kk. Incorporated November 8, 2018
ll. Indirect ownership through FLOWS

Subsidiaries

Except for 1590 EC, INEC, VMHI, Core, VII, VGPC, VIDC, CSSC, WMP and IMCC, all subsidiaries are also operating as holding and investing companies, which are primarily engaged in power generation and distribution, and water infrastructure. 1590 EC is operating a diesel power plant, while VMHI is in its pre-operating stage of building a hydro power plant in Silay, Negros Occidental. INEC is operating a diesel power plant in Bantayan, Cebu. Core is operating as a retail electricity supplier and engineering services provider. WMP provides engineering services, mainly for water infrastructure projects. IMCC is in its pre-operating stage of building a seawater desalination facility.

The following sets out a brief information of the Parent Company's subsidiaries and associates:

HDFE

HDFE was incorporated on December 24, 1926, which registration was renewed for another 50 years effective November 26, 1974. The primary purpose of HDFE is to invest in, hold, own, purchase, acquire, lease, contract, operate, improve, develop, grant, sell, exchange, or otherwise dispose of real and personal properties of every kind and description including shares of stocks, bonds and other securities or evidence of indebtedness of any other corporation, association, firm, or entity, domestic or foreign, where necessary or appropriate, and to process and exercise in respect thereof of all the rights, powers and privileges of ownership, including all voting powers of any stock so owned, without acting as, or engaging in the business of an investment company, or dealer or broker in securities.

SGPDC

SGPDC was incorporated on December 8, 2004 with a primary purpose to invest in, purchase, or otherwise acquire and own, hold, develop, use, sell, lease, assign, transfer, mortgage, pledge, exchange, or otherwise dispose of real and personal property of every kind and description for whatever purpose the same may have been organized. It has also direct equity shareholdings in VRVC and VCCI, both real estate companies.

On March 5, 2015, during the Special Stockholders' Meeting and Special Board Meeting, the stockholders and BOD approved that one of SGPDC's secondary purposes is to conduct and transact any and all lawful business, and to do or cause to be done any one or more of the acts and things set forth as its purposes, within or without the Philippines, and in any and all foreign countries, and to do everything necessary, desirable or incidental to the accomplishment of the purposes or the exercise of any one or more of the powers of the Company under the Corporation Code of the Philippines, or which shall at any time appear conducive to or expedient for its protection or benefit. These amendments made in SGPDC's Articles of Incorporation (AOI) were approved by the SEC on October 8, 2015.

On January 6, 2016, the SEC approved the amendment to its AOI changing its name from VC Ventures Net, Inc. to Southern Grove Properties and Development Corp. and its primary purpose is to engage in real estate business, to hold, construct, develop, manage, administer, sell, convey, encumber, purchase, acquire, rent or otherwise deal in and dispose of all kinds of real property or to act as real estate broker for such fees as may be legal and proper.

VRVC
VRVC was incorporated on May 19, 2017. Its primary purpose is to engage in the real estate business. On July 3, 2017, VRVC purchased from HDFE, a company under common control, a parcel of land located at M.J. Cuenco Ave., Tinago Central, Barangay San Roque, Cebu City amounting to ₱27.9 million, with the intention of holding the land for capital appreciation. As of December 31, 2021, VRVC has recognized rental income from the purchased investment property (see Note 12).

VCCI
VCCI was incorporated on October 10, 2018 and its primary purpose is to engage in the real estate business. As of December 31, 2021, VCCI has not yet started its operations.

VIHI
VIHI was incorporated on December 18, 2018 and its primary purpose is to purchase, subscribe for or otherwise acquire and own, hold, use, invest in, develop, sell, assign, transfer, lease, take option to, mortgage, pledge, exchange, and in all ways deal with, personal and real property of every kind and description, including share of the capital stock of corporations, bonds, notes, evidence of indebtedness, and other securities, contracts, or obligations of any corporation, domestic or foreign, without however engaging in dealership in securities, in the stock brokerage business or in the business of an investment company, all in accordance with the Corporation Code, the Securities Act and other applicable laws and regulations. As of December 31, 2021, VIHI is operating as a holding company for VTHI and VHHI.

VHHI
VHHI was incorporated on May 20, 2019 and its primary purpose is to purchase, subscribe for or otherwise acquire and own, hold, use, invest in, develop, sell, assign, transfer, lease, take option to, mortgage, pledge, exchange, and in all ways deal with, personal and real property of every kind and description, including share of the capital stock of corporations, bonds, notes, evidence of indebtedness, and other securities, contracts, or obligations of any corporation, domestic or foreign, without however engaging in dealership in securities, in the stock brokerage business or in the business of an investment company, all in accordance with the Corporation Code, the Securities Act and other applicable laws and regulations. As of December 31, 2021, VHHI is operating as a holding company for WMP, IMCC, NMCWC, and FLOWS, a holding company.

VTHI
VTHI was incorporated on May 20, 2019 and its primary purpose is to purchase, subscribe for or otherwise acquire and own, hold, use, invest in, develop, sell, assign, transfer, lease, take option to, mortgage, pledge, exchange, and in all ways deal with, personal and real property of every kind and description, including share of the capital stock of corporations, bonds, notes, evidence of indebtedness, and other securities, contracts, or obligations of any corporation, domestic or foreign, without however engaging in dealership in securities, in the stock brokerage business or in the business of an investment company, all in accordance with the Corporation Code, the Securities Act and other applicable laws and regulations. As of December 31, 2021, VTHI has not yet started its operations.



IMCC
IMCC was incorporated on August 14, 2020 and its primary purpose is to develop, layout (by duly licensed engineers), build, fund, operate and maintain a seawater desalination facility, ground and surface water treatment facility, waste water treatment facility and water distribution systems; and to negotiate and sell bulk water to the water districts, private entities and consumers.

As of December 31, 2021, IMCC has not yet started its operations.

WMP
WMP was incorporated on July 23, 2019 as a water treatment engineering company primarily engaged in the design, supply (which includes detailed design, procurement, and assembly), installation, commission, operation and maintenance of water treatment and waste water treatment plant to be owned by WMP or for third parties. WMP also engages into bulk water supply agreements using water sourced from ground water, surface water, or desalinated water. As of December 31, 2020, WMP has already started its operations.

WMP SEA
WMP SEA was incorporated on July 1, 2021 according to the Companies Law 5769-1999, as a limited liability company under the laws of the Republic of Israel. Its primary purpose is to buy and sell products for waste water and waste water treatment projects.

As of December 31, 2021, WMP SEA has already started operations.

NMCWC
NMCWC was incorporated and registered with the SEC on March 18, 2021. Its primary purpose is to develop, layout (by duly licensed engineers), build, fund, operate and maintain a seawater desalination facility, ground and surface water treatment facility, waste water treatment facility, and water distribution systems; and to negotiate and sell bulk water to the water districts, private entities and consumers.

The registered office of the Company is located at 9th Floor, Oakridge IT Center 3, Oakridge Business Park, A.S. Fortuna Street, Brgy. Banilad, Mandaue City, Philippines

As of December 31, 2021, NMCWC has not yet started operations.

VEC
VEC was incorporated on January 25, 2005 and its primary purpose is to establish, maintain and operate power plants of any kind and such other sources that may be a viable source of electric light, heat and power system and to sell to the general public, electricity as the corporation may determine.

VEC currently exists as a holding company with direct equity shareholdings in CPPC, Delta P, 1590 EC, CIPC, VMHI, TVI, VII, INEC, LPEC, VIDC, NBPC and BPC entities engaged in the power generation business and PEI and Core, entities engaged in the retail electricity supply. Core is also engaged in engineering services. VEC also has direct equity shareholdings on holding entities namely VIGC and VREC.

In November 2013, VEC participated in the public bidding process conducted by Power Sector Assets and Liabilities Management (PSALM) for the selection and appointment of the Independent Power Producer (IPP) Administrator for the Strips of Energy of the Unified Leyte Geothermal Power Plants (ULGPP) located at Tongonan, Leyte. On January 29, 2014, PSALM has declared and selected VEC as the Winning Bidder for Seventeen (17) Strips of Energy of the ULGPP. This allowed VEC to sell seventeen (17) MW of geothermal power from ULGPP beginning January 1,



2015 (see Note 23). On October 25, 2019, the Company paid pre-termination costs amounting to ₱53.1 million recognized under "Operating expenses" in the statement of comprehensive income effectively terminating the contract.

VIGC
VIGC was incorporated on November 5, 2008 with the primary purpose of holding investments in power generation companies. It has direct equity shareholdings in MPC, TVI and LPCI, entities engaged in the power generation business and AHI, a holding entity.

VGPC
VGPC was incorporated on April 23, 2014. Its primary purpose is to establish, maintain, own, and operate geothermal, thermal, hydroelectric, solar, wind, coal, diesel power plants and such other sources that may be viable source of electric light, heat and power system and to sell and/or trade electricity for light, heat and power purposes within cities, municipalities and provinces of the Philippines as the corporation may determine and enter into business activity that now or hereafter may be necessary, incidental, proper, advisable or convenient in furtherance of or otherwise relating to such purpose. As of December 31, 2021, VGPC is still in the pre-operating stage.

VII
VII was incorporated on July 11, 2014. Its primary purpose is to engage in business of owning, acquiring, commissioning, operating, maintaining, evaluating, developing, constructing, holding and selling power generation facilities and related facilities, or any other business activity that now or hereafter may be necessary, incidental, proper, advisable or convenient in furtherance of or otherwise relating to such purpose. As of December 31, 2021, VII is still in the pre-operating stage.

VREC
VREC was incorporated on January 8, 2010 with the primary purpose of holding investments in power generation companies. On October 2, 2015, the SEC approved its application for change in corporate name from Vics Bakun Holdings Corporation to VREC. It also has direct equity shareholdings in VMHI, VGPC, SPHC, AHC, VSC, SREC, CREC, and LWEC as of December 31, 2021.

Core
Core was incorporated on December 14, 2012. Its primary purpose is to buy, source and obtain electricity from generating companies or from the wholesale electricity spot market to sell, broker, market or aggregate electricity to the end-users, to provide services necessary in connection with the supply or delivery of electricity thereof, distribution utilities and other entities in the electric systems by a duly licensed electrical engineer, the conduct of energy examinations, inspections, assessments, maintenance, testing and commissioning, as amended dated May 31, 2019. As of December 31, 2021, Core has entered into Retail Supply Contract and engineering service contracts with various customers.

VIDC
VIDC was incorporated on August 7, 2015. Its primary purpose is to establish, maintain, acquire, own, hold, and operate diesel powered generating facilities. As of December 31, 2021, VIDC is the holding company of INEC.

INEC
INEC was incorporated on June 13, 2016. Its primary purpose is to engage in the business of exploring, developing and utilizing renewable energy resources, and establishing, acquiring, maintaining, commissioning, owning and operating geothermal, thermal, hydroelectric, solar, wind, coal, diesel plants and such other sources that may be a viable source of electric light, heat and power system. INEC has started its interim commercial operations through an Interim Power Supply Agreement (IPSA) with Bantayan Electric Cooperative (BANELCO) in 2020 (see Note 23).

As of December 31, 2021 and 2020, INEC is effectively 65%-owned by VEC and 35%-owned by GPI through a consortium formed by VIDC.

The registered office of INEC is at 9th Floor, Oakridge IT Center 3, Oakridge Business Park, A.S. Fortuna, Brgy. Banilad, Mandaue City, Cebu, Philippines 6014.

SPHC
SPHC was incorporated on April 20, 2017. Its primary purpose is to engage in the business of holding investments in power generation companies. As of December 31, 2021, SPHC has not yet started its commercial operations.

The registered office of SPHC is at 9th Floor, Oakridge IT Center 3, Oakridge Business Park, A.S. Fortuna, Brgy. Banilad, Mandaue City, Cebu, Philippines 6014.

AHC
AHC was incorporated on August 16, 2017. Its primary purpose is to engage in the business of a holding company. As of December 31, 2021, AHC has not yet started its commercial operations.

In May 2021, AHC in partnership with VEC acquired 9% ownership in BPC equivalent to 66,825,000 and 7,425,000 common stocks with par value of ₱1.00 per share, respectively. Further, AHC acquired 9% ownership in NBPC equivalent to 9,720,000 and 1,080,000 common stocks with par value of ₱10.00 per share, respectively.

On June 28, 2021, VREC assigned its 45,000 common shares in AHC with par value of ₱1.00 per share to VEC.

The registered office of AHC is at 9th Floor, Oakridge IT Center 3, Oakridge Business Park, A.S. Fortuna, Brgy. Banilad, Mandaue City, Cebu, Philippines 6014.

VMHI
VMHI was incorporated on June 8, 2012. Its primary purpose is to engage in the business of owning, acquiring, operating, generating, collecting and distributing electricity.

VMHI is in its starting phase or pre-operational stage as a power generating entity that will implement a greenfield power plant project, involving the construction and operation of a series of run-of-river hydropower facility in Barangay Capitan Ramon in Silay City, Negros Occidental. VMHI will implement the project in phases, where Phase 1 will involve the construction and operation of a six (6) MW power plant facility along the Malogo river. The project has concluded its detailed engineering design. A tender process is underway for the construction to coincide with the project timetable, but subject to adjustments that may be brought about by regulations from the grid system operator.



1590 EC
1590 EC was incorporated and started operations on July 30, 2010. It is primarily engaged in power generation and operates a 225 MW diesel-fired power plant in Bauang, La Union. 1590 EC is also partly-owned by GPI, Eco Utilities Ventures Holdings Company, Inc. and ICS Renewables Holdings, Inc. (ICS), among others. The principal place of business is located at 9th Floor, Oakridge IT Center 3, Oakridge Business Park, A.S. Fortuna Street, Brgy. Banilad, Mandaue City, Cebu Philippines.

VSC
VSC, formerly ET Vivant, was incorporated on April 4, 2018 primarily to engage in developing and constructing solar power generation and related facilities for lighting and power purposes and whole-selling the electric power to the wholesale electricity spot market, private distribution utilities, private electric cooperatives and other off-takers and selling and/or trading electricity for light, heat and power purposes. VSC has direct equity shareholding in CSSC, an entity engaged in the solar power generation business. As of December 31, 2021, VSC has started its commercial operations.

On November 9, 2020, the application to change the name of ET Vivant to VSC was approved by the SEC.

CSSC
CSSC, formerly ET Energy Island Corporation (ETEI), was incorporated on January 11, 2017 with the primary purpose to explore, develop, build, construct, install, commission, rehabilitate, maintain, own, manage, operate and invest in, bid for or otherwise acquire power generating plants and related facilities and to engage in the business of generating, marketing, selling and supplying electricity generated from solar photovoltaic systems and components; planning and construction of photovoltaic power plants and to provide consulting services associated with photovoltaic power plants, provided that it shall not operate a public utility. In January 2019, CSSC has started its commercial operations.

On August 26, 2021, the application to change the name of ETEI to CSSC on August 26, 2021 was approved by the SEC.

BPC
BPC was incorporated to develop, construct, erect assemble, commission, own, operate, maintain, rehabilitate and manage facilities used in the generation of electricity including but not limited to facilities that utilize renewable energy sources and other power generating plants and related facilities. BPC has two (2) operating power plants in Bukidnon and have started commercial operations on February 26, 2016 for Plant 1 and February 26, 2017 for Plant 2.

In May 2021, VEC and AHC acquired 81% and 9% ownership of BPC equivalent to 66,825,000 and 7,425,000 common stocks with par value of ₱1.00 per share, respectively.

The registered office address of BPC is at National Highway Barandias, Pangantucan, Bukidnon.

NBPC
NBPC was incorporated to develop, construct, erect, assemble, commission, own, operate, maintain, rehabilitate and manage facilities used in the generation of electricity including but not limited to facilities that utilize renewable energy sources and other power generating plants and related facilities. NBPC has started its commercial operations on September 26, 2018.



In May 2021, VEC and AHC acquired 81% and 9% ownership of NBPC equivalent to 9,720,000 and 1,080,000 common stocks with par value of ₱10.00 per share, respectively.

The registered office address of NBPC is at 2nd Floor Z-Gas Building, Purok 6A, South Poblacion, Maramag, Bukidnon.

Associates. VECO, PEI, AHI, CPPC, MPC, TVI, LPCI, GLEDC, SREC, CREC, LWEC, and FLOWS qualify as associates of the Group.

VECO
VECO was incorporated on February 22, 1961 and whose corporate term was extended for another 50 years after the expiration on February 23, 2012. VECO is a power distribution entity, the primary activities of which are to establish, maintain and operate electric light, heat and power systems and to sell to the general public electricity for light, heat and power purposes.

VECO serves the electrical power needs of four cities (Cebu, Mandaue, Talisay and Naga) and four municipalities (Minglanilla, San Fernando, Consolacion and Lilo-an) of the greater part of Metro Cebu by virtue of legislative franchise grants.

The registered office address of VECO is at J. Panis Street, Banilad, Cebu City, Philippines.

PEI
PEI was incorporated on March 24, 2009 as a retail electricity supplier. On April 26, 2017, PEI began its operations providing qualified contestable customers the opportunity to select a contract structure that will meet their generation supply requirement.

PEI's registered principal office address is at Aboitiz Corporate Center, Gov. Manuel A. Cuenco Ave., Kasambagan, Cebu City, Philippines.

AHI
AHI was incorporated on November 28, 2007 primarily to manage entities and to provide management, investment and technical advice for enterprises engaged in electricity generation and/or distribution.

AHI and Global Formosa Power Holdings, Inc., a joint venture between Global Business Power Corp. (Global Power) and Formosa Heavy Industries (Global Formosa), signed a shareholders' agreement to develop, construct and own Cebu Energy Development Corporation (CEDC), a 246 MW coal-fired power plant in Toledo City, Cebu. AHI has a 44% direct ownership interest in CEDC.

Its principal place of business is located at Aboitiz Corporate Center, Gov. Manuel Cuenco Avenue, Kasambagan, Cebu City, Philippines.

CPPC
CPPC was incorporated on July 13, 1994 and its primary purpose is to build, construct or own power generation plants and related facilities. It operates a 70 MW bunker "C" diesel-fired power generating plant.

The registered office address of CPPC, which is also its principal place of business, is Old VECO Compound, Barangay Ermita, Carbon, Cebu City.

MPC
MPC (formerly Minergy Coal Corporation) was registered with SEC on February 18, 2013, primarily to design, construct, erect, assemble, commission and operate power-generating plants and related facilities for the generation and supply of power utilizing any fuel or energy source.

In the first quarter of 2014, MPC began construction of a 3x55 MW coal-fired power plant in Balingasag, Misamis Oriental. In September 2017, MPC already started its operations.

The registered office of MPC is at Brgy. Mandangoa, Balingasag, Misamis Oriental.

TVI
TVI was registered with SEC on October 15, 1997, primarily to acquire by purchase, lease, contract, concession, or otherwise any and all real estate, land, land patents, opinions, grants, concessions, franchises, water and other rights, privileges, easements, estates, interests and mineral properties of every kind and description. The power plant already started its operations in April 2019.

The registered principal office of TVI is at Barangay Bato, Toledo City, Cebu.

LPCI
LPCI was registered with SEC on June 10, 2016 and is primarily engaged in the business of exploring, developing and utilizing renewable energy resources, and establishing, acquiring, maintaining, commissioning, owning and operating geothermal, thermal, hydroelectric, solar, wind, coal, diesel plants and such other sources. As of December 31, 2021, LPCI has not yet started its commercial operations.

The registered office of LPCI is at 22F GT Tower International 6813 Ayala Avenue cor. H.V. dela Costa St, Makati City 1227.

GLEDC
GLEDC, a wholly owned subsidiary of LPCI, was registered with SEC on January 31, 2013. It is primarily engaged in the general business of generating power derived from coal, fossil fuel, geothermal, nuclear, natural gas, hydroelectric, and other viable sources of power, for lighting and power purposes and whole selling the electric power to electric cooperatives, distribution utilities, and industrial customers. As of December 31, 2021, GLEDC has not started its commercial operations.

The registered office of GLEDC is at 22nd Flr GT Tower International, Ayala Avenue Corner H.V. Dela Costa St. Bel-air, Makati City.

SREC
SREC, an associate through VREC, was registered on September 27, 2013 primarily to engage in the business of owning, acquiring, commissioning, operating, maintaining, evaluating, developing, and constructing conventional renewable energy and/or hybrid power generation, distribution and related facilities, and distributing and selling power, or any other business or activity that now or hereafter may be necessary, incidental, proper, advisable or convenient in the furtherance of or otherwise relating to such purpose. As of December 31, 2021, SREC has not yet started its commercial operations.

On May 28, 2021, VREC and VEC entered into a share-swap agreement with Maharlika Clean Power Holdings Corp. (MCPHC) to sell their entire investment in SREC and acquire additional shares in CREC held by MCPHC. The agreement resulted to the sale of VREC's and VEC's ownership in SREC equivalent to 30% or 11,250 common and 5,625 preferred shares under VREC, and 28,125 preferred shares under VEC, with par value of ₱1,000.00 per share to MCPHC (see Note 10).

The registered principal office of SREC is at Km. 13 North National Highway, Sta. Lourdes, Puerto Princesa City, Palawan.

CREC

CREC, an associate through VREC, was registered on April 12, 2017 primarily to engage in the business of owning, acquiring, commissioning, operating, maintaining, evaluating, developing, and constructing conventional renewable energy and/or hybrid power generation, distribution and related facilities, and distributing and selling power, or any other business or activity that now or hereafter may be necessary, incidental, proper, advisable or convenient in the furtherance of or otherwise relating to such purpose. As of December 31, 2021, CREC has not yet started its commercial operations.

On May 28, 2021, VREC and VEC entered into a share-swap agreement with MCPHC to sell its entire investment in SREC and acquire additional shares in CREC. The agreement resulted to VREC's and VEC's acquisition of 938 common stocks and 2,812 preferred stocks with par value of ₱1,000.00 per share in CREC, respectively.

The registered principal office of CREC is at Sitio Lilibutin, Barangay Guadalupe, Coron, Palawan 5316.

LWEC

LWEC, formerly known as 6 Barracuda, was incorporated and registered with SEC on January 24, 2017 and was established primarily to engage in all aspects of exploration, assessment, development and utilization of renewable energy resources, including the procurement, acquisition, importation, construction, installation, erection, ownership, lease, operation, and maintenance of edifices, structures, facilities, materials, machinery and equipment, for or related of the generation and sale of power; to acquire, purchase, own, lease, sublease and obtain rights and access to real and personal property. As of December 31, 2021, LWEC has not yet started its operations.

FLOWS

FLOWS, an associate of VHHI, was incorporated on August 31, 2018 primarily to engage in the activities of a holding company except as a stockbroker or dealer of securities, provided that, FLOWS shall not solicit, accept or take investments/placements from the public neither shall it issue investments contracts.

FLOWS has an 89.58% direct ownership interest in PPWRLC.

The registered principal office of FLOWS is at 37 Taft Street, Barangay Maligaya, Puerto Princesa City, Palawan.



PPWRLC
Puerto Princesa Water Reclamation and Learning Center, Inc. (the "Company") was incorporated under the laws of the Republic of the Philippines and registered with the Securities and Exchange Commission (SEC) on November 8, 2018. The Company's primary purpose is to engage in the activities of an operator, contractor and/or agent of the City of Puerto Princesa in providing septage, sewerage and sanitation services and to engage in the development, construction, operation, and maintenance of sewage and/or septage treatment plants which may also act as a tourist attraction and learning center for environmental protection. FLOWS has an 89.58% direct ownership interest in PPWRLC.

The Company has not yet started commercial operations as at December 31, 2021. The Company's registered principal place of business is at Maligaya, Puerto Princesa City (Capital), Palawan, Region IV-B, Philippines, 5300.

Joint Ventures. CIPC, Delta P and LPEC qualify as joint ventures of the Group.

CIPC
CIPC was incorporated on October 19, 2010 primarily to engage in the business of owning, acquiring, commissioning, operating and selling power generation facilities and related facilities, or any other business or activity that now or hereafter may be necessary, incidental, proper, advisable or convenient in furtherance of or otherwise relating to such purpose. Currently, CIPC operates an 8 MW bunker and 0.75 MW diesel-fired power generation plants in the municipalities of Coron and Busuanga, respectively.

The registered principal office of CIPC is at Sitio Lilibutin, Barangay Guadalupe Coron, Palawan, Philippines 5316.

Delta P
Delta P was registered with SEC on September 20, 2002 primarily to operate and maintain a 16 MW heavy fuel oil-fired generating power station in Puerto Princesa, Palawan. On May 28, 2015, GPI agreed to sell to VEC 6,310,352 common shares representing 15% of Delta P's total issued and outstanding capital stock, bringing the Group's ownership in Delta P to 50%. In February 2020, VEC paid GPI ₱19.8 million as an additional consideration for such purchase of shares in 2015. In October 2020, DPI redeemed its preferred shares from VEC amounting to ₱40.0 million (see Note 10).

The registered principal office of Delta P is at Km. 13 North National Highway, Sta. Lourdes, Puerto Princesa City, Palawan.

LPEC
La Pampanga Energy Corp (LPEC), formerly Vivant Enercore Integrated, Inc. (VEII), was incorporated on May 26, 2016. Its primary purpose is to engage in the business of exploring, developing and utilizing renewable energy resources, and establishing, acquiring, maintaining, commissioning, owning and operating geothermal, thermal, hydroelectric, solar, wind, coal, diesel plants and such other sources that may be a viable source of electric light, heat and power system. As of December 31, 2021, LPEC is still in the pre-operating stage.

On January 13, 2021, the application to change the name of VEII to LPEC was approved by the SEC.



In 2021, VEC entered into a joint venture with GPI which resulted to a 50% ownership in LPEC and reclassification of the investment from a subsidiary to a joint venture. As a result of the dilution, the Group recognized gain amounting to ₱3.7 million and presented as "Gain on loss of control of a subsidiary" in the Statement of Comprehensive Income. ₱39.3 million of the net gain is attributable to the measurement of the retained interest in the former subsidiary at fair value when control was lost.

Authorization to Issue the Consolidated Financial Statements. The consolidated financial statements of the Group as of and for the years ended December 31, 2021, 2020 and 2019 were approved and authorized for issuance by the Board of Directors (BOD) on March 18, 2022.

2. Basis of Preparation, Statement of Compliance and Basis of Consolidation

Basis of Preparation

The consolidated financial statements of the Group have been prepared on a historical cost basis, except for financial assets at FVOCI and investment properties which have been measured at fair value. The consolidated financial statements are presented in Philippine Peso (₱), the Parent Company's functional currency. All amounts are rounded to the nearest Peso, except as 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. 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; and
- The Group's voting rights and potential voting rights.

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

The consolidated financial statements of the subsidiaries are prepared for the same reporting year as the Parent Company using consistent accounting policies.

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

Accounting for Loss of Control

When the Group loses control of a subsidiary, it derecognizes the assets and liabilities of the former subsidiary, including any non-controlling interests in the former subsidiary at the date control is lost, and components of other comprehensive income attributable to them. The Group also recognizes any investment retained in the former subsidiary at its fair value when control is lost. The Group subsequently accounts for any retained interests and for any amount owed by or to the former subsidiary in accordance with other relevant PFRSs. The fair value shall be regarded as the fair value on initial recognition of a financial asset or the cost on initial recognition of an investment in an associate or joint venture. The Group recognizes a gain or loss associated with the loss of control attributable to the former controlling interest.

The Group accounts for all amounts previously recognized in other comprehensive income in relation to former subsidiaries on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

Transactions with Non-controlling Interests

Non-controlling interests represent the portion of profit or loss and net assets in the subsidiaries not held by the Group and are presented separately in the consolidated statement of comprehensive income and within equity in the consolidated statement of financial position, separately from the equity attributable to equity holders of the parent. Transactions with non-controlling interests are accounted for as equity transactions. On acquisitions of non-controlling interests, the difference between the consideration and the book value of the share of the net assets acquired is reflected as being a transaction between owners and recognized directly in equity. Gain or loss on disposals to non-controlling interest is also recognized directly in equity.

3. **Changes in Accounting Policies and Disclosures**

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of amendments effective as at January 1, 2021. The Group has not early adopted any amendment that has been issued but is not yet effective.

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

- Amendment to PFRS 16, *Leases*, COVID-19-related Rent Concessions beyond June 30, 2021

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

- The rent concession is a direct consequence of COVID-19;
- The change in lease payments results in a revised lease consideration that is substantially the same as, or less than, the lease consideration immediately preceding the change;
- Any reduction in lease payments affects only payments originally due on or before June 30, 2022; and
- There is no substantive change to other terms and conditions of the lease.

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

The amendment is effective for annual reporting periods beginning on or after April 1, 2021. Early adoption is permitted.

The Group adopted the amendment beginning April 1, 2021. The amendments did not have a material effect on the financial statements of the Group.

- Amendments to PFRS 9, *Financial Instruments*, PAS 39, *Financial Instruments: Recognition and Measurement*, PFRS 7, *Financial Instruments: Disclosures*, PFRS 4, *Insurance Contracts* and PFRS 16, Interest Rate Benchmark Reform - Phase 2

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

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

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

  The amendments are effective for annual reporting periods beginning on or after January 1, 2021 and apply retrospectively, however, the Group is not required to restate prior periods. The amendments did not have a material impact on the financial statements of the Group.

Standards Issued but not yet Effective

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

Effective beginning on or after January 1, 2022

- Amendments to PFRS 3, *Business Combinations*, 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 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.

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

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

  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 amendments are not expected to have a material impact on the financial statements of the Group.

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

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

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



- *Annual Improvements to PFRSs 2018-2020 Cycle*

  - Amendments to PFRS 1, *First-time Adoption of Philippine 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 PFRSs. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of PFRS 1.

    The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted. The amendments are not expected to have a material impact on the financial statements of the Group.

  - Amendments to PFRS 9, 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 will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendments are not expected to have a material impact on the financial statements of the Group.

  - Amendments to PAS 41, *Agriculture*, Taxation in Fair Value Measurements

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

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

Effective beginning on or after January 1, 2023

- Amendments to PAS 12, *Income Taxes*, 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 effective for annual reporting periods beginning on or after January 1, 2023 and apply prospectively.

- Amendments to PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*, 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 financial statements of the Group.

- Amendments to PAS 1, *Presentation of Financial Statements*, 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 financial statements of the Group.

Effective beginning on or after January 1, 2024

- Amendments to PAS 1, Classification of Liabilities as Current or Noncurrent

  The amendments clarify paragraphs 69 to 76 of PAS 1 to specify the requirements for classifying liabilities as current or noncurrent. 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; and



- 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 amendments are not expected to have an impact on the financial statements of the Group.

Deferred Effectivity

- Amendments to PFRS 10, *Consolidated Financial Statements*, and PAS 28, *Investments in Associates and Joint Ventures*, 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 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.

4. Summary of Significant Accounting Policies

Current and Noncurrent Classification

The Group presents assets and liabilities in the consolidated statement of financial position based on current/noncurrent classification. An asset is current when it is:

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

All other assets are classified as 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 months after the reporting period; or,
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group classifies all other liabilities as noncurrent.

Deferred tax assets and liabilities are classified as noncurrent assets and liabilities, respectively.

Fair Value Measurement

The Group measures financial instruments, such as, cash on hand and in banks, short-term placements, trade and other receivables, trade and other payables, notes payable and non-financial assets such as investment properties and AFS investments, at fair value at each reporting date.

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 by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming 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 consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

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

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

The Group's management determines the policies and procedures for both recurring fair value measurement, such as cash on hand and in banks, short-term investments, trade and other receivables, advances to associates and stockholders, financial assets at FVOCI, trade and other payables, advances from related parties, notes payable and investment properties.

External valuers are involved for valuation of significant assets, such as investment properties. Involvement of external valuers is decided upon annually by the management after discussion with and approval by the Group's audit committee. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained.



Valuers are normally rotated every 3–6 years. The management decides, after discussions with the Group's external valuers, which valuation techniques and inputs to use for each case.

At each reporting date, the management analyses the movements in the values of assets which are required to be re-measured or re-assessed as per the Group's accounting policies. For this analysis, the management verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents.

The management, in conjunction with the Group's external valuers, also compares the changes in the fair value of each asset with relevant external sources to determine whether the change is reasonable.

On an interim basis, the management and the Group's external valuers present the valuation results to the audit committee. This includes a discussion of the major assumptions used in the valuations.

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.

Financial Assets and Financial Liabilities

Financial Instruments - Initial Recognition and Subsequent Measurement

- *Classification of Financial Assets*. Financial assets are classified in their entirety based on the contractual cash flows characteristics of the financial assets and the Group's business model for managing the financial assets. The Group classifies its financial assets into the following measurement categories:
  - Financial assets measured at amortized cost;
  - Financial assets measured at fair value through profit or loss (FVPL);
  - Financial assets measured at fair value through other comprehensive income (FVOCI), where cumulative gains or losses previously recognized are reclassified to profit or loss
  - Financial assets measured at FVOCI, where cumulative gains or losses previously recognized are not reclassified to profit or loss

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

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

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

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

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

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

  As at December 31, 2021 and 2020, the Group has financial assets at amortized cost consisting of cash and cash equivalents, trade and other receivables, advances to associates, joint ventures and stockholders, and other receivables included under "Other noncurrent assets" such as advances to suppliers and other parties, due from RFM Corporation, and security deposits and restricted cash under "Other current assets" (see Notes 6, 7, 9, 13 and 16).

- *Financial Assets at FVPL.* Financial assets at FVPL are measured at FVPL unless these are measured at amortized cost or at FVOCI. Included in this classification are equity investments held for trading and debt instruments with contractual terms that do not represent solely payments of principal and interest. Financial assets held at FVPL are initially recognized at fair value, with transaction costs recognized in the consolidated statement of comprehensive income as incurred. Subsequently, they are measured at fair value and any gains or losses are recognized in the consolidated statement of comprehensive income. 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 FVPL, irrespective of the business model.

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



The Group assesses whether embedded derivatives are required to be separated from host contracts when the Company first becomes party to the contract. An embedded derivative is separated from the host financial liability or nonfinancial contract and accounted for as a derivative if all of the following conditions are met:

- the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics of the host contract;
- a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and
- the hybrid or combined instrument is not recognized as at FVPL.

For derivatives embedded in financial asset host contracts, the Group applies the financial asset classification and measurement requirements to the entire instrument. No embedded derivatives in financial asset host contracts are recognized separately in the financial statements.

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.

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

As at December 31, 2021 and 2020, the Group has no financial assets at FVPL.

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

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

Dividends are recognized in profit or loss only when:
- the Group's right to receive payment of the dividend is established;
- it is probable that the economic benefits associated with the dividend will flow to the Group; and,
- the amount of the dividend can be measured reliably.

As at December 31, 2021 and 2020, the Group has financial assets at FVOCI amounting to ₱102.0 million and ₱7.4 million, respectively, and is presented as part of "Other noncurrent assets" account in Group's consolidated statements of financial position (see Note 13).

- *Classification of Financial Liabilities*. Financial liabilities are measured at amortized cost, except for the following:
  - Financial liabilities measured at fair value through profit or loss;
  - Financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the Group retains continuing involvement;
  - Financial guarantee contracts;
  - Commitments to provide a loan at a below-market interest rate; and,
  - Contingent consideration recognized by an acquirer in accordance with PFRS 3.

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

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

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

  The Group's financial liabilities include trade and other payables, notes payable and advances from related parties.

- *Impairment of Financial Assets.* Upon adoption of PFRS 9, the standard introduces the single, forward-looking "expected loss" impairment model, replacing the "incurred loss" impairment model under PAS 39.

  The Group recognizes ECL on debt instruments that are measured at amortized cost.

  No ECL is recognized on equity investments.

  ECLs are measured in a way that reflects the following:
  - an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
  - the time value of money; and,

- reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

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

- *Stage 1: 12-month ECL*. For credit exposures where there have not been significant increases in credit risk since initial recognition and that are not credit-impaired upon origination, the portion of lifetime ECLs that represent the ECLs that result from default events that are possible within the 12-months after the reporting date are recognized.

- *Stage 2: Lifetime ECL - not credit-impaired*. For credit exposures where there have been significant increases in credit risk since initial recognition on an individual or collective basis but are not credit-impaired, lifetime ECLs representing the ECLs that result from all possible default events over the expected life of the financial asset are recognized.

- *Stage 3: Lifetime ECL - credit-impaired*. Financial assets are credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of those financial assets have occurred. For these credit exposures, lifetime ECLs are recognized and interest revenue is calculated by applying the credit-adjusted effective interest rate to the amortized cost of the financial asset.

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

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

The 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’.

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

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



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

  The Group considers 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.

Offsetting Financial Instruments. Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Derecognition of Financial Assets and Liabilities

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

  Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

  Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase, except that in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

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



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

Investments in Associates and Interests in 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. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

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 interests in joint ventures 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 of 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 neither amortized nor individually tested for impairment.

The consolidated statement of comprehensive income reflects the Group's share of the results of operations of the associate or joint venture. Any change in other comprehensive income of those investees is presented as part of the Group's other comprehensive income. 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.

For an associate that is engaged in the power distribution business, the Group accounts for its distribution utility assets under the revaluation model. Thus, the Group's share of the results of operations of the associate and change in the other comprehensive income recognized in the consolidated financial statements reflects the changes in the fair value of the distribution utility assets.

The consolidated 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 recognizes the loss in the consolidated statement of comprehensive 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 profit or loss.

Inventories

Inventories are valued at the lower of cost and net realizable value (NRV). Costs incurred in bringing the inventory to its present location and condition is determined primarily on the basis of the weighted average method. NRV is the current replacement cost. An allowance for inventory obsolescence is provided for slow-moving, defective or damaged goods based on analyses and physical inspection.

Prepayments and Other Current Assets

Prepayments and other current assets are recognized and carried at cost, less any impairment in value. These are recognized as assets when it is probable that any future economic benefit associated with the item will flow to or from the entity and the item has a cost or value that can be measured with reliability. An asset is not recognized in the consolidated statement of financial position when expenditure has been incurred for which it is considered improbable that economic benefits will flow to the entity beyond the current accounting period. Instead, such a transaction results in the recognition of an expense in the consolidated statement of comprehensive income.

Property, Plant and Equipment

Property, plant and equipment, except land, are stated at cost less accumulated depreciation and amortization, and impairment losses, if any.

Initially, an item of property, plant and equipment is measured at its cost, which comprises its purchase price and any directly attributable costs of bringing the asset to the location and condition for its intended use. Subsequent expenditures are added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the originally assessed standard of performance, will flow to the Group. The costs of day-to-day servicing of an asset are recognized as an expense in the period in which they are incurred. Land is measured at cost less any impairment losses. For land transferred from investment properties carried at fair value, the land's deemed cost is its fair value at the date of change in use.

Depreciation and amortization are computed using the straight-line method over the assets' estimated useful lives. Leasehold improvements are amortized using the straight-line method over the estimated useful life of the improvements or the term of the lease, whichever is shorter. The estimated useful lives are as follows:

	Number of Years
Plant machineries and equipment	5–10
Condominium units, building and improvements	5–40
Transportation equipment	5
Office furniture, fixtures and equipment	2–10
Tools and other assets	3–5
Leasehold and land improvements	3–10

The useful lives and depreciation and amortization method are reviewed at each reporting date to ensure that such useful lives and depreciation and amortization method are consistent with the expected pattern of economic benefits from those assets.



Fully depreciated assets are retained in the accounts until they are no longer in use and no further charge for depreciation and amortization is made in respect to those assets.

When an asset is disposed of, or is permanently withdrawn from use and no future economic benefits are expected from its disposal, the cost and the related accumulated depreciation and amortization and impairment losses, if any, are removed from the accounts and any resulting gain or loss arising from the retirement or disposal is recognized in profit or loss.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Construction in progress represents structures under construction and is stated at cost. This includes cost of construction and other direct costs. Borrowing costs that are directly attributable to the construction of property, plant and equipment are capitalized during the construction period.

Investment Properties

Investment properties, which pertain to land and buildings, are properties held by the Group either to earn rentals or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment properties are initially measured at cost. Subsequently, investment properties are measured at fair value with any change therein recognized in profit or loss following the fair value model.

The fair value of the Group's investment properties measured using the fair value model is based on the valuation carried out by independent appraisers. The valuation, which conforms to International Valuation Standards, was arrived at by reference to market evidence of transaction prices of similar properties.

Any gain or loss resulting from either a change in the fair value or the sale of investment properties is recognized in profit or loss in the year of change or derecognition.

Transfers are made to investment properties when, and only when, there is a change in use, evidenced by the end of owner-occupation or the start of an operating lease to another party. Transfers are made from investment property when, and only when, there is a change in use, evidenced by start of owner-occupation or of development with a view to sell.

Business Combination 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 pertaining to instruments that represent present ownership interests and entitle their holders to a proportionate share of the net assets in the event of liquidation either at fair value or at the proportionate share of the acquiree's identifiable net assets.

All other components of non-controlling interest are measured at fair value unless another measurement basis is required by PFRS. Acquisition costs incurred are expensed and included in general and administrative expenses.

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



If the business combination is achieved in stages, 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 through the consolidated statement of comprehensive income.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognized in accordance with PAS 39 either in the consolidated statement of comprehensive income or as a change to other comprehensive income. If the contingent consideration is classified as equity, it should not be remeasured until it is finally settled within equity.

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 Group's interest in the fair values of 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 the consolidated statement of comprehensive 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 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 forms part of a cash-generating unit 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 this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Impairment of Goodwill. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment, annually or more frequently, if events or changes in circumstances indicate that the carrying value may be impaired.

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, or groups of cash-generating units, 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.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units), to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognized.

Impairment of Nonfinancial Assets

As at December 31, 2021 and 2020, the Group has investments in associates and joint ventures, property, plant and equipment and right-of-use assets which are classified as nonfinancial assets subject to impairment.

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset 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 to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples or other available fair value indicators.

Impairment losses of continuing operations, including impairment of inventories, are recognized in the consolidated statement of comprehensive income in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the assets or CGU's recoverable amount.

A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statement of comprehensive income unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Equity

Capital Stock. Capital stock is recognized as issued when the stock is paid for or subscribed under a binding subscription agreement and is measured at par value for all issued shares.

Additional Paid-in Capital. Consideration received in excess of par value are recognized as additional paid-in capital, net of incremental costs that are directly attributable to the issuance of new shares.

Retained Earnings. Retained earnings consist of appropriated and unappropriated balances. Appropriated retained earnings are restricted for specific purposes and/or are not available for dividend declaration. Unappropriated retained earnings are not restricted and include the cumulative balance of net income or loss, any dividend distributions, prior period adjustments and effects of any change in accounting policy.

Equity Reserves. Equity reserves pertain to the difference between the consideration transferred and the book value of interest acquired from non-controlling interest without loss of control.

Revenue Recognition

Revenue is measured based on the consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

Revenue is recognized when the Group satisfies a performance obligation by transferring a promised good or service to the customer, which is when the customer obtains control of the good or service. A performance obligation may be satisfied at a point in time or over time. The amount of revenue recognized is the amount allocated to the satisfied performance obligation. The Group has concluded that it is the principal in its revenue arrangements because it controls the goods or services before these goods or services are transferred to the customer.

The following specific recognition criteria must also be met before revenue is recognized:

Revenue from Contracts with Customers

- *Sale of Power*. For power generation and ancillary services where capacity and energy dispatched are separately identified, these two obligations are to be combined as one performance obligation since these are not distinct within the context of the contract as the buyer cannot benefit from the contracted capacity alone without the corresponding energy and the buyer cannot obtain energy without contracting a capacity. The combined performance obligation qualifies as a series of distinct goods or services that are substantially the same and have the same pattern of transfer.

  Revenue from power generation and ancillary services is recognized in the period actual capacity is delivered. Revenue is to be recognized over time since the customer simultaneously receives and consumes the benefits as the seller supplies power.

  Power retail supply also qualify as a series of distinct goods or services that are substantially the same and have the same pattern of transfer accounted for as one performance obligation. Revenue should be recognized over time based on amounts billed.

- *Management and Service fees.* Revenue from management fees, arising from services involving consultancy, management, technical, and services covered by Service Level Agreements (SLAs), are recognized over time when the related services are rendered based on the terms of the management and service contracts.

- *Engineering service income.* Revenue from engineering services, arising from engagement with customers availing technical and engineering expertise and covered by service contracts, are recognized overtime when the services are rendered.

For the years ended December 31, 2021, 2020 and 2019, the Group has no variable consideration and the timing of revenue recognition currently does not result in any contract assets or liabilities and there are no unfulfilled performance obligations at any point in time.

Interest Income. Interest income is recognized as interest accrues taking into account the effective yield on the assets.



Other Income. Other income includes proceeds from insurance claims, rental income and gain on disposal of property and equipment. These are generally recognized when earned. Rental income is recognized on a straight-line basis over the term of the lease while gain on disposal of property, plant and equipment is recognized as the difference between the consideration and the book value of the property, plant and equipment disposed.

Cost and Expenses

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

Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain.

The expense relating to any provision is presented in the consolidated statement of comprehensive income, net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a borrowing cost.

Pension Benefits

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.

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 the consolidated statement of comprehensive income. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuaries.

Net interest on the net defined benefit liability 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 the consolidated statement of comprehensive income.



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 consolidated statement of comprehensive income in subsequent periods.

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.

Taxes

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

Deferred Income Tax. Deferred income tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred income tax liabilities are recognized for all taxable temporary differences, except:

- where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

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

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

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted as of the reporting date. Income tax relating to items recognized directly in equity is recognized in equity and not in the consolidated statement of comprehensive income.

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

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

Value-Added Tax (VAT). Revenues, expenses, and assets are recognized net of the amount of VAT, if applicable.

When VAT from sales of services (output VAT) exceeds VAT passed on from purchases of goods or services (input VAT), the excess is recognized as payable in the consolidated statement of financial position. When VAT passed on from purchases of goods or services (input VAT) exceeds VAT from sales of services (output VAT), the excess is recognized as an asset in the consolidated statement of financial position to the extent of the recoverable amount.

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. The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company 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 at the end of the lease term, the recognized right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term as follow.

	Number of Years
Office space	1–5
Plant and equipment	5

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

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

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

Short-term Leases and Leases of Low-value Assets. The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the leases of low-value assets recognition exemption to leases of office equipment that are considered of low value (i.e., below ₱0.25 million). 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.

Foreign-currency-denominated Transactions

Transactions in foreign currencies are recorded using the exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are restated using the rate of exchange at reporting date. Exchange gains and losses arising from foreign currency transactions and translations of foreign-currency-denominated monetary assets and liabilities are credited or charged to current operations.

Contingencies

Contingent liabilities are not recognized in the consolidated financial statements. They 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 Reporting Period
Post year-end events 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 when material.

Earnings Per Share
Basic earnings per common share is calculated by dividing net income for the year attributable to the common stockholders of the Group by the weighted average number of common shares issued and outstanding during the year, after retroactive adjustments for any stock dividends declared.

Diluted earnings per share is calculated by dividing the net income for the year attributable to the common stockholders of the Group by the weighted average number of common shares outstanding during the year plus the weighted average number of common shares that would be issued for outstanding common stock equivalents.

As at December 31, 2021 and 2020, the Group does not have dilutive common stock equivalents.

5. Significant Accounting Judgments, Estimates and Assumptions

The preparation of the consolidated financial statements in compliance with PFRSs requires the Group to make judgments, estimates and assumptions that affect the amounts reported in the consolidated financial statements and related notes. In preparing these consolidated financial statements, the Group made its best judgments and estimates of certain amounts, giving due consideration to materiality. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

The Group believes that the following represent a summary of these significant accounting judgments and estimates and the related impact and associated risks in the consolidated financial statements.

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

Determination of Lease Contract and Lease Payments under PFRS 16. 1590 EC entered into lease contract with Provincial Government of La Union (PGLU) for the right to preserve, maintain and operate the Buang Diesel Power Plant (BDPP) for its sole account and expense for a term of five years commencing January 1, 2019. Under the contract, 1590 EC will pay PGLU for a fixed monthly rent with annual escalation and annual capital investment to cover for upgrading, maintenance, rehabilitation and repair of BDPP. The Group has determined that the lease contract with PGLU meets the definition of the lease under PFRS 16 since the leased asset is explicitly identified and defined in the contract and 1590 EC has the right to control over the identified asset. Further, the payments for capital investments are considered in-substance lease payments as 1590 EC has no other option but to incur this amount whether it be in the form of leasehold improvement or cash. Accordingly, such in-substance lease payments are included in the measurement of right-of-use asset and lease liability upon commencement date.

The carrying amount of the right-of-use asset and the lease liability amounted to ₱442.4 million and ₱358.7 million, respectively, as at December 31, 2021, and ₱672.2 million and ₱663.2 million, respectively, as of December 31, 2020 (see Note 24).

Estimates and Assumptions

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

Determining Fair Value of Investment Properties. The Group carries its investment properties at fair value, with changes in fair value being recognized in the consolidated statements of comprehensive income. While the Group has opted to rely on independent appraisers to determine the fair value of its investment properties, such fair value was determined based on recent prices of similar properties with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices. The amounts and timing of recorded changes in fair value for any period would differ if the Group made different judgments and estimates or utilized different basis in determining fair value.

The key assumptions used to determine the fair value of the properties and sensitivity analyses are provided in Note 25.

Any gain or loss from a change in the fair value of each investment property is included in the consolidated statement of comprehensive income in the year in which the change arises.

As of December 31, 2021, and 2020, the carrying value of the Group's investment properties amounted to ₱863.6 million and ₱757.3 million, respectively. (see Note 12).

Determining Non-Controlling Interest (NCI) that is Material to the Group. The Group assesses whether an NCI is material by considering factors such as the carrying amount of the NCI relative to the net equity of the Group, the profit or loss or OCI of the subsidiary attributable to the NCI, the assets and liabilities of the related subsidiary, or the amount of dividends paid by the subsidiary to the NCI, and the proportion that these amounts bear to the Group's financial position or results of operations. The Group also considers the nature of activities of the subsidiary and its relative importance or risk compared to other operations of the Group. Based on management's assessment, it has determined that the NCI in 1590 EC is material to the Group. Information about this subsidiary with material NCI are disclosed in Notes 1 and 21.

Estimating Useful Lives of Property, Plant and Equipment and Intangible Assets. The Group reviews annually the estimated useful lives of property, plant and equipment and intangible assets and updates the estimates based on expected asset utilization, market demands and future technological developments consistent with the Group's pursuit of constant modernization of its machineries, equipment and software. However, it is possible that the factors mentioned above may change in the future which could change the estimated useful lives of the property, plant and equipment and intangible assets. The estimated useful lives are also updated if expectations differ from previous estimates due to physical wear and tear, technical obsolescence and legal or other limits on the use of the assets. A reduction in the estimated useful lives could result in a significant increase in depreciation and amortization of property, plant and equipment and intangible assets.

The carrying value of the property, plant and equipment amounted to ₱3,318.8 million and ₱2,260.5 million as of December 31, 2021 and 2020, respectively (see Note 11). The carrying value of intangible assets (relating to software costs under "Other noncurrent assets") amounted ₱1.0 million and ₱0.9 million as of December 31, 2021 and 2020, respectively (see Note 13).



Estimating Impairment of Nonfinancial Assets. Internal and external sources of information are reviewed at each reporting date to identify indications that the following assets may be impaired or an impairment loss previously recognized no longer exists or may be decreased:

- Investments in associates and joint ventures
- Property, plant and equipment
- Right-of-use assets

PFRSs requires that an impairment review be performed when certain impairment indicators are present. Determining the recoverable amount, which require the determination of future cash flows expected to be generated from the continued use and ultimate disposition of such assets, requires the Group to make estimates and assumptions that can materially affect its consolidated financial statements. Future events could cause the Group to conclude that the investments in associates and joint ventures and property, plant and equipment are impaired. Any resulting impairment loss could have a material adverse impact on the financial condition and results of operations.

Assets that are subject to impairment testing when impairment indicators are present (such as obsolescence, physical damage, significant changes to the manner in which the asset is used, worse than expected economic performance, a drop in revenues or other external indicators) are as follows:

	2021	2020
Investments in associates and joint ventures (see Note 10)	**₱11,614,930,568**	₱11,247,606,324
Property, plant and equipment (see Note 11)	**3,318,784,838**	2,260,461,407
Right-of-use assets (see Note 24)	**442,360,406**	672,222,914

In 2020, the Group has determined that an impairment test has to be performed on certain items of its property, plant and equipment and right-of-use assets amounting to ₱1,071.2 million, respectively (see Notes 11 and 24). The impairment test calculation has not resulted to any recognition of an impairment loss in 2021. There were no impairment indicators on the Group's nonfinancial assets in 2020 and 2019.

Estimating Impairment of Goodwill. The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated.

Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. In estimating the value in use, the Group estimated revenue based on existing customer contracts, anticipated projects and projected demand, and assumed, for one CGU, a consistent gross margin during the five-year horizon based on the mix of business model arrangements with current and expected customers, and for two other CGUs, a gross margin that varies depending on anticipated demand. The interest rate used to discount the net free cash flows from operations is the weighted average cost of capital (WACC) of 7.32%–7.84% as of December 31, 2021 and 9.51% as of December 31, 2020.

As at December 31, 2021 and 2020, the carrying amount of goodwill amounted to ₱299.0 million and ₱82.4 million, respectively (see Note 13).

Estimating Realizability of Deferred Income Tax Assets. The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of such deferred income tax assets to be utilized. The Group's assessment on the recognition of deferred income tax assets on deductible temporary differences is based upon the likely timing and level of future taxable profits determined from the tax planning strategies of the Group.

Deferred income tax assets amounted to ₱20.4 million and ₱34.0 million as of December 31, 2021 and 2020, respectively (see Note 20).

Deferred income tax assets have not been recognized on net operating loss carry-over (NOLCO) of ₱302.7 million and ₱409.1 million as of December 31, 2021 and 2020, respectively, and minimum corporate income tax (MCIT) of ₱0.1 million and ₱0.8 million as of December 31, 2021 and 2020, respectively (see Note 20).

Estimating the Incremental Borrowing Rate for Lease Liabilities. The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Group estimates the IBR using observable inputs when available and is required to make certain entity-specific estimates.

The Group's lease liabilities amounted to ₱358.7 million and ₱663.2 million as of December 31, 2021 and 2020, respectively (see Note 24).

Estimating Legal Contingencies. The estimate of probable costs for the resolution of possible claims has been developed in consultation with outside counsel handling the Group's defense in these matters and is based upon an analysis of potential results. Management, in consultation with its legal counsel, believes that the likely outcome of these proceedings will not have a material adverse effect on the Group's financial position and operating results.

Management also believes that the current provisions in the accounts are adequate to cover the possible claims that may arise under the current circumstances. Existing circumstances and assumptions about future developments related to these proceedings may still change. Such changes are reflected in the assumptions when they occur.

6. Cash and Cash Equivalents

	2021	2020
Cash on hand and in banks	**₱523,471,825**	₱513,649,511
Short-term investments	**5,126,553,114**	4,358,681,953
	₱5,650,024,939	₱4,872,331,464

Cash in banks earn interest at the respective bank deposit rates.

Short-term investments are cash equivalents and are made for varying periods of up to three months depending on the immediate cash requirements of the Group, and earn interest at the respective short-term investment rates.

Interest income earned from cash in banks and short-term investments amounted to ₱23.0 million, ₱62.2 million and ₱153.4 million in 2021, 2020 and 2019, respectively. Accrued interest receivable amounted to ₱6.1 million and ₱3.6 million as of December 31, 2021 and 2020, respectively (see Note 7).

7. Trade and Other Receivables

	2021	2020
Trade receivables:		
Third parties	**₱660,874,515**	₱507,201,863
Related parties (see Notes 16 and 23)	**53,076,978**	32,973,639
Dividends receivable (see Notes 10 and 16)	**39,400,000**	257,600,000
Accounts receivable (see Note 16)	**35,226,207**	7,654,602
Advances to officers and employees	**8,179,942**	4,321,890
Accrued interest (see Note 6)	**6,146,305**	3,582,634
Others	**131,414,793**	55,041,239
	934,318,740	868,375,867
Less allowance for impairment losses	**54,272,035**	54,272,035
	₱880,046,705	₱814,103,832

Trade receivables represent receivables from Independent Electricity Market Operator of the Philippines (IEMOP) for sales to the Wholesale Electricity Spot Market (WESM), Ancillary Services Procurement Agreement (ASPA) with NGCP and bilateral sales contracts with other parties, Power Supply Agreement (PSA), Distribution Wheeling Service (DWS), and Retail Supply Contracts (see Note 23). Trade receivables are noninterest-bearing and generally have credit terms of 30 days (see Note 23).

Other receivables are mainly composed of project costs and receivables from former related parties.

The following table shows the movement in the allowance for impairment losses of receivables:

	2021	2020
At January 1	**₱54,272,035**	₱54,026,037
Provision (reversal)	**–**	245,998
At December 31	**₱54,272,035**	₱54,272,035

Significant portion of the impairment losses pertains to individually impaired accounts.

8. Inventories - at Cost

	2021	2020
Heavy fuel oil	**₱75,455,644**	₱158,445,555
Spare parts	**59,157,954**	47,993,480
Lube oil	**9,176,416**	10,401,563
Light fuel oil	**8,885,445**	3,658,160
	₱152,675,459	₱220,498,758

The total cost of inventories recognized under "Generation costs" in the consolidated statements of comprehensive income amounted to ₱938.5 million, ₱363.3 million and ₱853.7 million in 2021, 2020 and 2019, respectively (see Note 17).

9. Prepayments and Other Current Assets

	2021	2020
Advances to suppliers and other parties	**₱136,928,721**	₱126,752,274
Input VAT - current	**124,988,810**	75,782,374
Prepaid expenses	**40,370,900**	41,650,277
Creditable withholding taxes – current	**1,713,591**	9,082,487
Others (see Note 23)	**26,570,814**	28,625,258
	₱330,572,836	₱281,892,670

Advances to suppliers and other parties include down payment for service contractors and advance payments to suppliers for purchases of goods and services for the succeeding year.

Input VAT represents the VAT imposed by the Group's suppliers of goods and services as required by Philippine taxation laws and regulations. The non-current portion of these input VAT are presented as part of "Other noncurrent assets" (see Note 13).

Prepaid expenses include payments for the Group's health insurance coverage and for all risks of direct physical loss or damage, including boiler explosion and machinery break down.

Creditable withholding taxes pertain to taxes withheld by the customers on income payments to the companies in the Group from sales of services that can be applied against the companies' income tax liabilities. The non-current portion of these creditable withholding taxes are presented as part of "Other noncurrent assets" (see Note 13).

"Others" include cash restricted amounting to ₱2.0 million as of December 31, 2021 and 2020 for implementing environmental and community projects pursuant to the agreement entered with the Department of Environment and Natural Resources and PGLU and security deposits paid to distribution utilities in connection with distribution wheeling services agreements (see Note 23).

10. **Investments in Associates and Joint Ventures**

The Group's associates and joint ventures, which are all incorporated in the Philippines, and the corresponding equity ownership as of December 31 follow:

		Percentage of Ownership		
	Nature of Business	**2021**	2020	2019
Associates:				
VECO	Power distribution	**34.81**	34.81	34.81
LPCI	Power generation	**42.50**	42.50	42.50
GLEDC	Power generation	**42.50**	42.50	42.50
CPPC	Power generation	**40.00**	40.00	40.00
PEI	Power generation	**40.00**	40.00	40.00
AHI	Holding company	**40.00**	40.00	40.00
MPC	Power generation	**40.00**	40.00	40.00
TVI	Power generation	**20.00**	20.00	20.00
SREC	Power generation	**–**	30.00	30.00
CREC	Power generation	**35.00**	35.00	35.00
LWEC	Power generation	**40.00**	40.00	40.00
FLOWS	Holding company	**45.00**	45.00	–
PPWRLC	Water treatment	**40.31**	40.31	–
Joint ventures:				
CIPC	Power generation	**50.00**	50.00	50.00
Delta P	Power generation	**50.00**	50.00	50.00
LPEC	Power generation	**50.00**	–	–

	2021	2020
Acquisition cost:		
At January 1	**₱7,670,265,917**	₱7,606,352,015
Additions	**49,692,306**	102,381,502
Disposal of an associate	**(45,000,000)**	–
Redemption of preferred shares	**–**	(40,000,000)
Advances converted to equity	**–**	1,532,400
At December 31	**7,674,958,223**	7,670,265,917
Accumulated share in net earnings:		
At January 1	**2,014,922,847**	2,387,247,956
Equity in net earnings of associates and joint ventures	**1,769,960,102**	1,530,892,007
Cash dividends received and receivable	**(1,536,955,896)**	(1,975,311,195)
Disposal of an associate	**15,459,028**	–
Share in the amount transferred from revaluation surplus representing depreciation on revaluation increment	**(68,531,163)**	72,094,079
At December 31	**2,194,854,918**	2,014,922,847
Share in revaluation increment:		
At January 1	**1,658,598,674**	1,323,680,397
Share in revaluation increment	**112,003,656**	407,012,356
Share in the amount transferred to equity representing depreciation on revaluation increment of an associate	**68,531,164**	(72,094,079)
At December 31	**1,839,133,494**	1,658,598,674

(Forward)

	2021	2020
Share in remeasurement gains (losses) on employee benefits of associates and joint ventures:		
At January 1	**(₱96,181,114)**	(₱80,413,281)
Share in the remeasurement gains (losses) on employee benefits	**2,165,047**	(15,767,833)
At December 31	**(94,016,067)**	(96,181,114)
	1,745,117,427	1,562,417,560
	₱11,614,930,568	₱11,247,606,324

As of December 31, 2020 and 2019, the undistributed earnings of the associates and joint ventures included in the Group's retained earnings amounting to ₱2,194.9 million and ₱2,014.9 million, respectively, are not available for distribution to the stockholders unless declared as dividends by the associates and joint ventures.

VECO
In 2020, an appraisal was performed on VECO's utility plant, property and equipment which resulted to a revaluation increment, for which the Group's share amounted to ₱407.0 million.

In 2021, the Group recognized its share in the increase in the revaluation increment of VECO amounting to ₱112.0 million from the adjustment to the deferred income tax recognized against the revaluation increment resulting from the lower tax rate under the CREATE law, net of impairment of revalued assets damaged by a typhoon in December 2021.

LWEC
VEC made additional investments to LWEC amounting to ₱2.2 million and ₱12.7 million in 2021 and 2020, respectively. The additional infusions did not result in a change in ownership interest in LWEC.

PEI
In 2020, the Parent Company assigned its 8,432,400 common shares in PEI to VEC, including its advances amounting to ₱1.5 million, in exchange for VEC's preferred shares amounting to ₱47.5 million.

SREC
In 2020, VREC made additional infusions to SREC amounting to ₱4.8 million.

On May 28, 2021, VREC and VEC entered into a share-swap agreement with a third party to sell their entire investment in SREC and acquire additional shares in CREC held by the said party. The agreement resulted to the sale of VEC's 29,925 preferred shares with par value of ₱1,000.00 per share and VREC's 11,250 common shares with a par value of ₱1,000.00 per share to the buyer for a consideration of ₱33.2 million. A gain on the sale of investment amounting to ₱3.7 million was recognized.

CREC
In April 2019, a reclassification was made from advances into an equity account amounting to ₱0.3 million. On October 11, 2019, the Group made an additional capital infusion amounting to ₱8.4 million.

In 2020, VEC made an additional investment in CREC amounting to ₱1,000.



On March 24, 2021, an existing shareholder of CREC assigned its 938 common shares of CREC to VREC for a consideration of ₱1.1 million and subscription price payable to CREC amounting to ₱0.6 million.

On May 28, 2021, VREC and VEC entered into a share-swap agreement with a third party to sell its entire investment in SREC and acquire additional shares in CREC held by the said party. The agreement resulted to the VEC's acquisition of 2,812 preferred stocks with par value of ₱1,000.00 per share for a total consideration of ₱5.2 million. The transaction did not result in a change in ownership interest in CREC.

Delta P

On February 12, 2020, VEC paid GPI ₱19.8 million as an additional consideration for the purchase of shares that brought VEC's stake in Delta P to 50% in 2015.

On October 16, 2020, Delta P redeemed 40,000,000 preferred shares issued to VEC at ₱1.00 per share amounting to ₱40.0 million. The redemption did not change the Company's ownership interest in Delta P as of December 31, 2020.

FLOWS

In 2020, VHHI made an investment to FLOWS amounting to ₱65.0 million which represents 96,750,000 common shares with par value of ₱1.00 per share.

LPEC

In 2021, VEC entered into a joint venture agreement with GPI which resulted to a 50% ownership in LPEC and reclassification of the investment from a subsidiary to a joint venture (see Note 1). In the same year, VEC infused advances for future stock subscription amounting to ₱40.6 million in LPEC.

The following are selected financial information of the material associates of the Group as of and for the years ended December 31, 2021, 2020 and 2019:

VECO

	2021	2020	2019
Total current assets	**₱4,385,888,164**	₱4,091,285,412	₱5,138,140,960
Total noncurrent assets	**17,635,874,580**	18,103,795,515	17,078,859,810
Total current liabilities	**7,846,069,125**	7,535,333,182	7,778,509,722
Total noncurrent liabilities	**4,631,031,218**	5,562,123,094	6,025,641,366
Total equity	**9,544,662,401**	9,097,624,651	8,412,849,682
Gross revenue	**21,689,021,868**	20,832,306,757	23,891,280,367
Operating profit	**2,747,237,218**	2,186,235,346	2,876,528,392
Net income	**2,141,815,734**	1,663,383,286	2,255,327,366
Other comprehensive income (loss)	**(857,499)**	(34,712,999)	13,201,610
Total comprehensive income	**2,140,958,235**	1,628,670,287	2,268,528,976
Group's share in net income	**745,566,057**	579,023,722	785,079,456
Proportion of Group's ownership	**34.81%**	34.81%	34.81%
Group's share in equity of associate	**3,322,496,982**	3,166,883,141	2,928,512,974
Goodwill and other adjustments	**(38,539,035)**	(10,240,510)	(4,511,626)
Carrying amount of the investment	**3,283,957,947**	3,156,642,631	2,924,001,348
Dividends received from VECO	**729,955,901**	741,311,200	432,319,454

MPC

	2021	2020	2019
Total current assets	**₱3,700,951,701**	₱3,892,451,407	₱4,396,943,242
Total noncurrent assets	**17,063,969,413**	18,114,484,121	18,880,730,275
Total current liabilities	**2,247,453,130**	2,315,901,267	2,157,966,265
Total noncurrent liabilities	**10,131,695,716**	11,255,788,071	12,382,086,896
Total equity	**8,385,772,268**	8,435,246,190	8,737,620,356
Gross revenue	**5,652,572,661**	5,612,964,499	6,391,880,815
Operating profit	**1,577,894,717**	1,031,467,510	1,455,751,305
Net income	**550,526,078**	1,031,282,086	1,454,726,804
Total comprehensive income	**550,526,078**	1,031,282,086	1,454,726,804
Group's share in net income	**220,210,431**	412,512,834	581,890,722
Proportion of Group's ownership	**40.00%**	40.00%	40.00%
Group's share in equity of associate	**3,354,308,907**	3,374,098,476	3,495,048,142
Goodwill and other adjustments	**20,286,763**	20,286,763	20,424,257
Carrying amount of investment	**3,374,595,670**	3,394,385,239	3,515,472,399
Dividends received from MPC	**239,999,995**	399,999,995	440,000,000

TVI

	2021	2020	2019
Total current assets	**₱8,287,903,253**	₱8,952,688,187	₱10,559,035,456
Total noncurrent assets	**33,649,468,128**	35,790,157,665	40,246,422,256
Total current liabilities	**4,077,133,207**	5,069,625,547	5,359,640,905
Total noncurrent liabilities	**24,657,863,758**	27,244,241,562	33,859,988,898
Total equity	**13,202,374,416**	12,428,978,743	11,585,827,909
Gross revenue	**10,685,992,170**	8,490,212,480	6,254,275,652
Operating income	**2,717,701,465**	1,687,420,404	1,825,528,655
Net income	**903,188,516**	466,214,728	810,948,128
Other comprehensive income (loss)	**–**	376,936,106	(5,064,658)
Total comprehensive income	**903,188,516**	843,150,834	805,883,470
Group's share in net income	**180,637,703**	93,242,946	162,189,626
Proportion of Group's ownership	**20.00%**	20.00%	20.00%
Group's share in equity of associate	**2,640,474,883**	2,485,795,749	2,317,165,582
Goodwill and other adjustments	**(15,649,894)**	(43,709,872)	33,926,358
Carrying amount of the investment	**2,624,824,989**	2,442,085,877	2,351,091,940

AHI

	2021	2020	2019
Total current assets	**₱795,803,858**	₱751,455,452	₱751,133,134
Total noncurrent assets	**2,900,509,469**	3,389,233,698	3,443,509,934
Total current liabilities	**6,304**	6,763	16,883
Total equity	**3,696,307,022**	4,140,682,387	4,194,626,185
Gross revenue	**845,817,147**	694,273,269	1,019,465,880
Operating profit	**845,714,475**	694,170,061	1,019,213,533
Net income	**845,601,590**	694,056,202	1,019,288,938
Other comprehensive loss	**–**	–	(20,564,947)
Total comprehensive income	**845,601,590**	694,056,202	998,723,991
Group's share in net income	**338,240,636**	277,622,481	407,715,575
Proportion of Group's ownership	**40.00%**	40.00%	40.00%
Group's share in equity of associate	**1,478,522,809**	1,656,272,955	1,677,850,474
Goodwill and other adjustments	**5,756,410**	165,628	165,628
Carrying amount of the investment	**1,484,279,219**	1,656,438,583	1,678,016,102
Dividends received from AHI	**510,400,000**	299,200,000	264,000,000

Individually Immaterial Associates and Joint Ventures

The carrying amounts of the Group's interest in all individually immaterial associates and joint ventures that are accounted for using the equity method as of and for the year ended December 31 follows:

	2021	2020	2019
Income from continuing operations	**₱300,600,267**	₱263,944,402	₱270,239,602
Net income	**285,305,275**	168,490,025	246,620,376
Other comprehensive income (loss)	**152,992**	(1,435,229)	2,402,472
Total comprehensive income	**285,458,266**	167,054,796	249,022,848
Aggregate carrying amounts	**847,272,743**	598,053,994	768,285,298

The associates and joint ventures had no contingent liabilities or capital commitments as of December 31, 2021 and 2020.

11. **Property, Plant and Equipment**

	2021								
	Land	Plant Machineries and Equipment	Condominium Units, Building and Improvements	Transportation Equipment	Office Furniture, Fixtures and Equipment	Tools and Other Assets	Leasehold and Land Improvements	Construction in Progress	Total
Cost									
At January 1	**₱38,373,755**	**₱446,465,014**	**₱36,421,603**	**₱71,595,486**	**₱82,393,435**	**₱108,620,458**	**₱85,141,819**	**₱1,843,810,605**	**₱2,712,822,175**
Acquisition of subsidiaries (see Note 13)	**6,262,000**	**353,170,069**	**150,109,385**	**–**	**452,229**	**–**	**1,377,597**	**–**	**511,371,280**
Additions	**54,800,000**	**7,546,025**	**–**	**26,424,908**	**9,298,397**	**4,178,603**	**380,000**	**618,699,916**	**721,327,849**
Reclassification	**–**	**–**	**–**	**–**	**4,888,893**	**12,677,206**	**–**	**(17,566,099)**	**–**
Disposal (see Note 17)	**–**	**–**	**–**	**(11,918,676)**	**(1,373,329)**	**(155,356)**	**–**	**–**	**(13,447,361)**
Derecognition from loss of control in a subsidiary (see Note 10)	**(54,800,000)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(54,800,000)**
At December 31	**44,635,755**	**807,181,108**	**186,530,988**	**86,101,718**	**95,659,625**	**125,320,911**	**86,899,416**	**2,444,944,422**	**3,877,273,943**
Accumulated Depreciation and Amortization									
At January 1	**–**	**274,297,222**	**24,168,840**	**44,386,158**	**61,054,645**	**19,607,611**	**28,846,292**	**–**	**452,360,768**
Depreciation and amortization	**–**	**66,441,372**	**5,796,534**	**13,062,346**	**12,185,677**	**7,112,570**	**14,152,678**	**–**	**118,751,177**
Disposal	**–**	**–**	**–**	**(11,244,989)**	**(1,222,496)**	**(155,355)**	**–**	**–**	**(12,622,840)**
At December 31	**–**	**340,738,594**	**29,965,374**	**46,203,515**	**72,017,826**	**26,564,826**	**42,998,970**	**–**	**558,489,105**
Net Book Value	**₱44,635,755**	**₱466,442,514**	**₱156,565,614**	**₱39,898,203**	**₱23,641,799**	**₱98,756,085**	**₱43,900,446**	**₱2,444,944,422**	**₱3,318,784,838**

	2020								
	Land	Plant Machineries and Equipment	Condominium Units, Building and Improvements	Transportation Equipment	Office Furniture, Fixtures and Equipment	Tools and Other Assets	Leasehold and Land Improvements	Construction in Progress	Total
Cost									
At January 1	₱30,731,600	₱369,568,177	₱36,421,603	₱61,933,130	₱68,361,383	₱82,290,699	₱50,439,728	₱1,003,959,166	₱1,703,705,486
Additions	7,742,155	77,012,702	–	10,900,560	9,733,096	645,741	472,091	904,213,570	1,010,719,915
Reclassification	(100,000)	(115,865)	–	–	4,372,978	25,684,018	34,230,000	(64,362,131)	(291,000)
Disposal (see Note 17)	–	–	–	(1,238,204)	(74,022)	–	–	–	(1,312,226)
At December 31	38,373,755	446,465,014	36,421,603	71,595,486	82,393,435	108,620,458	85,141,819	1,843,810,605	2,712,822,175
Accumulated Depreciation and Amortization									
At January 1	–	242,497,577	23,681,714	36,273,281	50,444,337	13,359,106	16,004,497	–	382,260,512
Depreciation and amortization	–	31,823,545	487,126	9,351,081	10,684,330	6,224,605	12,878,401	–	71,449,088
Reclassification	–	(23,900)	–	–	–	23,900	(36,606)	–	(36,606)
Disposal	–	–	–	(1,238,204)	(74,022)	–	–	–	(1,312,226)
At December 31	–	274,297,222	24,168,840	44,386,158	61,054,645	19,607,611	28,846,292	–	452,360,768
Net Book Value	₱38,373,755	₱172,167,792	₱12,252,763	₱27,209,328	₱21,338,790	₱89,012,847	₱56,295,527	₱1,843,810,605	₱2,260,461,407

Construction in progress mainly includes costs for the construction of a 23 MW bunker-fired power plant of INEC, water desalination plant of IMCC and solar panel installations of VSC and CSSC. The account also includes mobilization fee and engineering detailed design fees paid to a third-party contractor for the construction of a subsidiary's run-of-river hydropower facility in Negros Occidental. The latter project's implementation is intended to approximately coincide with the government's 230 kV backbone project but the government has not yet started the construction as of March 18, 2022.

Depreciation and amortization are recognized in the consolidated statements of comprehensive income as follows:

	2021	2020	2019
Generation costs (see Note 17)	**₱81,753,921**	₱41,989,939	₱36,800,034
Operating expenses	**36,997,256**	29,459,149	21,662,928
	₱118,751,177	₱71,449,088	₱58,462,962

12. **Investment Properties**

	2021		
	Land	**Condominium Units**	**Total**
At January 1	**₱733,195,868**	**₱24,084,733**	**₱757,280,601**
Unrealized gain on fair value remeasurement	**105,264,400**	**1,097,000**	**106,361,400**
At December 31	**₱838,460,268**	**₱25,181,733**	**₱863,642,001**

	2020		
	Land	Condominium Units	Total
At January 1 and December 31	₱733,195,868	₱24,084,733	₱757,280,601

Some of the Group's properties are leased out to outside parties to earn rental income, for a lease period of three years. Total rental income amounting to ₱1.1 million, ₱1.7 million, ₱2.2 million in 2021, 2020 and 2019, respectively, were recorded as part of "Other income" in the consolidated statements of comprehensive income.

In 2021 and 2019, an appraisal was performed on the Group's investment properties which resulted to an increase in the fair value amounting to ₱106.4 million and ₱235.3 million, respectively. Net unrealized gain on fair value remeasurement of investment properties, recognized under "Other income (charges)" in the consolidated statements of comprehensive income, amounted to ₱106.4 million, nil, ₱235.3 million in 2021, 2020 and 2019, respectively.

Direct costs pertain to real property taxes amounting to ₱0.3 million, ₱0.7 million and ₱ 0.6 million in 2021, 2020 and 2019, respectively, are included under "Taxes and licenses" account in the consolidated statements of comprehensive income. No other direct operating costs were incurred relating to investment properties in 2021, 2020, and 2019.

The Group has no restrictions on the realizability of its investment properties and no contractual obligations to purchase, construct, or develop investment properties.

Fair value hierarchy disclosures and description of the valuation techniques used and key inputs to valuation for investment properties have been provided in Note 25.

13. Other Noncurrent Assets

	2021	2020
Advances to suppliers and other parties	**₱636,974,713**	₱718,694,310
Goodwill	**299,014,763**	82,381,116
Creditable withholding taxes - noncurrent (see Note 9)	**222,496,037**	214,245,466
Input VAT - noncurrent (see Note 9)	**192,788,560**	124,343,584
Financial assets at FVOCI	**102,000,000**	7,400,000
Software costs -net	**1,046,953**	902,260
Others - net of allowance for impairment loss of ₱46.01 million (see Note 23)	**12,690,655**	19,523,045
	₱1,467,011,681	₱1,167,489,781

Advances to Suppliers and Other Parties

Advances to suppliers pertain to cash advances given to contractors and project partners that are to be used to finance the cost of project study, site development, plant rehabilitation, among others and to certain parties to comply with certain contractual obligations.

Goodwill

Business Combinations

Acquisition of North Bukidnon Power Corporation (NBPC) and Bukidnon Power Corporation (BPC) in 2021. In May 2021, VEC and AHC acquired 81% and 9% ownership of NBPC and BPC.

	NBPC	BPC	Total
Cash and cash equivalents	₱15,049,632	₱25,960,876	₱41,010,508
Trade and other receivables	6,538,783	39,538,846	46,077,629
Inventories	1,983,566	3,843,890	5,827,456
Prepayments and other current assets	2,316,113	1,286,383	3,602,496
Property, plant and equipment	286,708,364	224,662,916	511,371,280
Total assets	312,596,458	295,292,911	607,889,369
Less: Trade and other payables	5,244,872	5,002,325	10,355,032
Long-term notes payable	193,339,318	139,729,730	333,069,048
Total net assets	₱114,012,268	₱150,560,856	₱264,573,124
Non-controlling interest	(₱11,524,369)	(₱15,058,429)	(₱26,582,798)
Goodwill arising on acquisition	135,684,991	80,948,656	216,633,647
Purchase consideration transferred	₱238,172,890	₱216,451,083	₱454,623,973

	NBPC	BPC	Total
Cash and cash equivalents	₱228,282,141	₱205,539,483	₱433,821,623
Liability for additional transaction price	9,890,749	10,911,600	20,802,349
Purchase consideration transferred	₱238,172,890	₱216,451,083	₱454,623,973
Cash flow on acquisition:			
Cash acquired with the subsidiary	₱15,049,632	₱25,960,876	₱41,010,508
Cash paid as part of purchase consideration	(228,282,141)	(205,539,483)	(433,821,623)
Net cash outflow	(₱213,232,509)	(₱179,578,607)	(₱392,811,115)

The amounts recognized for trade and other receivables represent the gross contractual amounts receivable from counterparties. As at the acquisition date, management does not expect that any contractual cash flows from these receivables will not be collected.

The Group elected to measure the non-controlling interest in the acquiree at the proportionate share of its interest in the acquiree's identifiable net assets.

The goodwill of ₱216.6 million comprises the value of knowhow of the business and its existing customer base.

As allowed by PFRS 3, the assets recognized and liabilities assumed were based on provisional assessment of their fair value. As of acquisition date, BPC and NBPC have signed contracts with customers for the sale of power which qualify for recognition as intangible assets separate from goodwill.

The valuation had not been completed by the date the financial statements were approved for issue by the BOD. Hence the determination of final amount of property, plant and equipment, intangible assets, trade and other payables, long-term notes payable, goodwill and non-controlling interest are subject to change within one (1) year of measurement period after the acquisition date.

For the period ended December 31, 2021, revenue from sale of power by NBPC and BPC amounting to ₱41.5 million and ₱48.6 million, respectively, and net income amounting to ₱16.3 million and ₱17.8 million, respectively, are recognized in the 2021 consolidated statements of comprehensive income. Had the acquisitions been made at the beginning of the year, consolidated total revenues and consolidated net income would have been ₱3,262.4 million and ₱2,156.4 million, respectively.

Acquisition of Watermatic Philippines Corporation (WMP) in 2019. On June 12, 2019, VHHI and WaterMatic International Ltd. (WMI), a subsidiary of an Israel-based company, WaterMatic Treatment Ltd., with an extensive experience and expertise in water treatment and waste water treatment, entered into a Memorandum of Agreement (MOA) to form WMP, each party with 50% interest in the entity with the purpose of transferring WMI's existing operations to WMP. In November 2019, the Group through VHHI, acquired additional 10% equity interest in WMP, increasing its ownership interest to 60%.

The Group elected to measure the non-controlling interest in the acquiree at the proportionate share of its interest in the acquiree's identifiable net assets.

The acquisition resulted in goodwill of ₱82.4 million and, noncontrolling interest of ₱21.2 million, and a net cash outflow of ₱61.1 million. The goodwill comprises the value of technical knowhow and technology of WMI and potential contracts the acquiree was negotiating with prospective customers at the acquisition date. Because the potential contracts were not themselves assets at the acquisition date, the Group did not recognize these potential contracts separately from goodwill.

Goodwill

For impairment testing, goodwill acquired through business combinations are allocated to CGUs representing the operating units acquired. The following is the carrying amount of goodwill allocated to each of the CGUs.

	2021	2020
NBPC	**₱135,684,991**	~~₱~~ –
WMP	**82,381,116**	82,381,116
BPC	**80,948,656**	–
	₱299,014,763	~~₱~~82,381,116

As of December 31, 2021 and 2020, the recoverable amounts of the cash generating units have been determined based on a value-in-use calculation using cash flow projections based on financial budgets approved by senior management covering a five-year period.

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

- The rate used to discount the net cash flows from operations is NBPC's WACC of 7.82% and BPC's WACC of 7.34% as of December 31, 2021, determined using the capital asset pricing model.
- Revenue forecasts are based on existing contracts, anticipated increases in demand and other economic factors.
- Forecasted gross margins which range from 25%–40% are based on the mix of business model arrangements with the expected changes in demand.
- The computation of terminal value assumes no growth in projected cash flows beyond five years.

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

- The rate used to discount the net cash flows from operations is WMP's WACC of 7.69% and 9.51% as of December 31, 2021 and 2020, respectively, determined using the capital asset pricing model.
- Revenue forecasts are based on existing contracts and anticipated projects and other economic factors.
- Forecasted gross margins, which range from 21%–22% in 2021, and 19%–20% in 2020, are based on the mix of business model arrangements with current and expected customers.
- The computation of terminal value assumes no growth in projected cash flows beyond five years.

Based on the impairment testing, management believes there is no impairment on goodwill in 2021. Management believes that no reasonably possible change in any of the above key assumptions would cause the carrying value of the goodwill to materially exceed its recoverable amount.

Financial Assets at FVOCI

Investments in club shares. These are irrevocably designated at FVOCI as the Group intends to hold these investments in the foreseeable future. As of December 31, 2021 and 2020, the carrying values of these financial assets are as follows:

	2021	2020
Cost:		
Cebu Country Club, Inc.	**3,400,000**	₱3,400,000
Tower Club, Inc.	**300,000**	300,000
	3,400,000	3,700,000
Fair value remeasurement gain (loss):		
Cebu Country Club, Inc.	**4,600,000**	4,000,000
Tower Club, Inc.	**(300,000)**	(300,000)
	4,600,000	3,700,000
	₱8,000,000	₱7,400,000

- *Cebu Country Club, Inc.* In 2012, the Group acquired proprietary ownership shares in the Cebu Country Club, Inc. The non-listed equity security is stated at fair value based on the published buying and selling prices of these shares.

- *Tower Club, Inc.* In 2014, the Group acquired proprietary ownership shares in the Tower Club, Inc. The non-listed equity security is stated at fair value based on the published buying and selling prices of these shares. On September 25, 2020, the shareholders of Tower Club agreed to shorten its corporate life and permanently close by January 2022.

Investment in Buskowitz Finance, Inc. (BFI). In 2021, VREC made an investment amounting to ₱94.0 million, which represents initial subscription to 200,000 common shares of BFI at ₱20 per share or for a total of ₱4.0 million, representing 16.81% ownership in BFI, and advances for future stock subscription amounting to ₱90.0 million. As of December 31, 2021, the application for the increase in authorized capital stock of BFI is still pending approval by the SEC.

Fair value hierarchy disclosures for the Group's financial assets at FVOCI are provided in Note 25.

Software Costs

Software costs pertain to a subsidiary's accounting software, Human Resources Information System, trading software and documents monitoring system. The movement of software costs is as follows:

	2021	2020
Cost		
At January 1	**₱8,534,952**	₱7,513,867
Additions during the year	**574,654**	1,021,085
At December 31	**9,109,606**	8,534,952
Accumulated Amortization		
At January 1	**7,632,692**	7,474,929
Amortization for the year	**429,961**	157,763
At December 31	**8,062,653**	7,632,692
Net Book Value	**₱1,046,953**	₱902,260

Others

Others include receivable from RFM Corporation, the Group's previous owner, which has been fully provided with allowance for impairment losses as of December 31, 2021 and 2020. Also included in this account are deposits for future subscription of an entity that is yet to be incorporated and security deposits with various tenants and other parties in the conduct of the Group's operations.

14. Trade and Other Payables

	2021	2020
Trade payables	**₱1,076,481,787**	₱1,154,207,459
Deferred output VAT	**333,307,491**	297,988,047
Accounts payable	**158,106,988**	69,474,626
Accrued expenses	**126,833,560**	121,490,363
Unearned income	**69,412,825**	–
Accrued interest (see Note 15)	**32,925,647**	25,351,040
Output VAT	**14,462,016**	4,802,330
Accrued taxes payable	**10,246,669**	3,243,604
Dividends payable	**7,424,418**	6,062,495
Others	**41,329,769**	30,852,598
	1,870,531,170	1,713,472,562
Less noncurrent portion (see Note 23)	**838,293,931**	837,635,182
	₱1,032,237,239	₱875,837,380

Trade payables significantly consist of liabilities for a subsidiary's purchases of inventories from its suppliers and advances from a supplier. Trade payables for purchases of inventories are noninterest-bearing and are normally settled on a 30 to 45-day term.

Deferred output VAT is related to the recognition of the Group's revenue from bilateral contracts, and its corresponding receivable. The deferred output VAT is eventually closed to output VAT upon collection of the related receivable.

Accounts payable consist mainly of liabilities for payroll, professional fees and other expenses.

Accrued expenses mainly consist of accruals for fuel, audit fees, contracted services, legal fees, securities and transfer fees, benefits, and other expenses.

Unearned income are advance payments from customers.

Dividends payable consists of dividends to the non-controlling interests of the Group arising from dividend declaration made by 1590 EC. Dividends declared relating to non-controlling interests amounted to ₱276.1 million, ₱196.7 million and ₱80.6 million in 2021, 2020 and 2019, respectively (see Note 21).

15. **Notes Payable**

Short-term Notes Payable

- On May 28, 2020 and June 29, 2020, 1590 EC obtained 90-day and 91-day loans from a local bank amounting to ₱95.0 million and ₱40.0 million which bear interest rates of 5.1% and 4.95% per annum, respectively. On October 26, 2020, 1590 EC made a partial payment in the amount of ₱30.0 million. Both loans totalling ₱105.0 million were extended to January 8, 2021. In February 2021, 1590 EC made another partial payment in the amount of ₱14.0 million. The balance of the two loans were extended up to April 12, 2021. 1590 EC settled the loans on April 12, 2021.

- On various dates in 2020, INEC obtained loans from a local bank totalling to ₱644.3 million. The loans bear interest rates of 4.5% and 5% per annum. All loans matured on December 3, 2020 and were subjected to monthly extensions until their settlement on April 26, 2021.

  On various dates in 2021, INEC obtained loans from a local bank totalling ₱338.5 million to finance the construction of its power plant. The loans bear interest rates of 4.25% per annum. All loans matured on April 26, 2021.

Interest expense recognized in the consolidated statements of comprehensive income on these loans in 2021, 2020 and 2019, amounted to ₱1.6 million, ₱3.4 million and nil, respectively. Accrued interest on these loans as of December 31, 2021 and 2020 amounted to nil and ₱2.1 million, respectively (see Note 14).

Long-term Notes Payable

	2021	2020
Fixed Rate Corporate Notes (FRCN):		
₱1.0 billion at 4.1856% interest per annum	**₱1,000,000,000**	–
₱2.0 billion at 4,7416% interest per annum	**2,000,000,000**	–
₱1.0 billion at 5.7271% interest per annum	**–**	940,000,000
₱2.0 billion at 5.4450% interest per annum	**–**	1,880,000,000
15-Year Project Financing Facility		
₱982.8 million at 6.4453% interest per annum	**982,826,482**	–
₱123.1 million at 6.0117% interest per annum	**123,094,272**	–
₱100.1 million at 6.0117% interest per annum	**107,100,245**	–
Loans with Variable Rates		
₱120.7 million at 3-month benchmark rate, 5% floor rate	**120,675,675**	–
₱174.3 million at 1-year benchmark rate, 5% floor rate	**174,321,594**	–
	4,508,018,268	2,820,000,000
Less unamortized debt issue costs	**34,477,428**	491,880
	4,473,540,840	2,819,508,120
Less current portion - net of unamortized debt issue costs of ₱10.3 million in 2021 and ₱0.5 million in 2020	**92,076,898**	2,819,508,120
	₱4,381,463,942	₱–

Parent Company. The Parent Company entered into a Notes Facility Agreement (Agreement) to issue ₱3.0 billion in Fixed Rate Corporate Notes (FRCN or the Notes) on January 29, 2014 to fund its equity investments in power generation projects, to include, but not limited to MPC and TVI. The FRCN was fully subscribed by a consortium of local banks and was issued in two tranches and has a maturity of seven (7) years from the drawdown date. The Notes are unsecured.

The first drawdown amounting to ₱1.0 billion was made on February 3, 2014. The second drawdown amounting to ₱2.0 billion was made on March 31, 2014. The Notes are payable at 1% based on the principal amount of the notes in the first six (6) years and 94% at maturity on February 3, 2021. The Notes were settled on said date.

On December 4, 2020, the Company signed an Agreement to issue ₱3.0 billion worth of FRCN with tenors of two (2) years and five (5) years. The proceeds from the issuance of the Notes will be used to finance capital expenditures for existing assets and investments in power generation and/or water infrastructure projects and partly to refinance the existing 7-year FRCN which matured in February 2021.

The Parent Company issued an FRCN last January 27, 2021 amounting to ₱3.0 billion to fund its equity investments in power generation and infrastructure projects. The FRCN was fully subscribed by a consortium of local banks and was issued in two tranches and has a maturity of seven (7) years from the drawdown date. The Note are unsecured.

The first tranche is for a term of two years and payable on January 27, 2023 while the second tranche is for a term of five years and will mature on January 27, 2026 with principal payment of ₱50.0 million for the first four years and a balloon payment of ₱1.8 billion on maturity.

Repayments of outstanding principal amounts are scheduled as follows:

	2021	2020
Within one year	**₱50,000,000**	₱2,820,000,000
More than one year but not more than five years	**2,950,000,000**	–
	₱3,000,000,000	₱2,820,000,000

The Agreement requires that the Parent Company shall not permit its debt-to-equity ratio to exceed 2.5:1. The debt-to-equity ratio is based on the parent company debt and consolidated equity. In addition, the Agreement requires the current ratio to not fall below 1.25:1 and is based on the consolidated current assets and current liabilities. The Parent Company has complied with these ratio requirements as of December 31, 2021 and 2020.

Interest expense recognized in the consolidated statements of comprehensive income related to these notes payable amounted to ₱138.2 million, ₱169.3 million and ₱170.9 million in 2021, 2020 and 2019, respectively, and the related accrued interest expense as of December 31, 2021 and 2020 amounted to ₱18.2 million and ₱25.4 million, respectively (see Note 14).

INEC. In 2021, INEC entered into a loan agreement with Security Bank Corporation (SBC) whereby the latter agreed to provide INEC an aggregate principal amount of loan up to ₱1.32 billion to finance the construction of its 23.3 MW diesel power plant in Bantayan, Cebu.

The loan has a term of fifteen (15) years, inclusive of a two (2)-year grace period on principal repayment. Seventy percent (70%) of the loan is payable in fifty-one (51) quarterly installments commencing on the 9th quarter from the date of initial borrowing until the maturity date, while the remaining thirty percent (30%) shall be paid on the maturity date. The loan bears annual interest of 6.4453% and 6.0117% which is payable quarterly.

The loan is collateralized by the following: (a) debt service reserve account letter of credit, (b) first ranking mortgage on all present and future immovable properties, (c) assignment by way of security of the company's rights, titles and interest in project documents, insurance policies, performance bonds, receivables and other revenues from the Power Supply Agreement (see Note 23), and operating account; (d) pledge of shares; (e) personal property assignment on all present and movable assets.

Repayments of outstanding principal amounts are scheduled as follows:

	2021	2020
More than one year but not more than five years	**₱233,090,310**	₱–
More than five years	**979,930,689**	–
	₱1,213,020,999	₱–

Interest expense recognized in the consolidated statements of comprehensive income related to this loan amounted to ₱14.4 million and the related accrued interest expense as of December 31, 2021 amounted to ₱14.2 million (see Note 14).

BPC. BPC has a long-term loan that carries an interest rate based on 3-month benchmark rate plus spread, repriceable quarterly, with a floor rate of 5%. The loan is secured by real estate mortgage, pledge of shares and assignment of project accounts.

Repayments of outstanding principal amounts are scheduled as follows:

	2021	2020
Within one year	**₱25,405,405**	₱–
More than one year but not more than five years	**95,270,270**	–
	₱120,675,675	₱–

Interest expense recognized in the 2021 consolidated statement of comprehensive income related to this loan amounted to ₱5.3 million and the related accrued interest expense as of December 31, 2021 amounted to ₱0.5 million (see Note 14).

NBPC. NBPC has a long-term loan that carries an interest rate based on 1-year benchmark rate plus spread, repriceable annually, with a floor rate of 5%. The loan is secured by real estate mortgage, pledge of shares and assignment of project accounts.

Repayments of outstanding principal amounts are scheduled as follows:

	2021	2020
Within one year	**₱27,003,802**	₱–
More than one year but not more than five years	**147,317,792**	–
	₱174,321,594	₱–

Interest expense recognized in the 2021 consolidated statement of comprehensive income related to this loan amounted to ₱5.6 million and the related accrued interest expense as of December 31, 2021 amounted to ₱0.1 million (see Note 14).

16. Related Party Transactions

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

In the normal course of business, the Group enters into transactions with related parties principally consisting of the following:

		2021			
		Outstanding Balance			
Category	Volume	Receivables	Payables	Terms	Conditions
Associates					
Sale of power:					
VECO (see Note 16g)	**₱–**	**₱7,957,282**	**₱–**	30 days; noninterest-bearing	Unsecured; no impairment
Technical service fees (see Note 16d)					
CEDC	**56,173,000**	**33,871,344**	–	30 days; Noninterest-bearing	Unsecured; no impairment
CPPC	**13,068,517**	–	–	30-60 days; noninterest-bearing	Unsecured; no impairment
GLEDC	–	**6,000,000**	–	On-demand; Noninterest-bearing	Unsecured; no impairment
Advances to (see Note 16a):					
FLOWS	–	**150,000,000**	–	Interest-bearing; Payable on demand	Unsecured; no impairment
CREC	**7,500,000**	**17,500,258**	–	Payable on demand	Unsecured; no impairment
Advances to (see Note 16h):					
GLEDC	**4,962**	**1,877,725**	–	30-60 days; noninterest-bearing	Unsecured; no impairment
LPCI	**12,845,625**	**93,783,539**	–	30-60 days; noninterest-bearing	Unsecured; no impairment
Dividends (see Note 16f):					
VECO	**729,955,901**	–	–	noninterest-bearing	Unsecured; no impairment
MPC	**239,999,995**	–	–	noninterest-bearing	Unsecured; no impairment
AHI	**510,400,000**	–	–	noninterest-bearing	Unsecured; no impairment
PEI	**17,200,000**	–	–	noninterest-bearing	Unsecured; no impairment
Joint Ventures					
Technical service fees (see Note 16d):					
Delta P	**23,562,489**	**5,248,352**	–	30-60 days; noninterest-bearing	Unsecured; no impairment
CIPC	**9,785,620**	–	–	30-60 days; noninterest-bearing	Unsecured
Advances to (see Note 16a):					
Delta P	**286,341**	**1,637,681**	–	noninterest-bearing	Unsecured; no impairment
CIPC	**5,232**	**394,818**	–	noninterest-bearing	Unsecured; no impairment
LPEC	**66,289,662**	**11,229,919**	–	noninterest-bearing	Unsecured; no impairment
Dividends (see Note 16f):					
CIPC	**19,400,000**	**19,400,000**	–	noninterest-bearing	Unsecured; no impairment
Delta P	**20,000,000**	**20,000,000**	–	noninterest-bearing	Unsecured; no impairment

(Forward)

		2021			
		Outstanding Balance			
Category	**Volume**	**Receivables**	**Payables**	**Terms**	**Conditions**
Stockholders with Significant Influence					
Management fees expense (see Note 16e)					
MRC	**8,286,248**	–	–	30-60 days; noninterest-bearing	Unsecured
JDC	**5,524,165**	–	–	30-60 days; noninterest-bearing	Unsecured
Stockholders with Significant Influence					
Advances to/from (see Notes 16a and 16b)					
GPI	–	–	**5,689,112**	30-60 days; noninterest-bearing	Unsecured
WMI	–	**140,937**	–	payable on demand; noninterest-bearing	Unsecured
Stockholders with No Significant Influence					
Advances to (see Note 16c):					
JGS	–	**42,676**	–	payable on demand; noninterest-bearing	Unsecured; no impairment

		2020			
		Outstanding Balance			
Category	Volume	Receivables	Payables	Terms	Conditions
Associates					
Sale of power:					
VECO (see Note 16g)	₱ –	₱7,960,424	₱ –	30 days; noninterest-bearing	Unsecured; no impairment
Technical service fees (see Note 16d)					
CEDC	136,557,708	12,517,790	–	30 days; Noninterest-bearing	Unsecured; no impairment
CPPC	45,333,333	–	–	30-60 days; noninterest-bearing	Unsecured; no impairment
GLEDC	–	6,000,000	–	On-demand; Noninterest-bearing	Unsecured; no impairment
Advances to (see Note 16a):					
FLOWS	150,000,000	150,000,000	–	Interest-bearing; Payable on demand	Unsecured; no impairment
CREC	10,000,000	10,000,258	–	Payable on demand	Unsecured; no impairment
SREC	–	6,000,000		On-demand; Noninterest-bearing	Unsecured; no impairment
Advances to (see Note 16h):					
GLEDC	1,805,016	2,277,620	–	30-60 days; noninterest-bearing	Unsecured; no impairment
LPCI	–	80,937,914	–	30-60 days; noninterest-bearing	Unsecured; no impairment
Dividends (see Note 16f):					
VECO	741,311,200	–	–	noninterest-bearing	Unsecured
MPC	533,599,995	133,600,000	–	noninterest-bearing	Unsecured
CPPC	318,000,000	124,000,000	–	noninterest-bearing	Unsecured
AHI	299,200,000	–	–	noninterest-bearing	Unsecured
PEI	33,200,000	–	–	noninterest-bearing	Unsecured
Joint Ventures					
Technical service fees (see Note 16d)					
Delta P	18,935,475	5,632,984	–	30-60 days; noninterest-bearing	Unsecured; no impairment
CIPC	7,705,853	862,441	–	30-60 days; noninterest-bearing	Unsecured
Advances to (see Note 16a):					
Delta P	226,642	1,352,330	–	noninterest-bearing	Unsecured; no impairment
CIPC	37,027	392,187	–	noninterest-bearing	Unsecured; no impairment
Dividends (see Note 16f):					
CIPC	30,000,000	–	–	noninterest-bearing	Unsecured; no impairment
Delta P	20,000,000	–	–	noninterest-bearing	Unsecured; no impairment

(Forward)

		2020			
		Outstanding Balance			
Category	Volume	Receivables	Payables	Terms	Conditions
Advances from (see Note 16b):					
Delta P	–	–	326	payable on demand; noninterest-bearing	Unsecured
Stockholders with Significant Influence					
Management fees expense (see Note 16e)					
JDC	4,389,486	–	–	30-60 days; noninterest-bearing	Unsecured
MRC	6,584,229	–	–	30-60 days; noninterest-bearing	Unsecured
Stockholders with Significant Influence					
Technical service fees expense (see Note 16e)					
GPI	44,280,000	–	–	Payable on demand; Noninterest-bearing	Unsecured
Advances to/from (see Notes 16a and 16b)					
GPI	6,000,955	–	5,688,786	30-60 days; noninterest-bearing	Unsecured
WMI	2,100,073	2,100,073	–	payable on demand; noninterest-bearing	Unsecured
Stockholders with No Significant Influence					
Advances to JGS (see Note 16c):	–	42,676	–	payable on demand; noninterest-bearing	Unsecured; no impairment

a. Advances to related parties are noninterest-bearing cash advances to associates, joint ventures and stockholders. The outstanding advances, presented as "Advances to associates, joint ventures and stockholders" account in the consolidated statements of financial position, are noninterest-bearing and are due on demand. These advances are for project and working capital requirements.

   On February 14, 2020, the Company entered into an Interim Financing Agreement (IFA) with FLOWS for the development of a combined sewerage and septage facility serving the City of Puerto Princesa. The IFA is for a term of four months or until June 13, 2020 at an interest rate of 5.7810% per annum. On June 13, 2020, the IFA was extended for three months or until September 13, 2020 at an interest of 6.2595%, 4.2578% and 4.3016% per annum on the first, second and third month, respectively. FLOWS is in the process of securing bank refinancing of the interim loan.

b. Advances from related parties are noninterest-bearing cash advances payable on demand, from the Group's joint ventures and stockholders.

c. Advances to a "stockholder with no significant influence" pertains to the life insurance plan advanced by the Parent Company for a member of its BOD.

d. Technical service fees represent the compensation for the services rendered by the Group to and for the use of its facilities by the associates and joint ventures. These are governed by service-level contracts executed by the Group and its associates and joint ventures. These are recognized as "Management and service fees" presented as part of the Group's revenue in the consolidated statements of comprehensive income amounting to ₱102.6 million, ₱210.2 million and ₱97.5 million in 2021, 2020, and 2019, respectively.

Outstanding receivables for management fees and service fees presented as part of "Accounts receivable" under "Trade and other receivables" account in the consolidated statements of financial position as of December 31, 2021 and 2020 amounted to ₱27.3 million and ₱25.0 million, respectively (see Note 7).

e. The Group also entered into consultancy and management service agreements with its stockholders to avail of management consultancy services. Expenses incurred related to the consultancy and management service agreements are recognized as part of "Professional fees" under "Generation costs" (see Note 17) and "Operating expenses" in the consolidated statements of comprehensive income.

f. In 2021, VECO, MPC, AHI, PEI, CIPC and Delta P declared dividends amounting to ₱730.0 million, ₱240.0 million, ₱510.4 million, ₱17.2 million, ₱19.4 million and ₱20.0 million, respectively. In 2020, VECO, MPC, CPPC, AHI, PEI, CIPC and Delta P declared dividends amounting to ₱741.3 million, ₱533.6 million, ₱318.0 million, ₱299.2 million, ₱33.2 million, ₱30.0 million and ₱20.0 million, respectively. The outstanding amounts from these dividends declarations are currently lodged under "Dividends receivable" (see Note 7).

g. The Group had an Energy Supply Agreement (ESA) with VECO (see Note 23), whereby the Group supplied contract energy to VECO from the 17 MW of the contracted capacity of the Unified Leyte Geothermal Power Plant administered by the Group. The ESA was terminated in October 2019.

   Revenue from the ESA with VECO amounted to nil in 2021 and 2020 and, ₱730.8 million in 2019. As of December 31, 2021 and 2020, the Group's trade receivables from VECO for the sale of power amounted to ₱8.0 million(see Note 7).

   In 2017, the Group entered into a Power Supply Agreement (PSA) with PEI to supply contracted power (see Note 23). In 2019, the contract was terminated. Revenue from PSA with PEI amounted to nil in 2021 and 2020 and ₱283.8 million in 2019.

h. Working capital advances to LPCI and GLEDC are noninterest-bearing, collateral-free and are due on demand. As of December 31, 2021 and 2020, the Group recognized a receivable from LPCI amounting to ₱93.8 million and ₱80.9 million, respectively, and from GLEDC amounting to ₱1.9 million and ₱2.3 million, respectively.

The above transactions are generally settled through cash.

Compensation and Benefits of Key Management Personnel

The compensation of the Group's key management personnel by benefit type follows:

	2021	2020	2019
Short-term employee benefits	**₱153,391,047**	₱159,714,310	₱106,465,055
Post-employment pension benefits (see Note 19)	**7,267,643**	8,747,182	6,990,120
	₱160,658,690	₱168,461,492	₱113,455,175

17. Costs of Services and Other Operating Expenses

Costs of Services

The Group's cost of services pertains to the costs incurred in the operation of the BDPP and 17 MW of geothermal power from ULGPP:

	2021	2020	2019
Heavy fuel oil (see Notes 8 and 23)	**₱783,844,384**	₱271,028,255	₱806,131,649
Purchased power (see Note 23)	**225,034,543**	82,846,057	934,778,346
Depreciation (see Notes 11 and 24)	**291,956,475**	257,803,496	237,460,737
Contractual and outside services	**127,306,647**	136,199,626	130,771,453
Salaries, wages and employee benefits (see Note 18)	**99,720,112**	77,111,285	66,680,338
Light fuel oil (see Notes 8 and 23)	**73,809,557**	29,793,383	25,789,479
Materials and supplies (see Note 8)	**56,899,469**	52,403,387	–
Professional fees (see Note 16e)	**49,278,808**	14,798,981	30,146,029
Insurance	**38,401,046**	27,178,734	28,525,355
Royalty fees (see Note 24)	**26,044,774**	20,001,905	24,465,978
Lube oil (see Note 8)	**23,942,491**	10,108,628	21,749,482
Rent (see Note 24)	**17,440,475**	10,346,285	–
Supply and metering charges	**16,267,814**	14,222,742	13,884,475
Transportation	**4,859,003**	1,166,851	905,330
Taxes and licenses	**2,903,725**	1,459,817	1,093,043
Repairs and maintenance	**2,355,746**	1,017,463	3,124,664
Light and power	**1,210,909**	269,272	1,152,199
Market fees	**781,797**	496,226	2,067,802
Others	**14,967,299**	5,617,201	4,819,166
	₱1,858,069,711	₱1,013,869,594	₱2,333,545,525

Amounts recognized related to the Group's participation in WESM trading, are presented as "Purchased power" and "Market fees" aggregating to ₱46.6 million, ₱15.3 million, and ₱230.0 million in 2021, 2020 and 2019, respectively.

Other Operating Expenses

	2021	2020	2019
Corporate social responsibility	**₱32,764,293**	₱33,268,233	₱14,565,162
Directors' per diem (see Note 18)	**11,460,000**	10,076,666	5,596,500
Stand-by letter of credit	**5,294,523**	9,879,327	4,119,043
Dues and subscriptions	**7,567,361**	4,815,005	4,508,335
Office supplies	**6,385,302**	2,885,516	7,679,550
Repairs and maintenance	**5,653,240**	3,799,176	3,814,972
Insurance expense	**2,585,963**	2,687,804	4,089,108
Marketing expenses	**2,327,909**	6,455,567	5,633,320
Regulatory expenses	**2,013,037**	4,187,940	13,285,981
Stockholders' meeting expenses	**293,119**	181,689	1,325,744
Others	**5,428,634**	96,211	6,339,269
	₱81,773,381	₱78,333,134	₱70,956,984

Regulatory expenses include payments of administrative fees charged by the PSE and SEC and other charges.

Others include sponsorships and contributions, brokerage fees, insurance expenses, medical and health expenses, outing expenses, and bank charges, among others.

Other Income - Net

	2021	2020	2019
Gain (loss) in disposal of property, plant and equipment (see Note 11)	**₱3,101,818**	₱330,357	(₱96,818)
Intercompany services	**2,880,462**	4,062,808	4,531,325
Other service income	**2,237,464**	461,364	6,509,021
Rent income (see Note 12)	**1,102,620**	1,667,566	2,187,532
Insurance claims	**–**	44,878,062	–
Recovery of previously written-off receivables	**–**	–	28,800,000
Others	**15,475,020**	5,011,837	–
	₱24,797,384	₱56,411,994	₱41,931,060

Recovery of previously written-off receivables in 2019 pertains to recovery by VEC and VREC of its receivables from the sale of VSNRGC.

In 2020, insurance claims pertain to DPI's insurance claims for damages brought by the fire in 2019.

Others include reversal of allowance for impairment losses, reimbursements from third parties for equipment station use, and billings to related parties for the shared expenses initially paid by the Group on behalf of related parties (see Note 16).

18. Personnel Expenses

	2021	2020	2019
Salaries, wages and employee benefits	**₱399,860,946**	₱345,155,222	₱257,667,976
Pension expense (see Note 19)	**22,223,302**	15,961,646	11,987,522
Directors' compensation and benefits (see Note 17)	**11,460,000**	10,076,666	5,596,500
	₱433,544,248	₱371,193,534	₱275,251,998

19. Retirement Plans

The Group has a funded, noncontributory, defined benefit pension plan covering all regular, permanent employees of the Parent Company, 1590 EC and VEC. Both plans provide lump sum benefits upon a member's normal retirement. The benefits are based on the member's final monthly salary and length of service with the Group.

The Fund for the Group's employees is administered by a trust and investment entity in the Philippines under the supervision of a trustee. The trustee is responsible for the investment strategy of the plan.

The existing regulatory framework, Republic Act 7641, *The Retirement Pay Law*, requires a provision for retirement pay to qualified private sector employees in the absence of any retirement plan in the entity, provided however that the employee's retirement benefits under any collective bargaining and other agreements shall not be less than those provided under the law. The law does not require minimum funding of the plan.

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

The components of the pension expense recognized under "Generation costs" and "Operating expenses" in the consolidated statements of comprehensive income follow:

	2021	2020	2019
Current service cost	**₱18,902,166**	₱12,703,706	₱9,109,532
Past service cost	–	–	652,062
Net interest cost	**3,321,136**	3,257,940	2,225,928
Pension expense	**₱22,223,302**	₱15,961,646	₱11,987,522

Remeasurement effects recognized in the consolidated statements of comprehensive income follow:

	2021	2020	2019
Remeasurement gain (loss) on defined benefit plan	**₱18,982,444**	(₱6,953,225)	(₱26,653,847)
Return on assets excluding amount included in net interest cost	**(1,531,102)**	(504,122)	(302,515)
	₱17,451,342	(₱7,457,347)	(₱26,956,362)

The pension liability pertaining to the Parent Company's funded retirement plan and VEC's unfunded retirement plan as of December 31, 2021 and 2020 follows:

	2021	2020
Present value of defined benefit obligation	**₱134,859,953**	₱130,239,046
Fair value of plan assets	**(73,399,945)**	(42,697,740)
Pension liability	**₱61,460,008**	₱87,541,306

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

	2021	2020
At January 1	**₱130,239,046**	₱107,174,551
Remeasurement loss (gain) due to:		
Changes in financial assumptions	**(28,166,707)**	7,234,442
Experience adjustments	**9,184,263**	(281,217)
Current service cost	**18,902,166**	12,703,706
Interest cost on defined benefit obligation	**5,084,112**	4,515,228
Benefits paid	**(382,927)**	(1,130,167)
Net acquired obligation due to employees	**–**	22,503
At December 31	**₱134,859,953**	₱130,239,046

Changes in the fair value of plan assets representing the funded retirement plan of the Group follow:

	2021	2020
At January 1	**₱42,697,740**	₱39,952,118
Contributions to the retirement fund	**30,853,258**	3,122,623
Interest income included in net interest cost	**1,762,976**	1,257,288
Return on assets excluding amount included in net interest cost	**(1,531,102)**	(504,122)
Benefits paid	**(382,927)**	(1,130,167)
At December 31	**₱73,399,945**	₱42,697,740

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

	2021	2020
At January 1	**₱87,541,306**	₱67,222,433
Pension expense for the year	**22,223,302**	15,961,646
Contributions to retirement fund	**(30,853,258)**	(3,122,623)
Remeasurement loss (gain) recognized for the year	**(17,451,342)**	7,457,347
Net acquired obligation due to employee transfer	**–**	22,503
At December 31	**₱61,460,008**	₱87,541,306

The major categories of the plan assets as a percentage of the fair value of the total plan assets are as follows:

	2021	2020
Fixed income securities:		
Unitized investment trust funds	**59.14%**	36.68%
Time certificate of deposit	**38.85%**	58.35%
Savings deposit	**0.01%**	0.03%
Investment in government securities	**1.96%**	4.94%
Accrued interest receivable	**0.04%**	–
Total plan assets	**100.00%**	100.00%

All equity instruments held have quoted prices in active market. The remaining plan assets do not have quoted market prices in active market.

The control and administration of the fund vest on the trustee. The trustee shall have the full and complete power and authority to hold, manage, administer, convert, sell, assign, alter, divide, invest and reinvest the fund without distinction between principal and income, to the same extent and with the same effect as might be lawfully done by persons who own and control property and may thus exercise every power and right with respect to each item of property in this trust authority specified in the agreement and expressly conferred upon it by law.

The overall investment policy and strategy of the Group's defined benefit plan is guided by the objective of providing the necessary funding for the benefits payable under the plan and achieving such liquidity as the trustee shall, in its discretion, deem appropriate in the circumstances. The Group's current investment strategy consists substantially of fixed income securities.

The principal assumptions used in determining pension obligation for the Group's pension plan as of December 31 follow:

	2021	2020
Discount rate	**5.09%-5.15%**	3.85%–5.00%
Future salary increase rate	**5.00%-7.00%**	7.00%

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the present value of the defined benefit obligation of the most recent actuarial valuation report, as of December 31, 2021 and 2020, assuming all other assumptions were held constant:

	Increase (Decrease)	Present Value Change of Defined Benefit Obligation	
		2021	2020
Discount rate	+100 basis points	**(₱11,590,804)**	(₱11,007,027)
	−100 basis points	**13,605,889**	14,218,112
Future salary increase rate	+100 basis points	**14,028,859**	15,156,411
	−100 basis points	**(12,180,012)**	(12,042,473)

Each sensitivity analysis on the significant actuarial assumptions was prepared by remeasuring the defined benefit obligation at the reporting date after first adjusting one of the current assumptions according to the applicable sensitivity increment or decrement (based on changes in the relevant assumption that were reasonably possible at the valuation date), while all other assumptions remained unchanged.

The average duration of the defined benefit obligation is 15.68–19.64 years and 17.0–20.0 years as of December 31, 2021 and 2020, respectively.

The Group does not expect to contribute to the defined benefit plan in 2020.

The expected benefit payment assumes that all actuarial assumptions will materialize. Shown below is the maturity analysis of the undiscounted benefit payments as of December 31, 2020 and 2019:

	2021	2019
Less than one year	**₱35,998,088**	₱40,718,367
More than one year to five years	**13,904,028**	13,551,581
More than five years to 10 years	**59,218,126**	56,472,092
More than 10 years to 15 years	**151,094,992**	150,868,432
More than 15 years to 20 years	**144,624,594**	152,888,581
More than 20 years	**246,798,850**	245,369,079
Total	**₱651,638,678**	₱659,868,132

20. **Income Taxes**

	2021	2020	2019
Current	**₱146,282,516**	₱160,916,114	₱180,657,456
Final	–	7,976,966	–
	146,282,516	168,893,080	180,657,456
Deferred	**24,875,024**	(14,480,460)	91,005,719
	₱171,157,540	₱154,412,620	₱271,663,175

The reconciliation of income tax expense computed at the applicable statutory rates to income tax expense follows:

	2021	2020	2019
Income before income tax	**₱2,144,007,667**	₱1,861,233,256	₱2,943,413,925
Tax calculated at statutory rate (2021: 25%; 2020 and 2019: 30%)	**₱536,001,917**	₱558,369,974	₱883,024,178
Adjustments for the tax effects of:			
Equity in net earnings of associates and joint ventures	**(442,490,025)**	(459,267,602)	(650,195,246)
Unrecognized deferred income tax assets on NOLCO and MCIT	**189,915,551**	124,818,148	125,381,714
Difference of OSD over deductible expenses	**(67,560,411)**	(77,900,467)	(80,866,487)
Non-taxable gain	**(26,590,350)**	–	–
Impact of CREATE Law	**(13,481,090)**	–	–
Interest income subject to final tax	**(4,784,876)**	(17,976,977)	(46,023,589)
Non-deductible expenses	**3,108,337**	7,263,629	48,202,025
Non-deductible impairment loss	–	–	(66,899)
Others	**(2,961,513)**	19,105,915	(7,792,521)
	₱171,157,540	₱154,412,620	₱271,663,175

The components of the Group's net deferred income tax assets as of December 31 are as follows:

	2021	2020
Deferred income tax assets on:		
Net pension liability	**₱17,421,899**	₱17,892,846
Allowance for impairment losses	**11,602,774**	13,923,328
Unamortized debt issue costs	**525,694**	–
Unrealized foreign exchange loss	**60,697**	72,837
	29,611,064	31,889,011
Deferred income tax liabilities on:		
Unamortized debt issue costs	**6,546,245**	147,564
Unrealized UITF gain	**–**	671,908
Unrealized foreign exchange gain	**2,793,774**	37,916
	9,340,019	857,388
Deferred income tax asset (liability) at FVOCI recognized in other comprehensive income:		
Remeasurement loss on employee benefits	**788,212**	3,814,351
Unrealized valuation gain of financial assets	**(645,000)**	(832,500)
	143,212	2,981,851
Net deferred income tax assets	**₱20,414,257**	₱34,013,474

The components of the Group's net deferred income tax liabilities are as follows:

	2021	2020
Deferred income tax liabilities on:		
Unrealized fair value gain on investment property	**₱172,313,359**	₱177,278,532
Finance lease	**23,337,127**	15,517,582
Unrealized foreign exchange gain/loss- net	**11,542,253**	210,360
Accrued rent	**84,122**	70,396
	207,276,861	193,076,870
Deferred income tax asset on net pension liability	**(617,571)**	(639,210)
Deferred income tax asset on pension recognized in other comprehensive income	**(1,639,723)**	(2,605,236)
	₱205,019,567	₱189,832,424

In 2021 and 2020, the Group has deductible temporary differences and tax credits for which deferred tax assets have not been recognized since management believes that no sufficient taxable income will be available in the year these are expected to be reversed, settled or realized. These unrecognized deductible temporary differences and tax credits follow:

	2021	2020
NOLCO	**₱302,749,587**	₱409,112,926
MCIT	**94,515**	765,524

On September 30, 2020, BIR issued the RR No. 25-2020 to implement Section 4(bbbb) of Republic Act No. 11494, otherwise known as "Bayanihan to Recover as One Act". This RR provides that net operating loss of the business or enterprise for taxable years 2020 and 2021 to be carried over as a deduction from gross income for the next five (5) consecutive taxable years immediately following the year of such loss.

CREATE Law

President Rodrigo Duterte signed into law on March 26, 2021 the Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act to attract more investments and maintain fiscal prudence and stability in the Philippines. Republic Act (RA) 11534 or the CREATE Act introduces reforms to the corporate income tax and incentives systems. It takes effect 15 days after its complete publication in the Official Gazette or in a newspaper of general circulation or April 11, 2021.

The following are the key changes to the Philippine tax law pursuant to the CREATE Act which have an impact on the Group:

- Effective July 1, 2020, regular corporate income tax (RCIT) rate is reduced from 30% to 25% for domestic and resident foreign corporations. For domestic corporations with net taxable income not exceeding Php5 million and with total assets not exceeding Php100 million (excluding land on which the business entity's office, plant and equipment are situated) during the taxable year, the RCIT rate is reduced to 20%.

- Minimum corporate income tax (MCIT) rate reduced from 2% to 1% of gross income effective July 1, 2020 to June 30, 2023.

- Imposition of improperly accumulated earnings tax (IAET) is repealed.

As clarified by the Philippine Financial Reporting Standards Council in its Philippine Interpretations Committee Q&A No. 2020-07, the CREATE Act was not considered substantively enacted as of December 31, 2020 even though some of the provisions have retroactive effect to July 1, 2020. The passage of the CREATE Act into law on March 26, 2011 was considered as a non-adjusting subsequent event. Accordingly, current and deferred taxes as of and for the year ended December 31, 2020 were computed and measured using the applicable income tax rates as of December 31, 2020 (i.e., 30% RCIT / 2% MCIT) for financial reporting purposes.

The impact of the lower tax rates of 20–25% from July 1, 2020 onwards have been reflected in the 2021 financial statements.

21. **Equity**

Capital Stock

There were no changes in the Parent Company's authorized, issued and outstanding common shares as of December 31, 2021 and 2020.

Authorized capital stock - ₱1 par value	2,000,000,000
Issued and outstanding shares	1,023,456,698
Unissued shares	976,543,302

The Parent Company's issued capital stock originally consists of 224,880,067 common shares and 600,000,000 preferred shares that were listed in the Philippine Stock Exchange (PSE) since 2003, and 198,576,631 preferred shares that were approved for listing by the PSE on June 29, 2004. In June 2005, the SEC approved the amendment to Article VII that relates to the conversion of the Parent Company's preferred shares to common shares. As of December 31, 2021 and 2020, the Parent Company's issued capital stock all consists of common shares.

The Parent Company has 1,415 stockholders as of December 31, 2021, 1,425 stockholders as of December 31, 2020, and 1,423 stockholders as of December 31, 2019, and has complied with the Minimum Public Ownership requirement of the PSE for listed entities as of the same dates.

Dividends

The BOD declared cash dividends to its stockholders as follows:

	2021	2020	2019
Date of declaration	**May 19, 2021**	May 13, 2020	May 15, 2019
Date of record	**June 4, 2021**	May 27, 2020	May 29, 2019
Date of payment	**June 23, 2021**	June 23, 2020	June 24, 2019

	2021	2020	2019
Dividends declared:			
Regular dividends	**₱358,209,844**	₱467,822,060	₱346,133,060
Special dividends	**–**	–	–
	₱358,209,844	₱467,822,060	₱346,133,060
Dividends per share	**₱0.3500**	₱0.4571	₱0.3382

Appropriation of Retained Earnings for Business Expansion

Out of the 2016 retained earnings appropriation, the Parent Company made additional investment of ₱606.0 million in 2017 in two power plant projects in the Visayas and Mindanao, which amount was then reverted to unappropriated retained earnings in 2017.

In a BOD meeting held on December 21, 2017, the BOD has determined that the Parent Company's operation require to continue the existing appropriations amounting to ₱2.2 billion for the investment on the two ongoing power plants in Visayas and Mindanao and a rooftop solar installation project starting 2018. In the same BOD meeting, a resolution was approved allocating and restricting part of its retained earnings amounting to an additional ₱1.3 billion to be used for future investments in these projects which are expected to be completed starting 2018.

Out of the 2017 retained earnings appropriation, the Parent Company made additional investment of ₱1.2 billion in 2018 on the power plant projects in the Visayas and in the rooftop solar installation project, which amount was then reverted to unappropriated retained earnings in 2018.

In a BOD meeting held on December 12, 2018, the BOD has determined that the Parent Company's operation require to continue the existing appropriations amounting to ₱2.3 billion for the investments in the two on-going power plant projects in the Visayas, one on-going power plant project in Mindanao and a rooftop solar installation project. In the same BOD meeting, a resolution was approved allocating and restricting part of its retained earnings amounting to additional ₱1.7 billion to be used for the investment in one on-going power plant project in the Visayas estimated to start commercial operations in 2021, new power generation projects in Luzon and the Visayas, and for infrastructure projects in the Visayas starting 2019.

Out of the 2018 retained earnings appropriation, the Parent Company reverted its prior appropriations amounting to ₱2.1 billion on the power plant projects in the Visayas and Mindanao due to its completion in 2019 and made additional investment amounting ₱31.6 million in 2019 on the new power generation project in Luzon, rooftop solar installation project, and infrastructure projects in Visayas.

In a BOD meeting held on November 13, 2019, the BOD has determined that the Parent Company's operations require to continue the existing appropriations amounting to ₱1.8 billion to provide appropriations for the investment in the new power generation project in the Visayas, and the on-going solar installations projects and infrastructure projects in the Visayas. In the same BOD meeting, a resolution was approved allocating and restricting part of its retained earnings amounting to additional ₱2.6 billion to be used for the investment in the new power generation project in the Visayas estimated to start commercial operations in 2021, solar rooftop installations projects, on-going power plant project in Luzon, and on-going infrastructure projects in Visayas.

Out of the 2019 retained earnings appropriation, the Parent Company made additional investments of ₱1.5 billion in 2020 on the new power generation project in the Visayas, on-going solar installations projects, and infrastructure projects in the Visayas, which amount was then reverted to unappropriated retained earnings in 2020.

In a BOD meeting held on November 13, 2020, the BOD has determined that the Parent Company's operation require to continue the existing appropriations amounting to ₱3.0 billion to provide appropriations for the investment on the on-going power generation projects in the Visayas, solar installation projects, and infrastructure projects in Visayas. In the same BOD meeting, a resolution was approved allocating and restricting part of its retained earnings amounting to additional ₱2.3 billion to be used for the investment in the new power generation projects in Luzon and Mindanao, and on-going projects on power generation, solar rooftop installations, and infrastructure projects in Visayas.

Out of the 2020 retained earnings appropriation, the Parent Company made additional investments of ₱1.0 billion in 2021 on the new power generation project in Mindanao, and on-going power generation projects, solar installation projects and infrastructure projects in the Visayas, which amount was then reverted to unappropriated retained earnings in 2021.

In a BOD meeting held on November 12, 2021, the BOD has determined that the Parent Company's operation require to continue the existing appropriations amounting to ₱4.2 billion to provide appropriations for the investment on the new power generation projects in Luzon, on-going power generation projects in the Visayas, and solar installation projects and infrastructure projects in Luzon and the Visayas. In the same BOD meeting, a resolution was approved allocating and restricting part of its retained earnings amounting to additional ₱2.0 billion to be used for the investment in the on-going and new infrastructure projects in Luzon and the Visayas starting in 2022.

Unappropriated Retained Earnings

The balance of retained earnings includes the accumulated equity in net earnings of subsidiaries, associates and joint ventures, including unrealized fair value adjustments on investment properties, amounting to ₱7.3 billion and ₱6.6 billion as of December 31, 2021 and 2020, respectively. Such amounts are not available for dividend distribution until such time that the Parent Company receives the dividends from the respective subsidiaries, associates and joint ventures.

Non-controlling Interests

In 2019, VSC received cash amounting to ₱0.4 million for its non-controlling interest for the issuance of capital stock. In the same year, VEC and VREC purchased shares of VSC's non-controlling interest in exchange for a cash consideration with a total amount of ₱8.0 million. As a result of this transaction, the balance of non-controlling interest in VSC was reduced by ₱7.2 million. The difference between the consideration transferred and book value of non-controlling interest acquired amounting to ₱0.8 million was accounted for under "Equity reserve".

In June 2019, the Group acquired WMP and recognized non-controlling interest amounting ₱24.2 million representing proportionate share of its interest in WMP's identifiable net assets (see Note 13).

In November 2019, Vivant paid cash consideration amounting ₱23.0 million to WMP's non-controlling interest in relation to WMP's issuance of capital stock. Above consideration was considered additional investments to VIHI and VHHI. The difference between the consideration transferred and book value of non-controlling interest acquired amounting to ₱24.3 million was accounted for under "Equity reserve". As a result of this transaction, the balance of non-controlling interest in WMP was increased by ₱1.3 million.

In 2019, INEC also received cash amounting to ₱12.3 million from its non-controlling stockholders for the issuance of capital stock.

In 2020, INEC and HDFE received cash amounting to ₱73.0 million and ₱16.0 million respectively, from its non-controlling stockholders for the issuance of capital stock.

In 2021, INEC received cash amounting to ₱55.3 million from its non-controlling stockholder for the issuance of capital stock. LPEC also received cash from GPI amounting to ₱0.5 million.

Material Partly-Owned Subsidiary - 1590 EC

The following are selected financial information of the material partly-owned subsidiary of the Group as of and for the years ended December 31, 2021, 2020 and 2019:

	2021	2020	2019
Total current assets	**₱993,023,145**	₱903,759,047	₱1,146,026,096
Total noncurrent assets	**2,154,054,662**	2,424,981,615	2,600,678,162
Total current liabilities	**933,323,365**	1,180,285,736	1,548,547,457
Total noncurrent liabilities	**995,414,558**	1,113,555,486	1,326,054,025
Total equity	**1,218,339,884**	1,034,899,440	872,102,776
Sale of power	**2,559,268,393**	1,702,132,252	2,720,283,002
Operating profit	**929,267,184**	809,866,283	997,299,782
Net income	**741,063,348**	595,917,766	718,036,557
Total comprehensive income	**743,338,604**	590,436,065	712,733,575
Net income attributable to non-controlling interests	**331,996,380**	328,946,606	321,680,378
Total comprehensive income attributable to non-controlling interests	**333,015,695**	266,971,159	319,304,642
Dividends paid to non-controlling interests	**250,880,000**	196,672,000	80,640,000
Accumulated non-controlling interest	**545,770,644**	463,634,949	390,702,044

22. Earnings Per Share (EPS)

The amounts of EPS are computed as follows:

	2021	2020	2019
Net income attributable to shareholders of the parent	**₱1,777,031,392**	₱1,442,131,978	₱2,338,934,325
Weighted average number of outstanding common shares	**1,023,456,698**	1,023,456,698	1,023,456,698
Basic and diluted EPS	**₱1.736**	₱1.409	₱2.285

There are no potential dilutive shares as of December 31, 2021, 2020 and 2019.

23. Contracts, Commitments and Contingencies

Sale of Power

Power Supply Agreements (PSA)

- *INEC Interim PSA.* On April 22, 2020, INEC, a subsidiary, and Bantayan Electric Cooperative, Inc. (BANELCO), an electric cooperative engaged in the distribution of electricity, light, heat and power, entered into an Interim PSA. INEC shall provide a portion of the electricity requirements of BANELCO. The Interim PSA commenced on August 11, 2020 and ended on August 10, 2021.

  On July 3, 2020, INEC and BANELCO filed a joint application to the Energy Regulatory Commission, docketed under ERC Case No. 2020-013 RC, entitled "In the Matter of the Application for Approval of the Interim Power Supply Agreement between Bantayan Island Electric Cooperative, Inc. (BANELCO) and Isla Norte Energy Corporation (INEC), with Motion for Provisional Authority", dated April 29, 2020. The ERC issued a letter to INEC and BANELCO on July 19, 2021, informing that it has granted interim relief to the parties by virtue of an order issued on July 14, 2021, subject to the rates and conditions set forth in the letter.

  Sale of power to BANELCO from this contract amounted to ₱10.1 million, ₱27.9 million and nil in 2021, 2020 and 2019, respectively.

- *INEC PSA.* On February 10, 2020, INEC and BANELCO entered into a PSA. Under the PSA, INEC shall provide the entire energy requirements of BANELCO and its franchise area. The agreement is for a period of 15 years, reckoned from commercial operations date. As of December 31, 2021, INEC has not yet entered commercial operations with respect to the PSA.

- *INEC 90-Day PSA.* The ERC issued a Notice of Resolution dated November 4, 2021 that contained a directive to BANELCO "to source out power from any supplier which it deems fit, to ensure the continuous and unhampered supply of power within its franchise area." BANELCO entered into a PSA with the Company for a period of 90 days, reckoned from the date of the issuance of the resolution, to supply the whole of its energy requirement.

  Sale of power to BANELCO from this contract amounted to ₱83.4 million in 2021.

- *INEC Subsidy Agreement (SA).* Due to the subsidized nature of the above PSAs, the subsidiary applied for Subsidy Agreement (SA) with NPC. This SA allows the entity to collect the difference of the Subsidized/Approved Generation Rate (SAGR) charged to BANELCO and True Cost Generation Rate (TCGR). SAGR charged to BANELECO amounted to ₱6.2552 per kilowatt-hour in 2021 and 2020. The subsidy agreement for the Interim PSA has been signed on December 28, 2021. The entity is still in the process of applying for the subsidy agreements of the PSA and the 90-day PSA with NPC.



In 2020, the Company received from BANELCO an advance deposit amounting to ₱15.0 million in relation to the subsidy agreement. In 2021, the Company received from the National Electrification Administration ₱20.0 million as addition to BANELCO's advance deposit in relation to the subsidy agreement. The amount is refundable to BANELCO upon approval of the application by the ERC, and collection of the subsidy from the National Power Corporation. These deposits are presented under "Others" as part of "Trade and other payables in the statement of financial position (see Note 14).

- *NBPC PSA*. On January 17, 2017, the Company entered into a Power Supply Agreement (PSA) with Bukidnon Second Electric Cooperative (BUSECO) to supply a maximum of 5 MW from its 2 x 3.1 MW power plant located at Barangay Bugcaon, Lantapan, Bukidnon at a specific contract rate for a period of 15 years commencing from commercial operation date in the second quarter of 2018, under a Build Operate Maintain (BOMT) scheme. With the BOMT agreement, NBPC's power plant will be transferred to BUSECO upon termination of the PSA.

  ERC has granted a provisional approval on its rate application on August 31, 2017 effective for only twelve (12) months. Upon expiration of the provisional authority on August 31, 2018, ERC extended the provisional authority in an order dated September 21, 2019. NBPC and BUSECO filed a motion for reconsideration for rates adjustment from the provisionally approved amounts and was partially granted by ERC on October 8, 2019.

  Total generation income from this agreement amounted to ₱41.5 million in 2021.

- *BPC PSA*. On October 16, 2014, the Company entered into a Power Supply Agreement (PSA) with First Bukidnon Electric Cooperative (FIBECO) to supply a maximum of 4.4 MW from its 2 x 2.4 MW power plant located at Barangay Barandas, Bukidnon at a specific contract rate for a period of 15 years commencing from March 15, 2015. ERC has granted a provisional approval on its rate application on August 3, 2015. The second power supply agreement was entered into with FIBECO on July 24, 2015 for a contracted capacity of 2 MW from its 2.5 MW Fuel power plant located at Barangay Mabuhay, San Fernando, Bukidnon, for a period of 15 years starting from April 15, 2016. ERC's final approval on its rate application was dated June 6, 2017.

  Total generation income from this agreement amounted to ₱48.6 million in 2021.

Power Purchase Agreements
A subsidiary of the Group enters into power purchase agreements with various customers for the development, engineering, procurement, construction, operation and maintenance of solar generation facilities at the customers' premises. Revenue from these agreements amounted to ₱9.0 million, ₱6.6 million and ₱5.5 million in 2021, 2020 and 2019.

Ancillary Services Procurement Agreement
In January 2017, a subsidiary entered into an ASPA with NGCP to be its service provider, whereby the entity will provide dispatchable reserve to NGCP to maintain power quality, reliability, and security of the nationwide grid. The term of agreement is in force for five (5) years. Actual transactions such as nominations and scheduling started in November 2017 when the access and technical requirements were finally fulfilled. Revenue from ASPA with NGCP amounted to ₱1,174.7 million, ₱1,407.8 million and ₱1,009.8 million in 2021, 2020 and 2019, respectively.

Retail Electricity Supply
A subsidiary enters into various retail supply contracts with contestable customers for the supply of energy at an agreed price on a per kilowatt-hour basis. The contracts are for a period of 1–2 years and for a contracted capacity of 0.63–2.70 MW. Total retail electricity sales earned from these contracts amounted to ₱301.0 million, ₱120.2 million and ₱70.6 million in 2021, 2020 and 2019, respectively.

In connection with the contracts, the subsidiary received refundable deposits from customers amounting to ₱6.7 million and ₱5.5 million as of December 31, 2021 and 2020, respectively. These are presented as part of "Other noncurrent liabilities" in the statements of financial position (see Note 14).

Participation in WESM
To avail of the opportunities in the competitive electricity market, the Group registered as a direct participant of the wholesale electricity spot market (WESM) effective December 23, 2016. The revenue from sale of power on the WESM recognized by the Group amounting to ₱1,384.6 million, ₱ 294.4 million, ₱1,460.2 million in 2021, 2020 and 2019, respectively, were generated from its participation in the trading of electricity at the WESM.

On March 6, 2014, the ERC rendered an Order voiding the WESM prices for the supply months of November and December 2013 and in lieu thereof, substituting regulated prices. The Order came after the ERC formed an Investigating Unit to investigate the unusual increase in WESM prices and the seemingly simultaneous withholding of capacity by electric power generators during the supply months of November and December 2013.

On March 28, 2014, the Group filed its Motion for Reconsideration (MR) to the Order. In an Order dated October 15, 2014, the ERC denied the MR.

On December 10, 2014, as a result of the denial of the MR by the ERC, the Group filed a Petition for Review with Application for Injunction and Temporary Restraining Order with the CA requesting for the (a) issuance of a Temporary Restraining Order and Writ of Preliminary Injunction enjoining ERC and PEMC from implementing all orders, decisions, and resolutions in ERC Case No. 2014-021 MC and (b) reversal of the Order of the ERC in ERC Case No. 2014-021 MC and (c) reinstating the November and December 2013 WESM market prices.

On November 7, 2017 the CA in the consolidated Petitions for Review, rendered a decision declaring the Orders of the ERC dated March 3, 2014, March 27, 2014, May 9, 2014 and October 15, 2014 (the "ERC Orders") for having been rendered without any factual and legal basis. Accordingly, the CA nullified the regulated prices imposed by the ERC in the ERC Orders that were to prevail in lieu of the WESM prices for the November and December 2013 supply months.

Thereafter, the ERC and Intervenor, filed their respective MRs to which the Company duly filed its respective Oppositions thereto. Moreover, as of March 14, 2018, twelve (12) entities who are not original parties to the consolidated Petitions for Review but claim legal interest in the consolidated Petitions for Review filed their respective Motions for Leave to file intervention and admit the attached MRs. In an Omnibus Resolution dated March 29, 2019, the MR of MERALCO was denied. MERALCO filed a Petition for Review on Certiorari to the March 29, 2019 Omnibus Resolution. On September 7, 2020, the Group received a Notice from the Supreme Court (Third Division) requiring it to comment. The Group was able to file its Comment and Opposition within the allowed extended period. The Petition for Review remains pending with the Supreme Court as of March 18, 2022.



In parallel with the MERALCO Petition for Review, the ERC also filed its Petition for Review on Certiorari with the Supreme Court (First Division). The Supreme Court issued a "Notice of the Resolution" dated September 11, 2019, which required 1590 EC to file its Comment to the Petition for Review. The subsidiary was able to file its Comment and Opposition within the allowed extended period. The Petition for Review also remains pending with the Supreme Court as of March 18, 2022.

Costs of Generation

Purchased Power

- *Bilateral Agreements.* The Group entered into another PSA with KEPCO SPC Power Corporation to purchase power for a fixed fee per MW per hour. The PSA is for a period of one year starting January 13, 2020 to January 12, 2021 with a minimum and maximum contract capacity of 2MW and 5MW, respectively. In December 2020, the contract with KEPCO was extended for a period of one year from January 13, 2021 to January 12, 2022.

  The Company entered into PSA with Southwest Luzon Power Generation Corporation to purchase power for a fixed fee per MW per hour. The PSA shall commence from July 15, 2021 to November 25, 2022 for a contracted capacity of 5MW.

  The total cost of power purchased during the year from the above power supply agreements amounted to ₱179.2 million, ₱68.0 million and ₱48.4 million in December 2021, 2020 and 2019, respectively (see Note 17).

Fuel Supply Agreements

- *Supply Agreement for Heavy Fuel.* On April 1, 2012, the Group entered into a Supply Agreement (Consignment) with Pilipinas Shell Petroleum Corporation (PSPC) for the supply of the Group's petroleum product requirements. Under the agreement, PSPC shall sell and deliver, or procure to be delivered, and the Group shall purchase the petroleum products exclusively from PSPC. The agreement is in force for a period of two (2) years commencing April 1, 2012 to April 30, 2014. Upon expiration of the previous agreement, the contract was renewed starting May 1, 2014 to April 30, 2016 and was further renewed from May 1, 2016 to April 30, 2018. On May 1, 2018, the contract was renewed again until April 30, 2020. The contract was further renewed from May 1, 2020 to April 30, 2021 and from June 1, 2021 to May 31, 2022.

  Heavy fuel oil expense recognized in the consolidated statements of comprehensive income amounted to ₱783.8 million, ₱271.0 and ₱806.1 million in 2021, 2020 and 2019, respectively (see Note 17).

- *Supply Agreement for Light Fuel Oil.* On June 10, 2020, the Group entered into a three-year supply agreement with Pilipinas Shell Petroleum Corporation for the supply of the Group's petroleum product requirements. The agreement is effective on July 1, 2020 until May 31, 2023.

  Light fuel oil recognized in the statements of comprehensive income amounted to ₱73.8 million, ₱29.8 million, and ₱25.8 million in 2021, 2020, and 2019, respectively (see Note 17).

Distribution Wheeling Services
A subsidiary of the Group enters into Distribution Wheeling Service Agreements (DWSA) with various distribution utilities to tap their distribution services for the conveyance of electricity, through its distribution system, to the Company's contestable customers.

Based on the DWSA, the Company shall pass on all applicable distribution wheeling services charges namely distribution, transmission, system loss, metering, ancillary, universal and other charges, including applicable taxes, as billed by the distribution utility to the CC. Total costs incurred for distribution wheeling services amounted to ₱107.2 million, ₱39.2 million and ₱22.2 million in December 2021, 2020 and 2019, respectively (see Note 17).

A bill deposit equivalent to one month of the estimated billing is usually paid to the distribution utility prior to the commencement wheeling services to the contestable customer. As at December 31, 2021 and 2020, security deposit under this agreement amounted to ₱11.7 million and ₱5.4 million, respectively, and is presented as "Others" under "Prepayments and other current assets" (see Note 9).

Open Access Transmission Service
Pursuant to the provision on Credit Support under Section A8.1 of the Open Access Transmission Service Rules as well as the condition set under Billing and Payments of the Transmission Service Agreement, 1590 EC provided additional credit support in the form of a security deposit presented as "Other noncurrent assets" in the consolidated statements of financial position amounting to ₱2.3 million as of December 31, 2021 and 2020 (see Note 13).

Contingencies
The Group is a party to certain proceedings and assessments in the normal course of business. The ultimate outcome of these proceedings cannot be presently determined. The Group's position has been developed in consultation with outside counsel handling the Group's defense in these matters and is based upon an analysis of potential results. As allowed by PAS 37, no further disclosures were provided as this might prejudice the Group's position on this matter. Management believes, based on information currently available and professional legal advice, that the ultimate resolution of these proceedings would not likely have a material, adverse effect on the results of operations, financial position or liquidity of the Group. Existing circumstances and assumptions about future developments related to these proceedings may still change. Such changes are reflected in the assumptions when they occur.

24. **Lease Agreements**

The Group has lease contracts for various items of land and office space used in its operations. Leases of land has a lease term of 17 years, while office space generally have lease terms between 2 and 5 years. The Group's obligations under its leases are secured by the lessor's title to the leased assets. Generally, the Group is restricted from assigning and subleasing the leased assets There are several lease contracts that include extension and termination options.

On May 11, 2012, a MOA was entered into between the 1590 EC and the PGLU for the right to preserve, maintain and operate the BDPP, including the right to use and sell the power generated therefrom. The MOA commenced on May 26, 2012 until June 25, 2013, but subject to yearly renewal unless otherwise terminated by a mutual agreement, for a monthly consideration of ₱10.5 million.

On March 22, 2013, a new MOA was executed between 1590 EC and PGLU for a period of one year commencing immediately after the expiration of the first MOA or on June 26, 2013, for a monthly consideration of ₱12.5 million. On April 2, 2014, an amendment to the MOA was executed extending the agreement to December 31, 2015. In February 2015, the parties executed a Second Amendment to the MOA extending its term until December 31, 2018. The Second Amendment provides for a monthly consideration of ₱13.2 million. All other terms and conditions remained.

In addition, the MOA stipulates for the payment by the Company to PGLU of royalty fees equivalent to 1590EC's one and one-half percent (1.5%) of monthly gross profit, the latter computed as 1590 EC's monthly revenues less monthly costs related to heavy fuel, light fuel and lube oil.

On January 19, 2018, the Group entered into a lease contract with the PGLU over the BDPP after emerging as the winning Proponent during the bidding for the lease thereof. Under the lease contract, the Group can use, possess, man, operate, and maintain the BDPP for its sole account and expense, for a term of five (5) years commencing on January 1, 2019. The lease is in consideration for a monthly rental of ₱14.1 million, royalty payment at 1.5% of monthly net profit, and the infusion of total capital investment of at least ₱600.0 million over the five-year term.

Total depreciation expense on the right-of-use asset recognized under "Costs of Services" amounted to ₱209.6 million, ₱215.8 million and ₱200.7 million in 2021, 2020 and 2019, respectively, and total interest expense on the lease liability recognized as "Finance costs on lease liabilities" in the statement of comprehensive income amounted to ₱50.3 million, ₱73.1 million and ₱83.6 million in 2021, 2020 and 2019, respectively. Total royalty fees recognized under "Costs of Services" amounted to ₱26.0 million, ₱20.0 million and ₱24.5 million in 2021, 2020 and 2019, respectively (see Note 17).

Set out below, are the carrying amounts of the Group's right-of-use assets and lease liabilities and the movements during the year ended December 31, 2021 and December 31, 2020:

	Right-of-use Assets			
	Office Space	**Plant and Equipment**	**Total**	**Lease Liabilities**
As at January 1, 2021	**₱43,346,356**	**₱628,876,558**	**₱672,222,914**	**₱663,178,304**
Remeasurement of lease liability	**4,268,864**	**(9,755,374)**	**(5,486,510)**	**(5,486,510)**
Depreciation expense	**(14,750,479)**	**(209,625,519)**	**(224,375,998)**	**–**
Interest expense	**–**	**–**	**–**	**52,513,071**
Payments	**–**	**–**	**–**	**(351,485,057)**
As at December 31, 2021	**₱32,864,741**	**₱409,495,665**	**₱442,360,406**	**₱358,719,808**

	Right-of-use Assets			
	Office Space	Plant and Equipment	Total	Lease Liabilities
As at January 1, 2020	₱62,025,063	₱863,254,230	₱925,279,293	₱876,440,288
Remeasurement of lease liability	(981,954)	(18,564,115)	(19,546,069)	(19,546,069)
Depreciation expense	(17,696,753)	(215,813,557)	(233,510,310)	–
Interest expense	–	–	–	75,347,137
Payments	–	–	–	(269,063,052)
As at December 31, 2020	₱43,346,356	₱628,876,558	₱672,222,914	₱663,178,304

In 2021, 2020 and 2019, the Group remeasured its lease liabilities to consider the impact of change in the timing of incurrence of capital investments which are in-substance lease payments to PGLU. The remeasurement resulted to a decrease in right-of-use assets and lease liabilities by ₱9.8 million in 2021 and ₱19.5 million in 2020, and an increase in right-of-use assets and lease liabilities by ₱60.6 million in 2019.

In 2021, there were modifications to the Parent Company's leases which increased the lease term, reduced rent payments and provided rent concessions. The remeasurement resulted to a net increase in right-of-use assets and lease liabilities by ₱4.3 million.

Set out below are the amounts recognized in the consolidated statements of comprehensive income for the years ended December 31, 2021 and 2020:

	2021	2020
Depreciation expense of right-of-use assets		
Costs of services (see Note 17)	**₱209,625,519**	₱215,813,557
Operating expenses	**14,750,479**	17,696,753
Interest expense on lease liabilities	**52,513,071**	75,347,137
Variable lease payments (see Note 17)	**26,044,774**	20,001,905
Rent expense - short-term leases	**22,143,009**	10,701,383
	₱325,076,852	₱339,560,735

Variable lease payments are presented as Royalty fees under "Costs of Services" in the consolidated statements of comprehensive income.

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

	2021	2020
Within one year	**₱223,008,091**	₱403,668,508
After one year but not more than five years	**171,728,372**	331,436,958
	₱394,736,463	₱735,105,466

25. Financial Risk Management Objectives and Policies

The Group's principal financial instruments consist of cash and cash equivalents, trade and other receivables, advances to associates and stockholders, financial assets at FVOCI, trade and other payables, notes payable and advances from related parties. The main purpose of these financial instruments is to raise funds for the Group's operations.

The main risks from the Group's financial instruments are credit risk, liquidity risk and foreign currency risk. The BOD reviews and agrees policies for managing each of these risks and these policies are summarized below.

Credit Risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily for trade receivables) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

With respect to cash investments, the risk is mitigated by the short-term and/or liquid nature of its investments mainly in bank deposits and placements, which are placed with financial institutions of high credit standing. Receivable balances are actively monitored on an ongoing basis and acted upon regularly to avoid significant concentrations of credit risk.

Except for the trade receivables of 1590 EC from an electric cooperative and other receivables which were provided with allowance (see Note 7), management evaluated that the Group's consolidated financial assets as summarized below are of high grade and of good credit quality.

The maximum exposure to credit risk, net of allowance for impairment losses, amounted to ₱7,457.3 million and ₱6,644.5 million as of December 31, 2021 and 2020, respectively.

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

The Group writes-off a financial asset, in whole or in part, when the asset is considered uncollectible, it has exhausted all practical recovery efforts and has concluded that it has no reasonable expectations of recovering the financial asset in its entirety or a portion thereof. The Group writes off an account when all of the following conditions are met:

- the asset is in past due for over 90 days, or is already an item-for-forfeiture
- contract restructuring is no longer possible

The Group may also write-off financial assets that are still subject to enforcement activity. The Group has not written off outstanding loans and receivables that are still subject to enforcement activity as of December 31, 2021 and 2020.

The following are the details of the Group's assessment of credit quality and the related ECLs as at December 31, 2021 and 2020:

- *General Approach*

    - *Cash and Cash Equivalents.* As of December 31, 2021 and 2020, the ECL relating to the cash and cash equivalents of the Group is minimal as these are deposited in reputable banks which have good bank standing, and is considered to have low credit risk.

    - *Advances to Associates, Joint Ventures, and Stockholders, Receivables from Related Parties and Other Receivables and Security Deposits.* No ECL is recognized for related party receivables since there were no history of default payments. As of December 31, 2021 and 2020, allowance for impairment losses pertain to individually impaired accounts of other receivables. This assessment is undertaken each financial year through examining the financial position of the related parties and the markets in which the related parties operate.

- *Simplified Approach*
    - *Trade and Accounts Receivable* - The Group applied the simplified approach under PFRS 9, using a 'provision matrix'. As of December 31, 2021 and 2020, the allowance for impairment losses as a result from performing collective impairment test amounted to ₱0.7 million. Management evaluated that the Group's trade receivables are of high grade and of good credit quality.

The tables below show the maximum exposure to credit risk based on the Group's year-end stage classification.

	2021				
	Stage 1 12-month ECL	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Lifetime ECL Simplified Approach**	**Total**
Gross carrying amount	**₱6,577,302,815**	**₱–**	**₱99,617,163**	**₱880,779,640**	**₱7,557,699,618**
Loss allowance	**–**	**–**	**(99,617,163)**	**(732,935)**	**(100,350,098)**
Carrying amount	**₱6,577,302,815**	**₱–**	**₱–**	**₱880,046,705**	**₱7,457,349,520**

	2020				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Lifetime ECL Simplified Approach	Total
Gross carrying amount	₱5,830,429,996	₱–	₱99,617,163	₱814,836,767	₱6,744,883,926
Loss allowance	–	–	(99,617,163)	(732,935)	(100,350,098)
Carrying amount	₱5,830,429,996	₱–	₱–	₱814,103,832	₱6,644,533,828

The following tables set out the aging analysis per class of financial assets as of December 31, 2021 and 2020:

	2021						
		Past Due					
	Not Past Due	**Less than 30 Days**	**31-60 Days**	**61-90 Days**	**Over 90 days**	**Impaired**	**Total**
Financial Assets at Amortized Cost							
Cash and cash equivalents (excluding cash on hand)	**₱4,381,506,785**	**₱1,268,518,154**	**₱–**	**₱–**	**₱–**	**₱–**	**₱5,650,024,939**
Trade and other receivables	**507,327,475**	**281,478,586**	**6,505,325**	**3,893,954**	**80,841,365**	**54,272,035**	**934,318,740**
Advances to associates, joint ventures and stockholders	**262,631,869**	**89,129**	**10,032**	**1,465**	**13,832,382**	**–**	**276,564,877**
Advances to a supplier (under "Other noncurrent assets")	**636,974,713**	**–**	**–**	**–**	**–**	**–**	**636,974,713**
Due from RFM Corporation (under "Other noncurrent assets")	**–**	**–**	**–**	**–**	**–**	**46,078,063**	**46,078,063**
Restricted cash (under "Other current assets")	**2,003,311**	**–**	**–**	**–**	**–**	**–**	**2,003,311**
Security deposits (under "Other noncurrent assets")	**11,734,975**	**–**	**–**	**–**	**–**	**–**	**11,734,975**
	₱5,802,179,128	**₱1,550,085,869**	**₱6,515,357**	**₱3,895,419**	**₱94,673,747**	**₱100,350,098**	**₱7,557,699,618**

	2020						
		Past Due					
	Not Past Due	Less than 30 Days	31-60 Days	61-90 Days	Over 90 days	Impaired	Total
Financial Assets at Amortized Cost							
Cash and cash equivalents (excluding cash on hand)	₱4,871,771,464	₱–	₱–	₱–	₱–	₱–	₱4,871,771,464
Trade and other receivables	610,651,931	188,070,522	195,899	573,134	14,612,346	54,272,035	868,375,867
Advances to associates, joint ventures and stockholders	237,833,625	261,974	193,342	55,541	14,715,900	–	253,060,382
Advances to a supplier (under "Other noncurrent assets")	698,308,703	–	–	–	–	–	698,308,703
Due from RFM Corporation (under "Other noncurrent assets")	–	–	–	–	–	46,078,063	46,078,063
Restricted cash (under "Other current assets")	2,002,202	–	–	–	–	–	2,002,202
Security deposits (under "Other noncurrent assets")	5,287,245	–	–	–	–	–	5,287,245
	₱6,425,855,170	₱188,332,496	₱389,241	₱628,675	₱29,328,246	₱100,350,098	₱6,744,883,926

Liquidity Risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due.

The Group maintains sufficient cash and cash equivalents to finance its operations. Any excess cash is invested in short-term money market placements. These placements and the Group's trade receivables are maintained to meet maturing obligations. The Group, in general, matches the appropriate long-term funding instruments with the general nature of its equity instruments.

The following tables summarize the Group's financial assets that can be used to manage its liquidity risk and the maturity profile of the Group's financial liabilities based on contractual undiscounted payments as of December 31:

	2021				
		Contractual Undiscounted Payments			
	Total	On Demand	Less than 1 Year	1 to 5 Years	More than 5 Years
Financial Assets					
At amortized cost:					
Cash and cash equivalents	**₱5,650,024,939**	**₱4,381,506,785**	**₱1,268,518,154**	**₱–**	**₱–**
Trade and other receivables	**880,046,705**	**67,403,225**	**739,610,872**	**73,032,608**	**–**
Advances to associates, joint ventures, and stockholders	**276,564,877**	**276,564,877**	**–**	**–**	**–**
Advances to a supplier (under "Other noncurrent assets")	**636,974,713**	**–**	**–**	**636,974,713**	**–**
Restricted cash (under "Other current assets")	**2,003,311**	**-**	**–**	**2,003,311**	**–**
Security deposit (under "Other current assets")	**11,734,975**	**–**	**–**	**11,734,975**	**–**
At FVOCI	**8,000,000**	**8,000,000**	**–**	**–**	**–**
	7,465,349,520	**4,733,474,887**	**2,008,129,026**	**723,745,607**	**–**
Financial Liabilities					
Trade and other payables*	**429,937,513**	**–**	**394,937,513**	**35,000,000**	**–**
Long-term notes payable**	**4,535,018,070**	**–**	**335,499,517**	**4,199,518,553**	**–**
Lease liabilities***	**358,719,808**	**–**	**200,707,787**	**158,012,021**	**–**
Advances from related parties	**5,869,112**	**5,869,112**	**–**	**–**	**–**
	5,329,544,503	**5,869,112**	**931,144,817**	**4,392,530,574**	**–**
Net Financial Assets (Liabilities)	**₱2,135,805,017**	**₱4,727,605,775**	**₱1,076,984,209**	**(₱3,668,784,967)**	**₱–**

	2020				
		Contractual Undiscounted Payments			
	Total	On Demand	Less than 1 Year	1 to 5 Years	More than 5 Years
Financial Assets					
At amortized cost:					
Cash and cash equivalents	₱4,872,331,464	₱3,928,599,744	₱943,731,720	₱–	₱–
Trade and other receivables	814,100,832	592,969,308	221,088,411	43,113	–
Advances to associates, joint ventures, and stockholders	253,060,382	253,060,382	–	–	–
Advances to a supplier (under "Other noncurrent assets")	698,308,703	–	–	698,308,703	–
Restricted cash (under "Other current assets")	2,002,202	2,002,202	–	–	–
Security deposit (under "Other current assets")	5,287,245	5,287,245	–	–	–
At FVOCI	7,400,000	7,400,000	–	–	–
	6,652,490,828	4,789,318,881	1,164,820,131	698,351,816	–
Financial Liabilities					
Trade and other payables*	519,830,797	480,613,119	36,975,270	–	2,242,408
Short-term notes payable	749,300,741	–	749,300,741	–	–
Long-term notes payable**	5,834,318,401	–	2,834,318,401	1,200,000,000	1,800,000,000
Lease liabilities***	583,928,197	–	266,134,115	317,794,082	–
Advances from related parties	5,869,112	5,869,112	–	–	–
	7,693,247,248	486,482,231	3,886,728,527	1,517,794,082	1,802,242,408
Net Financial Assets (Liabilities)	(₱1,040,756,420)	₱4,302,836,650	(₱2,721,908,396)	(₱819,442,266)	(₱1,802,242,408)

**Excluding nonfinancial liabilities*
***Including contractual interest to maturity*
****Contractual undiscounted lease payments*

Foreign Currency Risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities when revenue or expense is denominated in a different currency from the Group's functional currency.

The foreign-currency-denominated monetary assets and their Philippine Peso equivalents follow:

	2021		
	USD	**EUR**	**Php Equivalent**
Financial Asset			
Cash	**US$7,650,760**	**€1,545,354**	**₱477,317,847**

	2020		
	USD	EUR	Php Equivalent
Financial Asset			
Cash	US$16,564	€1,521	₱885,002
Financial Liability			
Trade and other payables	US$5,500,000	–	264,220,000
	(US$5,483,436)	€1,521	(₱263,334,998)

The December 31 exchange rates used follows:

	2021	2020
US Dollar	**₱50.77 to US$1**	₱48.04 to US$1
Euro Dollar	**₱57.52 to €1**	₱58.69 to €1

The Group recognized net foreign exchange gain of ₱16.1 million and ₱4.3 million in 2021 and 2020, respectively and net foreign exchange loss of ₱4.4 million in 2019.

The Group manages the timing of settlements or payments to ensure that the Group is not unfavourably exposed to fluctuations of foreign exchange rates. Likewise, the Group maintains adequate PHP, US, and EUR bank deposits to fund major expenditures or payments in foreign currencies.

The tables below demonstrate the sensitivity to a reasonably possible change in the Philippine Peso, with all other variables held constant, of the Group's income before income tax (due to changes in the fair value of monetary assets and liabilities) as of December 31, 2021 and 2020.

	Change in Philippine Peso to US Dollar	
	Appreciation	Depreciation
Effect in income before income tax:		
2021 (at 2.86% appreciation and 2.85% depreciation)	**₱11,109,072**	**(₱11,070,229)**
2020 (at 2.25% appreciation and 2.25% depreciation)	(₱5,927,046)	₱5,927,046

	Change in Philippine Peso to Euro	
	Appreciation	Depreciation
Effect in income before income tax:		
2021 (at 3.38% appreciation and 2.97% depreciation)	**₱3,004,006**	**(₱2,639,615)**
2020 (at 3.24% appreciation and 3.24% depreciation)	₱2,893	(₱2,893)

There is no other impact on the Group's equity other than those already affecting the consolidated income before income tax.

Interest Rate Risk
The Group is not exposed to interest rate risk since its loans are subject to fixed interest rates and are therefore not subject to interest rate risk. Accounts receivable and other significant liabilities are noninterest-bearing. The Group has achieved a balanced mix of cash balances with various deposit rates.

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

Fair Value Hierarchy
The Group uses the following hierarchy for determining the fair value of assets and liabilities:

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

As of December 31, 2021 and 2020, the carrying values of the Group's financial instruments, except for the FRCN and the Project Financing Facility, approximate fair values due to their relatively short-term maturity. The carrying amount of variable-rate loans approximate their fair values due to the annual and quarterly repricing of the variable interest rate (see Note 15).

The Group considers the FRCN and Project Financing Facility with fair value of ₱4.3 billion and ₱3.0 billion as of December 31, 2021 and 2020, respectively, as under Level 3 classification. The fair values were determined by discounting future cash flows using the applicable rates of similar types of instruments plus a certain spread. This spread is the unobservable input and the effect of changes to this is that the higher the spread, the lower the fair value.

The Group's financial assets at FVOCI and investment properties, which are classified under Level 2 and 3, respectively, are measured at fair value.

As of December 31, 2021 and 2020, there were no transfers into and out of Level 3 fair value measurements.

Changes in Valuation Techniques
There were no changes in the valuation techniques used by the Group in determining the fair value of its financial assets at FVOCI and investment properties during the year.

Highest and Best Use
As at December 31, 2021 and 2020, the current use of the Group's investment properties is considered its highest and best use.



Fair Value Hierarchy

The following tables show an analysis of the Group's assets measured at fair value recognized in the consolidated statements of financial position by level of the fair value hierarchy as of December 31, 2020 and 2019:

	2021			
	Fair Value Measurement Using			
	Total	**Quoted Prices in Active Markets (Level 1)**	**Significant Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Assets Measured at Fair Value				
Financial assets at FVOCI	**₱102,000,000**	**₱–**	**₱102,000,000**	**₱–**
Investment properties (see Note 12):				
Land	**838,460,268**	**–**	**–**	**838,460,268**
Condominium units	**25,181,733**	**–**	**–**	**25,181,733**

	2020			
	Fair Value Measurement Using			
	Total	Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets Measured at Fair Value				
Financial assets at FVOCI	₱7,400,000	₱–	₱7,400,000	₱–
Investment properties (see Note 12):				
Land	733,195,868	–	–	733,195,868
Condominium units	24,084,733	–	–	24,084,733

Valuation Techniques Used to Derive Level 3 Fair Values

The following tables show an analysis of the Group's long-term notes payable for which fair values are disclosed at Level 3 of the fair value hierarchy as at December 31:

Description	**Carrying Value as of December 31, 2021**	**Fair Value as of December 31, 2020**	**Valuation Technique**	**Key Observable Inputs**	**Range (Weighted Average)**
FRCN	**₱2,934,581,579**	**₱3,059,496,945**	**Discounted Cash Flow Approach**	**Risk-free interest rate**	**1.01%-5.08% (2.90%)**
Project Financing Facility	**₱1,243,527,742**	**₱1,268,398,095**	**Discounted Cash Flow Approach**	**Risk-free interest rate**	**1.18%-5.03% (4.03%)**

Description	Carrying Value as of December 31, 2020	Fair Value as of December 31, 2019	Valuation Technique	Key Observable Inputs	Range (Weighted Average)
FRCN	₱2,819,508,120	₱2,966,026,459	Discounted Cash Flow Approach	Risk-free interest rate	0.99%–3.95% (1.72%)

The table below presents the following for each class of the Group's investment properties as of December 31, 2021 and 2020:

	2021			
Class of Property	**Fair Value**	**Valuation Technique**	**Key Unobservable Inputs**	**Range**
Investment properties (see Note 12):				
Land	**₱838,460,268**	**Sales Comparison Approach**	**Price per square meter**	**₱4,000–₱77,000**
Condominium units	**25,181,733**	**Sales Comparison Approach**	**Price per square meter**	**₱170,734–₱195,000**

	2020			
Class of Property	Fair Value	Valuation Technique	Key Unobservable Inputs	Range
Investment properties (see Note 12):				
Land	₱733,195,868	Sales Comparison Approach	Price per square meter	₱2,460–₱74,400
Condominium units	24,084,733	Sales Comparison Approach	Price per square meter	₱170,734–₱195,000

Unrealized gain on fair value remeasurement of investment properties, recognized in the consolidated statements of comprehensive income amounted to ₱106.4 million in 2021, nil in 2020, and ₱235.3 million in 2019 (see Note 12). All gains and losses recorded in the consolidated statements of comprehensive income for recurring fair value measurement categorized within Level 3 of the fair value hierarchy are attributable to changes in unrealized gain on fair value remeasurement of investment properties held at the end of the reporting period.

The fair values of financial assets at FVOCI is determined based on the available selling price in the market for identical assets under Level 2 as of December 31, 2020 and 2019. The Group recognized an unrealized gain on financial assets at FVOCI under "Other comprehensive income" in the consolidated statements of comprehensive income amounting to ₱2.7 million in 2021, ₱0.03 million in 2020, and ₱1.8 million in 2019.

There were no transfers between Levels 1 and 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

Descriptions and Definitions

The table above includes the following descriptions and definitions relating to valuation techniques and key unobservable inputs made in determining the fair values:

Sales Comparison Approach. This is a comparative approach to value that considers the sales of similar or substitute properties and related market data and establishes a value estimate by processes involving comparison.

The appraiser gathers data on actual sales and/or listings, offers, and renewal options, and identifies the similarities and differences in the data, ranks the data according to their relevance, adjusts the sales prices of the comparable to account for the dissimilarities with the unit being appraised, and forms a conclusion as to the most reasonable and probable market value of the subject property.

The elements of comparison include location, physical characteristics, available utilities, zoning, and highest and best use. The most variable elements of comparison are the site's physical characteristics, which include its size and shape, frontage, topography and location.

The fair value of the investment properties was based on valuations performed by an accredited independent appraiser, with a recognized and relevant professional qualification and with recent experience in the locations and categories of the investment properties being valued, conducted on various dates in 2021. The valuation models in accordance with those recommended by the International Valuation Standards Committee have been applied.

Significant increases (decreases) in price per square meter in isolation would result in a significantly higher (lower) fair value measurement.

Capital Management

Capital includes equity attributable to the equity holders of the parent. The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

No changes were made in the objectives, policies or processes during the years ended 2021, 2020 and 2019.

The Parent Company and certain subsidiaries are required to maintain financial ratios, such as current ratio, debt-to-equity ratio and debt service coverage ratio, as part of the covenants on their notes payable (see Note 15). As of December 31, 2021 and 2020, the Parent Company and these subsidiaries have complied with the requirements.

The Parent Company is also subject to the Minimum Public Ownership requirement of the PSE. As of December 31, 2021 and 2020, this requirement has been complied with.

The Parent Company and other entities in the Group are not subject to other externally imposed capital requirements.

The Group monitors capital using a gearing ratio, which is net debt divided by equity plus net debt. The Group determines net debt as the sum of short-term and long-term notes payable less cash and cash equivalents.

Gearing ratios of the Group as of December 31 are as follows:

	2021	2020
Notes payable	**₱4,473,540,840**	₱3,568,808,861
Less cash and cash equivalents	**5,650,024,939**	4,872,331,464
Net cash and cash equivalents (a)	**(1,176,484,099)**	(1,303,522,603)
Equity attributable to equity holders of the parent	**16,995,363,158**	15,447,613,922
Equity and net cash and cash equivalents (b)	**₱15,818,879,059**	₱14,144,091,319
Gearing ratio (a/b)	**(0.07):1.00**	(0.09):1.00

26. **Notes to the Consolidated Statement of Cash Flows**

Changes in Liabilities arising from Financing Activities (in thousands)

	2021						
	Long-term Notes Payable	**Advances from Related Parties**	**Lease Liabilities**	**Dividends Payable**	**Short-term Notes Payable**	**Others**	**Total Liabilities from Financing Activities**
January 1, 2021	**₱2,819,508**	**₱5,689**	**₱663,178**	**₱6,062**	**₱749,300**	**₱84,123**	**₱4,327,860**
Non-cash changes:							
Dividends declared	**–**	**–**	**–**	**634,274**	**–**	**–**	**634,274**
Acquired notes payables from business combination	**333,069**	**–**	**–**	**–**	**–**	**–**	**333,069**
Amortization of debt issue cost	**10,587**	**–**	**–**	**–**	**–**	**–**	**10,587**
Additional advances to related parties	**–**	**23,504**	**–**	**–**	**–**	**–**	**23,504**
Additions and modifications	**–**	**(54,800)**	**–**	**–**	**–**	**–**	**(54,800)**
Remeasurement	**–**	**–**	**(5,487)**	**–**	**–**	**–**	**(5,487)**
Cash flows	**1,310,377**	**31,296**	**(298,972)**	**(632,912)**	**(749,300)**	**55,849**	**(283,662)**
December 31, 2021	**₱4,473,541**	**₱5,689**	**₱358,719**	**₱7,424**	**₱–**	**₱139,972**	**₱4,985,345**

	2020						
	Long-term Notes Payable	Advances from Related Parties	Lease Liabilities	Dividends Payable	Short-term Notes Payable	Others	Total Liabilities from Financing Activities
January 1, 2020	₱2,844,727	₱18,310	₱876,440	₱87,464	₱–	(₱4,886)	₱3,822,055
Non-cash changes:							
Dividends declared	–	–	–	664,494	–	–	664,494
Amortization of debt issue cost	4,781	–	–	–	–	–	4,781
Additional advances to related parties	–	147,789	–	–	–	–	147,789
Additions and modifications	–	–	–	–	–	–	–
Remeasurement	–	–	(19,546)	–	–	–	(19,547)
Cash flows	(30,000)	(160,410)	(193,716)	(745,896)	749,300	89,009	(291,712)
December 31, 2020	₱2,819,508	₱5,689	₱663,178	₱6,062	₱749,300	₱84,123	₱4,327,860

	2019					
	Long-term Notes Payable	Advances from Related Parties	Lease Liabilities	Dividends Payable	Others	Total Liabilities from Financing Activities
January 1, 2019	₱2,870,155	₱18,412	₱1,021,297	₱140,876	₱13,368	₱4,064,108
Non-cash changes:						
Dividends declared	–	–	–	426,773	–	426,773
Amortization of debt issue cost	4,572	–	–	–	–	4,572
Pre-termination of lease	–	–	(2,485)	–	–	(2,485)
Additional advances to related parties	–	13,010	–	–	–	13,010
Additions and modifications	–	–	56,548	–	–	56,548
Remeasurement	–	–	60,611	–	–	60,611
Cash flows	(30,000)	(13,112)	(259,531)	(480,185)	(18,254)	(801,082)
December 31, 2019	₱2,844,727	₱18,310	₱876,440	₱87,464	(₱4,886)	₱3,822,055

Others include cash received from non-controlling interest for its share of investment.

Non-cash Changes in Investing Activities

- In 2020, advances to PEI amounting to ₱1.5 million was converted to equity.
- Additions to property, plant and equipment include unpaid portion purchased on account amounting to nil in 2021 and 2020 and ₱380.3 million in 2019 (see Note 11).

27. Operating Segment Information

The Group is currently organized into three operating segments: (1) power generation and distribution operations, (2) infrastructure and water treatment and desalination and (3) investing in shares of stock. These operating segments are consistent with those reported to the BOD, the Group's Chief Operating Decision Maker (CODM).

The operating segments and their corresponding principal activities are as follows:

Power Generation and Distribution

1590 EC operates a diesel power plant wherein power generated is primarily traded at WESM. Core also started its operation in 2018 as a retail electricity supplier with five customers. INEC entered into an Interim Power Supply Agreement with BANELCO. VMHI is on its pre-operating stage of building a hydro power plant in Silay, Negros Occidental (see Note 1). VII and VGPC were incorporated in 2014, and VIDC was incorporated in 2015, which companies are intended to undertake various power generation activities of the Group. CSSC started its commercial operations in January 2019 wherein CSSC will provide the entire energy output to a customer for 15 years.

Infrastructure and Water Treatment and Desalination

WMP is a water treatment engineering company. IMCC is on its pre-operating stage of building a water desalination plant in Cordova, Cebu. NMCWC is also on its pre-operating stage of building a water treatment plant.

Investing in Shares of Stock

As disclosed in Note 1, except for 1590 EC, INEC, VMHI, Core, VII, VGPC, VIDC, CSSC, VEII, IMCC, and WMP, the Parent Company and all other subsidiaries are operating as holding and investing companies. Aside from operating as a power generation company, VEC also operates as a holding and investing company. Revenue from this segment principally comes from equity in net earnings and management fees from investee companies.

VECO, an associate of the Group, is involved in the distribution and sale of electricity, while the other associates and joint ventures are engaged in the generation and supply of power to various entities and parties.

The segment results for the years ended December 31 follow:

	2021				
	Power Generation and Distribution	Infrastructure and Water Treatment and Desalination	Investing in Shares of Stock	Eliminations	Consolidated
Revenues from external customers	₱3,053,244,151	₱42,037,953	₱–	₱–	₱3,095,282,104
Equity in net earnings of associates and joint ventures	–	–	1,769,960,102	–	1,769,960,102
Revenue from inter-segment, associates and affiliates	54,680,531	132,921,602	3,938,731,566	(4,023,744,073)	102,589,626
Interest income	1,513,500	121,818	21,326,267	–	22,961,585
Inter-segment revenues	(54,680,531)	(132,921,602)	(3,836,141,940)	4,023,744,073	–
	3,054,757,651	42,159,771	1,893,875,995	–	4,990,793,417
Income from operations	771,537,408	13,386,380	1,594,007,331	–	2,378,931,119
Finance costs on loans	(34,431,129)	(1,242,751)	(129,631,781)	–	(165,305,661)
Finance costs on lease liabilities	(50,304,024)	(110,160)	(2,098,887)	–	(52,513,071)
Foreign exchange gains	2,516,541	5,108	13,608,113	–	16,129,762
Other income/ (charges)	(2,343,054)	542,607	139,723,505	–	137,923,058
Income before income tax	686,975,742	12,581,184	1,615,608,281	–	2,315,165,207
Income tax expense	(161,869,322)	(6,671,197)	(2,617,021)	–	(171,157,540)
Net income	₱525,106,420	₱5,909,987	₱1,612,991,260	₱–	₱2,144,007,667

	2020				
	Power Generation and Distribution	Infrastructure and Water Treatment and Desalination	Investing in Shares of Stock	Eliminations	Consolidated
Revenues from external customers	₱1,856,892,272	₱99,240,682	₱–	₱–	₱1,956,132,954
Revenue from inter-segment, associates and affiliates	11,435,877	31,607,142	3,812,708,898	(3,633,734,802)	222,017,115
Equity in net earnings of associates and joint ventures	–	–	1,530,892,007	–	1,530,892,007
Interest income	2,038,942	120,388	60,082,861	–	62,242,191
Inter-segment revenues	(11,435,877)	(31,607,142)	(3,590,691,783)	3,633,734,802	–
	1,858,931,214	99,361,070	1,812,991,983	–	3,771,284,267
Income from operations	798,044,965	4,540,809	1,246,176,500	–	2,048,762,274
Finance costs on loans	(3,406,968)	(150,796)	(169,354,172)	–	(172,911,936)
Finance costs on lease liabilities	(72,106,738)	(188,962)	(3,046,437)	–	(75,342,137)
Foreign exchange gains	3,820,287	(1,312)	494,086	–	4,313,061
Other income	824,550	–	55,587,444	–	56,411,994
Income before income tax	727,176,096	4,199,739	1,129,857,421	–	1,861,233,256
Income tax expense	(145,585,904)	(3,451,707)	(5,375,009)	–	(154,412,620)
Net income	₱581,590,192	₱748,032	₱1,124,482,412	₱–	₱1,706,820,636

	2019				
	Power Generation and Distribution	Infrastructure and Water Treatment and Desalination	Investing in Shares of Stock	Eliminations	Consolidated
Revenues from external customers	₱2,547,108,140	–	₱10,531,392	₱–	₱2,557,639,532
Revenue from inter-segment, associates and affiliates	2,647,857,345	–	1,860,001,244	(3,422,666,670)	1,085,191,919
Equity in net earnings of associates and joint ventures	–	–	2,183,383,722	–	2,183,383,722
Interest income	36,905,413	276,923	116,229,628	–	153,411,964
Inter-segment revenues	(2,726,055,473)	–	(696,611,197)	3,422,666,670	–
	2,505,815,425	276,923	3,473,534,789	–	5,979,627,137
Income from operations	2,181,889,826	(21,558,382)	766,796,492	–	2,927,127,936
Gain on fair value remeasurement of investment properties	–	–	235,326,709	–	235,326,709
Finance costs on loans	(502)	(32,854)	(170,888,745)	–	(170,922,101)
Finance costs on lease liabilities	(83,352,610)	(78,960)	(2,230,131)	–	(85,661,701)
Foreign exchange losses	(4,146,366)	(178)	(241,434)	–	(4,387,978)
Other income	36,308,556	–	5,622,504	–	41,931,060
Income before income tax	2,130,698,904	(21,670,374)	834,385,395	–	2,943,413,925
Income tax expense	(204,931,810)	–	(66,731,365)	–	(271,663,175)
Net income	₱1,925,767,094	(₱21,670,374)	₱767,654,030	₱–	₱2,671,750,750

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

Of the Group's total revenues, about 84% and 0% pertains to energy fees in 2021, 78% and 0% in 2020, and 46% and 17% in 2019, of 1590 EC and VEC, respectively.

In 2021, revenue from sale of power to two major customers amounted to ₱2.5 billion representing 82% of the total revenue from the sale of power and 78% of total revenues.

In 2020, revenue from sale of power to a major customer amounted to ₱1.4 billion representing 76% of the total revenue from the sale of power and 65% of total revenues.

In 2019, revenue from sale of power to two major customers amounted to ₱2.8 billion representing 79% of the total revenue from the sale of power and 77% of total revenues.

Geographical business information is not required since the Group has only one geographical segment as all of its assets are located in the Philippines, and it operates or derives all of its revenue from domestic operations.

Inter-segment revenues are eliminated upon consolidation and reflected in the 'inter-segment revenues' row.

Other segment information included in the consolidated statements of financial position as of December 31 is as follows:

	2021			
	Power Generation	**Infrastructure and Water Treatment and Desalination**	**Investing in Shares of Stock**	**Consolidated**
Assets	**₱14,061,931,482**	**₱629,595,810**	**₱10,325,501,276**	**₱25,017,028,568**
Liabilities	**3,609,142,478**	**373,998,751**	**2,995,836,200**	**6,978,977,429**
Capital expenditures	**620,235,607**	**74,834,098**	**26,258,144**	**721,327,849**

	2020			
	Power Generation	Infrastructure and Water Treatment and Desalination	Investing in Shares of Stock	Consolidated
Assets	₱4,741,993,259	₱1,713,949,659	₱16,125,018,689	₱22,580,961,607
Liabilities	3,354,775,130	199,513,876	2,711,189,182	6,265,478,188
Capital expenditures	928,731,613	34,575,003	47,413,299	1,010,719,915

	2019			
	Power Generation	Investing in Shares of Stock	Investing in Shares of Stock	Consolidated
Assets	₱11,509,535,562	₱40,294,761	₱9,317,181,626	₱20,867,011,949
Liabilities	2,995,913,242	9,265,135	3,060,785,932	6,065,964,309
Capital expenditures	712,992,726	15,105,159	51,315,759	779,413,644

Other segment information included in the consolidated statements of comprehensive income for the years ended December 31, 2021, 2020 and 2019 is as follows:

	Power Generation	Infrastructure and Water Treatment and Desalination	Investing in Shares of Stock	Consolidated
Depreciation and amortization:				
2021	**₱298,697,369**	**₱3,895,412**	**₱42,008,991**	**₱344,601,772**
2020	258,649,331	4,040,697	43,432,569	306,122,597
2019	238,017,520	859,416	30,445,630	269,322,566

The Management Committee monitors the operating results of each business unit separately for the purpose of determining resource allocation and assessing performance. Performance is evaluated based on (i) net income for the year, (ii) consolidated earnings before interest, taxes, and depreciation and amortization ("consolidated EBITDA"); and (iii) consolidated core net income ("CCNI"). Net income for the year is measured consistent with reported net income in the consolidated statement of comprehensive income.

Consolidated EBITDA is measured as total net income excluding interest, provision for income taxes, depreciation and amortization, finance costs, foreign exchange gains and losses, and other one-off gains and losses.

CCNI for the year is measured as consolidated net income attributable to equity holders of the parent adjusted for foreign exchange gain or loss, impairment or reversal of impairment of noncurrent assets and certain other non-recurring gain or loss, if any, net of tax effect of the foregoing adjustments.

The following table shows the reconciliation of the EBITDA to net income:

	2021	2020	2019
EBITDA	**₱2,764,460,037**	₱2,415,609,926	₱3,238,381,562
Add (deduct):			
Depreciation and amortization (see Notes 11 and 13)	**(344,601,772)**	(306,122,597)	(269,322,566)
Finance costs on loans (see Note 15)	**(165,305,661)**	(172,911,936)	(170,922,101)
Gain on fair value remeasurement of investment properties (see Note 12)	**106,361,400**	–	235,326,709
Finance costs on lease liabilities (see Note 24)	**(52,513,071)**	(75,342,137)	(85,661,701)
Gain on disposal of investments	**6,764,274**	–	–
Foreign exchange gains (losses) - net		–	(4,387,978)
Income before income tax	**2,315,165,207**	1,861,233,256	2,943,413,925
Provision for income tax (see Note 20)	**(171,157,540)**	(154,412,620)	(271,663,175)
Net income	**₱2,144,007,667**	₱1,706,820,636	₱2,671,750,750

SyCip Gorres Velayo & Co.
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Philippines

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INDEPENDENT AUDITOR'S REPORT
ON SUPPLEMENTARY SCHEDULES

The Board of Directors and the Stockholders
Vivant Corporation
9th Floor, Oakridge IT Center 3
Oakridge Business Park, A.S. Fortuna Street
Brgy. Banilad, Mandaue City
Cebu, Philippines 6014

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Vivant Corporation and its subsidiaries (the Group) as at December 31, 2021 and 2020 and for each of the three years in the period ended December 31, 2021, included in this Form 17-A, and have issued our report thereon dated March 18, 2022. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the Index to the Consolidated Financial Statements and Supplementary Schedules are the responsibility of the Group's management. These schedules are presented for purposes of complying with the Revised Securities Regulation Code Rule 68 and are not part of the basic consolidated financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, fairly state, in all material respects, the information required to be set forth therein in relation to the basic consolidated financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Margem A. Tagalog

Margem A. Tagalog
Partner
CPA Certificate No. 0098098
Tax Identification No. 206-544-506
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
SEC Partner Accreditation No. 98098-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. 08-001998-138-2021, November 10, 2021, valid until November 9, 2024
PTR No. 8854370, January 3, 2022, Makati City

March 18, 2022

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Philippines

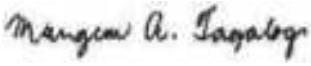
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INDEPENDENT AUDITOR'S REPORT
COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS

The Board of Directors and the Stockholders
Vivant Corporation
9th Floor, Oakridge IT Center 3
Oakridge Business Park, A.S. Fortuna Street
Brgy. Banilad, Mandaue City
Cebu, Philippines 6014

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Vivant Corporation and its subsidiaries (the Group) as at December 31, 2021 and 2020 and for each of the three years in the period ended December 31, 2021, and have issued our report thereon dated March 18, 2022. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The Supplementary Schedule on Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Group's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRSs) and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for the purpose of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the basic consolidated financial statements prepared in accordance with PFRSs. The components of these financial soundness indicators have been traced to the Group's consolidated financial statements as at December 31, 2021 and 2020 and for each of the three years in the period ended December 31, 2021 and no material exceptions were noted.

SYCIP GORRES VELAYO & CO.



Margem A. Tagalog
Partner
CPA Certificate No. 0098098
Tax Identification No. 206-544-506
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
SEC Partner Accreditation No. 98098-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. 08-001998-138-2021, November 10, 2021, valid until November 9, 2024
PTR No. 8854370, January 3, 2022, Makati City

March 18, 2022

Fredlin Agang

From: ICTD Submission <ictdsubmission+canned.response@sec.gov.ph> on behalf of ICTD Submission
Sent: Thursday, July 22, 2021 10:17 AM
To: fredlin.agang@vivant.com.ph
Subject: Re: Vivant Corporation_Annual Financial Statement 2020

Dear Customer,

Your report/document has been SUCCESSFULLY ACCEPTED by ICTD.

(Subject to Verification and Review of the Quality of the Attached Document)

Official copy of the submitted document/report with Bar Code Page (Confirmation Receipt) will be made available after 15 days from receipt through the SEC Express System at the SEC website at www.sec.gov.ph

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NOTICE

Please be informed that pursuant to SEC Memorandum Circular No. 3, series of 2021, scanned copies of the printed reports with wet signature and proper notarization shall be filed in PORTABLE DOCUMENT FORMAT (PDF) **Secondary Reports** such as: 17-A, 17-C, 17-L, 17-Q, ICASR, 23-A, 23-B, I-ACGR, FS-P, FS-C, Monthly Reports, Quarterly Reports, Letters, etc... through email at

ictdsubmission@sec.gov.ph

Note: All submissions through this email are no longer required to submit the hard copy thru mail or over- the-counter.

For those applications that require payment of filing fees, these still need to be filed and sent via email with the SEC RESPECTIVE OPERATING DEPARTMENT.

Further, note that other reports shall be filed thru the **ONLINE SUBMISSION TOOL (OST)** such as:

AFS, GIS, GFFS, SFFS, LCFS, LCIF, FCFS. FCIF ANO, ANHAM. All submissions through OST are no longer required to submit the hard copy thru mail or over- the- counter.

FOR MC28, please email to:

(MC28_S2020@sec.gov.ph)

For your information and guidance.

Thank you and keep safe.

COVER SHEET

for

AUDITED FINANCIAL STATEMENTS

SEC Registration Number

					1	7	5	2	2	2

COMPANY NAME

VIVANT CORPORATION

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

9th Floor, Oakridge IT Center 3, Oakridge Business Park, A.S. Fortuna Street, Brgy. Banila D, Mandaue City, Cebu, Philippines 6014

Form Type	Department requiring the report	Secondary License Type, If Applicable
AAFS	CRMD	N/A

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number	Mobile Number
vivant@vivant.com.ph	(032) 234-2256	N/A

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
1,425	September 11	December 31

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Atty. Joan A. Giduquio-Baron	jbaron@jpgarcialaw.com	(032) 232-0253	0917-5356692

CONTACT PERSON's ADDRESS

9th Floor, Oakridge IT Center 3, Oakridge Business Park, A.S. Fortuna Street, Brgy. Banilad, Mandaue City, Cebu, Philippines

NOTE 1 : In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.

2 : All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.

VIVANT

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The Management of **VIVANT CORPORATION** is responsible for the preparation and fair presentation of the financial statements, including the schedules attached therein, for the years ended December 31, 2020 and 2019, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

The Board of Directors is responsible for overseeing the Company's financial reporting process.

The Board of Directors reviews and approves the financial statements, including the schedules attached therein, and submits the same to the stockholders.

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

RAMONTITO E. GARCIA
Chairman of the Board/ Chief Executive Officer

MINUEL CARMELA N. FRANCO
Chief Financial Officer

Signed this 5th day of April, 2021.

9th Floor Oakridge IT Center 3
Oakridge Business Park, A. S. Fortuna Street
Brgy. Banilad, Mandaue City, Philippines 6014

Tel. no. (6332) 234-2256
Telefax: (6332) 234-2285

www.vivant.com.ph

ACKNOWLEDGEMENT

Republic of the Philippines)
Cebu City) s.s.

BEFORE ME, a Notary Public, for and in Cebu City, Philippines, this MAR 10 2021 personally appeared the following:

Name	Competent Evidence of Identity	Expiration Date	Place of Issue
Ramontito E. Garcia	Passport No. P4758137B	Feb. 11, 2030	DFA Cebu
Minuel Carmela N. Franco	Passport No P2168178A	March 5, 2022	DFA Consular Office Cebu

known to me and to me known to have executed the foregoing instrument, and he/she acknowledged to me that the same is his/her free and voluntary act and deed and of the corporations he/she represent.

IN WITNESS WHEREOF, I have hereunto set my hand on the date and place above stated.

Doc. No. 345;
Page No. 69;
Book No. 34;
Series of 2021.

ATTY. JOAN A. GIDUGUIC-BARON
ROLL NO. 41525
NOTARY PUBLIC
CEBU, PHILIPPINES

ATTY. JOAN GIDUGUIC - BARON
NOTARY PUBLIC
UNTIL JUNE 30, 2021
UNITS 1501-1503 AYALA LINE - FOU CENTER
CEBU BUSINESS PARK, CEBU CITY
ROLL NO. 41525
PTR NO. 1501502 - CEBU CITY - 1-05-2021
IBP LIFETIME NO. 013431 - CEBU CITY

SGV
Building a better working world

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BOA/PRC Reg. No. 0001,
October 4, 2018, valid until August 24, 2021
SEC Accreditation No. 0012-FR-5 (Group A),
November 6, 2018, valid until November 5, 2021

INDEPENDENT AUDITOR'S REPORT

The Board of Directors and the Stockholders
Vivant Corporation
9th Floor, Oakridge IT Center 3
Oakridge Business Park, A.S. Fortuna Street
Brgy. Banilad, Mandaue City, Cebu, Philippines

Report on the Audit of the Parent Company Financial Statements

Opinion

We have audited the parent company financial statements of Vivant Corporation (the Parent Company), which comprise the parent company statements of financial position as at December 31, 2020 and 2019, and the parent company statements of comprehensive income, parent company statements of changes in equity and parent company statements of cash flows for each of the three years in the period ended December 31, 2020, and notes to the parent company financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying parent company financial statements present fairly, in all material respects, the financial position of the Parent Company as at December 31, 2020 and 2019, and its financial performance and its cash flows for each of the three years in the period ended December 31, 2020 in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

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

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the parent company financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Parent Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Parent Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the parent company financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Parent Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the parent company financial statements, including the disclosures, and whether the parent company financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under Revenue Regulations 15-2010 in Note 23 to the parent company financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of the management of Vivant Corporation. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Margaux A. Tagalog
Margaux A. Tagalog
Partner
CPA Certificate No. 0098098
SEC Accreditation No. 1741-A (Group A),
February 26, 2019, valid until February 25, 2022
Tax Identification No. 206-544-506
BIR Accreditation No. 08-001998-138-2018,
December 17, 2018, valid until December 16, 2021
PTR No. 8534368, January 4, 2021, Makati City

April 5, 2021

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS DIVISION-CEBU
RECEIVED
APR 30 2021
DPQA SECTION INITIAL

VIVANT CORPORATION
PARENT COMPANY STATEMENTS OF FINANCIAL POSITION

	December 31	
	2020	2019
ASSETS		
Current Assets		
Cash and cash equivalents (Note 6)	₱2,650,122,434	₱2,313,237,102
Trade and other receivables (Notes 7 and 14)	192,745,896	71,032,941
Prepaid expenses and other current assets (Note 8)	30,201,715	15,894,158
Total Current Assets	2,873,070,045	2,400,164,201
Noncurrent Assets		
Investments in and advances to subsidiaries and associates (Note 9)	7,061,526,616	6,714,244,525
Property and equipment (Note 10)	95,509,251	99,396,994
Right-of-use assets (Note 21)	44,309,159	61,482,817
Deferred income tax assets - net (Note 16)	33,682,790	30,561,008
Other noncurrent assets (Note 11)	157,446,813	151,766,839
Total Noncurrent Assets	7,392,474,629	7,057,452,183
TOTAL ASSETS	₱10,265,544,674	₱9,457,616,384
LIABILITIES AND EQUITY		
Current Liabilities		
Trade and other current liabilities (Notes 12 and 14)	₱59,710,638	₱40,375,742
Current portion of notes payable (Note 13)	2,819,508,120	25,218,850
Current portion of lease liabilities (Note 21)	14,695,257	14,466,267
Total Current Liabilities	2,893,914,015	80,060,859
Noncurrent Liabilities		
Notes payable - net of current portion (Note 13)	–	2,819,508,120
Lease liabilities - net of current portion (Note 21)	34,095,790	49,550,916
Pension liability (Note 15)	52,448,185	44,571,235
Other noncurrent liabilities (Notes 14 and 15)	16,704,078	16,704,078
Total Noncurrent Liabilities	103,248,053	2,930,334,349
Total Liabilities	2,997,162,068	3,010,395,208
Equity		
Capital stock (Note 17)	1,023,456,698	1,023,456,698
Additional paid-in capital	8,339,452	8,339,452
Remeasurement of employee benefits (Note 15)	(8,128,554)	(8,390,113)
Remeasurement of financial assets at fair value through other comprehensive income (FVOCI; Note 11)	2,867,500	2,842,000
Retained earnings (Note 17)		
Appropriated for business expansion	5,213,900,230	4,449,483,361
Unappropriated	1,027,947,280	971,489,778
Total Equity	7,268,382,606	6,447,221,176
TOTAL LIABILITIES AND EQUITY	₱10,265,544,674	₱9,457,616,384

See accompanying Notes to Financial Statements

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS DIVISION-CEBU
APR 30 2021
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VIVANT CORPORATION
PARENT COMPANY STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31		
	2020	2019	2018
REVENUES			
Dividend income (Note 9)	₱1,637,324,284	₱1,026,516,503	₱1,090,552,417
Revenues from contracts with customers			
Management fees (Note 14)	133,525,240	129,484,747	182,373,580
Service income (Note 14)	5,974,453	8,213,522	6,551,296
Engineering service income	460,644	10,531,392	–
Interest income (Note 6)	40,476,576	103,527,517	72,777,976
	1,817,761,197	1,278,273,681	1,352,255,269
EXPENSES			
Salaries and employee benefits (Notes 15 and 18)	165,524,142	118,196,811	150,788,879
Professional fees (Note 14)	125,167,956	111,772,984	63,823,785
Depreciation (Notes 10 and 21)	42,682,749	30,918,893	17,409,401
Outside services	12,899,739	9,373,855	6,876,797
Directors' per diem	7,613,333	4,645,072	4,864,300
Communication and utilities	6,721,139	5,774,855	6,456,585
Supplies	5,446,071	6,387,506	7,256,867
Travel	5,365,013	24,719,648	25,103,222
Taxes and licenses	5,073,306	13,881,971	2,848,040
Representation	3,978,050	3,889,559	8,427,372
Rent and association dues	3,748,301	3,430,502	10,444,556
Repairs and maintenance	3,000,865	2,852,244	3,158,352
Marketing	526,477	1,173,417	6,282,187
Meetings and conferences	181,689	1,321,658	928,993
Corporate social responsibility	94,620	456,222	505,637
Others	8,936,536	7,051,117	6,489,506
	396,959,986	345,846,314	321,664,479
INCOME FROM OPERATIONS	1,420,801,211	932,427,367	1,030,590,790
FINANCE CHARGES			
Interest expense (Notes 13 and 21)	172,712,667	173,197,836	172,448,986
Other financing charges	178,612	31,672	1,463,913
	172,891,279	173,229,508	173,912,899
OTHER INCOME			
Gain on sale of shares of an associate (Note 9)	39,085,242	–	–
Gain on reversal of impairment loss (Note 9)	–	59,824,418	–
Other income	6,439,846	3,586,038	7,685,030
	45,525,088	63,410,456	7,685,030
INCOME BEFORE INCOME TAX	1,293,435,020	822,608,315	864,362,921
PROVISION FOR INCOME TAX (Note 16)	4,738,589	17,302,253	5,205,918
NET INCOME	1,288,696,431	805,306,062	859,157,003

(Forward)

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS DIVISION CEBU
APR 30 2021
OPOA SECTION INITIAL

	Years Ended December 31		
	2020	2019	2018
OTHER COMPREHENSIVE INCOME (LOSS)			
Other comprehensive income (loss) that will not be reclassified to profit or loss:			
Remeasurement gain (loss) on employee benefits (Note 15)	₱373,655	(₱19,387,030)	₱6,299,480
Income tax effect	(112,096)	5,816,108	(1,889,844)
	261,559	(13,570,922)	4,409,636
Unrealized valuation gain on financial assets at FVOCI (Note 11)	30,000	1,820,000	1,850,000
Income tax effect	(4,500)	(273,000)	(555,000)
	25,500	1,547,000	1,295,000
Other comprehensive income (loss) for the year, net of tax	287,059	(12,023,922)	5,704,636
TOTAL COMPREHENSIVE INCOME	₱1,288,983,490	₱793,282,140	₱864,861,639
EARNINGS PER SHARE (BASIC/DILUTED) (Note 17)	₱1.259	₱0.787	₱0.839

See accompanying Notes to Financial Statements.

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS DIVISION-CEBU
RECEIVED
APR 30 2021
OPDA SECTION INITIAL

VIVANT CORPORATION

PARENT COMPANY STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2020, 2019 AND 2018

	Capital Stock	Additional Paid-in Capital	Remeasurement of Employee Benefits (Note 15)	Remeasurement of Financial Assets at FVOCI (Note 11)	Retained Earnings (Note 17) Appropriated	Retained Earnings (Note 17) Unappropriated	Total
At January 1, 2020	**₱1,023,456,698**	**₱8,339,452**	**(₱8,390,113)**	**₱2,842,000**	**₱4,449,483,361**	**₱971,489,778**	**₱6,447,221,176**
Net income	–	–	–	–	–	**1,288,696,431**	**1,288,696,431**
Other comprehensive income	–	–	**261,559**	**25,500**	–	–	**287,059**
Total comprehensive income	–	–	**261,559**	**25,500**	–	**1,288,696,431**	**1,288,983,490**
Reversal of appropriation for business expansion	–	–	–	–	**(1,521,583,131)**	**1,521,583,131**	–
Appropriation for business expansion	–	–	–	–	**2,286,000,000**	**(2,286,000,000)**	–
Cash dividends declared	–	–	–	–	–	**(467,822,060)**	**(467,822,060)**
At December 31, 2020	**₱1,023,456,698**	**₱8,339,452**	**(₱8,128,554)**	**₱2,867,500**	**₱5,213,900,230**	**₱1,027,947,280**	**₱7,268,382,606**
At January 1, 2019	₱1,023,456,698	₱8,339,452	₱5,180,809	₱1,295,000	₱3,972,397,789	₱989,402,347	₱6,000,072,095
Net income	–	–	–	–	–	805,306,062	805,306,062
Other comprehensive income (loss)	–	–	(13,570,922)	1,547,000	–	–	(12,023,922)
Total comprehensive income (loss)	–	–	(13,570,922)	1,547,000	–	805,306,062	793,282,140
Reversal of appropriation for business expansion	–	–	–	–	(2,122,914,428)	2,122,914,428	–
Appropriation for business expansion	–	–	–	–	2,600,000,000	(2,600,000,000)	–
Cash dividends declared	–	–	–	–	–	(346,133,059)	(346,133,059)
At December 31, 2019	₱1,023,456,698	₱8,339,452	(₱8,390,113)	₱2,842,000	₱4,449,483,361	₱971,489,778	₱6,447,221,176
At January 1, 2018	₱1,023,456,698	₱8,339,452	₱771,173	₱-	₱3,422,808,228	₱965,584,015	₱5,420,959,566
Net income	–	–	–	–	–	859,157,003	859,157,003
Other comprehensive income	–	–	4,409,636	1,295,000	–	–	5,704,636
Total comprehensive income	–	–	4,409,636	1,295,000	–	859,157,003	864,861,639
Appropriation for business expansion	–	–	–	–	1,700,000,000	(1,700,000,000)	–
Reversal of appropriation for business expansion	–	–	–	–	(1,150,410,439)	1,150,410,439	–
Cash dividends declared	–	–	–	–	–	(285,749,110)	(285,749,110)
At December 31, 2018	₱1,023,456,698	₱8,339,452	₱5,180,809	₱1,295,000	₱3,972,397,789	₱989,402,347	₱6,000,072,095

See accompanying Notes to Financial Statements.

VIVANT CORPORATION
PARENT COMPANY STATEMENTS OF CASH FLOWS

	Years Ended December 31		
	2020	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**₱1,293,435,020**	₱822,608,315	₱864,362,921
Adjustments for:			
Dividend income (Note 9)	**(1,637,324,284)**	(1,026,516,503)	(1,090,552,417)
Interest expense (Notes 13 and 21)	**172,712,667**	173,197,836	172,448,986
Depreciation (Notes 10 and 21)	**42,682,749**	30,918,893	17,409,401
Interest income (Note 6)	**(40,476,576)**	(103,527,517)	(72,777,976)
Gain on sale of shares of an associate (Note 9)	**(39,085,242)**	–	–
Pension expense (Note 15)	**8,250,605**	8,817,067	7,612,647
Gain on disposal of property and equipment (Note 10)	**(25,500)**	(299,787)	(508,480)
Unrealized foreign exchange loss (gain)	**2,530**	240,260	(31,534)
Gain on reversal of impairment loss (Note 9)	–	(59,824,418)	–
Gain on pretermination of lease (Note 21)	–	(153,726)	–
Operating loss before working capital changes	**(199,828,031)**	(154,539,580)	(102,036,452)
Decrease (increase) in:			
Trade and other receivables	**(140,613,123)**	17,520,367	(21,452,359)
Prepaid expenses and other current assets	**(14,060,962)**	(6,766,521)	(1,032,605)
Creditable tax withheld under other noncurrent assets	**(4,775,280)**	(9,497,919)	(24,661,069)
Increase (decrease) in trade and other current liabilities	**18,917,555**	1,838,592	(3,689,873)
Net cash used in operations	**(340,359,841)**	(151,445,061)	(152,872,358)
Interest paid	**(168,179,316)**	(170,272,988)	(168,328,308)
Net cash flows used in operating activities	**(508,539,157)**	(321,718,049)	(321,200,666)
CASH FLOWS FROM INVESTING ACTIVITIES			
Dividends received from subsidiaries and associates (Note 9)	**1,650,124,284**	1,013,716,503	1,090,552,417
Additions to:			
Investments in and advances to subsidiaries and associates (Note 9)	**(306,664,449)**	(211,075,734)	(1,256,688,189)
Property and equipment (Note 10)	**(22,603,302)**	(51,315,759)	(27,265,391)
Other noncurrent assets	**(1,121,289)**	(6,365,309)	159,615
Interest received	**37,092,877**	80,052,543	58,101,038
Proceeds from disposal of property and equipment	–	299,787	1,723,819
Net cash flows from (used in) investing activities	**1,356,828,121**	825,312,031	(133,416,691)
CASH FLOWS FROM FINANCING ACTIVITIES			
Payments of:			
Cash dividends (Notes 17 and 20)	**(467,156,920)**	(345,784,966)	(285,273,643)
Notes payable (Notes 13 and 20)	**(30,000,000)**	(30,000,000)	(30,000,000)
Lease liabilities (Notes 20 and 21)	**(14,244,182)**	(7,830,714)	–
Cash flows used in financing activities	**(511,401,102)**	(383,615,680)	(315,273,643)
NET INCRASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**336,887,862**	119,978,302	(769,891,000)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**(2,530)**	(240,260)	31,534
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**2,313,237,102**	2,193,499,060	2,963,358,526
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 6)	**₱2,650,122,434**	₱2,313,237,102	₱2,193,499,060

See accompanying Notes to Financial Statements.

1. Corporate Information

Vivant Corporation (the "Parent Company" or "Vivant") was incorporated under the laws of the Republic of the Philippines and registered with the Securities and Exchange Commission (SEC) on May 28, 1990. The Parent Company's shares are listed in the Philippine Stock Exchange (PSE) with the symbol VVT.

The Parent Company's primary purpose is to invest in and manage the general business of any other corporation or corporations except management of fund securities portfolios and other similar assets of a managed entity.

The Parent Company is owned by Mai-I Resources Corporation (MRC) and JEG Development Corporation (JDC) with a combined ownership of 75.86% in 2020, 2019 and in 2018. MRC and JDC are entities incorporated and domiciled in the Philippines.

The principal office address of the Parent Company is currently located at 9th Floor, Oakridge IT Center 3, Oakridge Business Park, A.S. Fortuna Street, Brgy. Banilad, Mandaue City, Cebu, Philippines.

Details of the Parent Company's equity interests in its subsidiaries and associates as of December 31 are shown below:

	2020		2019	
	Percentage of Ownership			
	Direct	**Indirect**	Direct	Indirect
Subsidiaries				
Hijos De F. Escaño (HDFE)	**50.94**	–	50.94	–
Southern Grove Properties and Development Corp. (SGPDC)	**100.00** [f]	–	100.00	–
Vivant Realty Ventures Corporation (VRVC)	–	**100.00** [b]	–	100.00 [b]
Vivant Corporate Center, Inc. (VCCI)	–	**100.00** [b]	–	100.00 [b]
Vivant Infracore Holdings Inc. (VIHI)	**100.00**	–	100.00	–
Vivant Hydrocore Holdings Inc. (VHHI)	–	**100.00** [i]	–	100.00 [i]
Vivant Transcore Holdings Inc. (VTHI)	–	**100.00** [i]	–	100.00 [i]
Isla Mactan-Cordova Corporation (IMCC)	–	**100.00** [j]	–	–
Watermatic Philippines Corporation (WMP)	–	**60.00** [j]	–	60.00 [j]
Vivant Energy Corporation (VEC)	**100.00**	–	100.00	–
Vivant Integrated Generation Corporation (VIGC)	–	**100.00** [a]	–	100.00 [a]
Vivant Geo Power Corp. (VGPC)	–	**100.00** [b]	–	100.00 [b]
Vivant Isla, Inc. (VII)	–	**100.00** [a]	–	100.00 [a]
Vivant Renewable Energy Corporation (VREC)	–	**100.00** [a] [d]	–	100.00 [a] [d]
Corenergy Inc. (Core)	–	**100.00** [a]	–	100.00 [a]
Vivant Integrated Diesel Corporation (VIDC)	–	**100.00** [a]	–	100.00 [a]
Vivant Enercore Integrated Inc (VEII)	–	**100.00** [a] [f]	–	100.00 [a]
Isla Norte Energy Corp. (INEC)	–	**65.00** [a] [e]	–	73.75 [a] [e]
Southern Powercore Holding Corp. (SPHC)	–	**100.00** [b]	–	100.00 [b]
Amberdust Holding Corporation (AHC)	–	**100.00** [b]	–	100.00 [b]
Vivant-Malogo Hydropower, Inc. (VMHI)	–	**67.00** [a]	–	67.00 [a]
1590 Energy Corp. (1590 EC)	–	**55.20** [a]	–	55.20 [a]

(Forward)

	2020		2019	
	Percentage of Ownership			
	Direct	**Indirect**	Direct	Indirect
Vivant Solar Corporation (VSC)	–	**100.00** [a] [k]	–	100.00 [a]
ET Energy Island Corporation (ETEI)	–	**100.00** [a] [c]	–	100.00 [a] [c]
Associates				
Visayan Electric Company, Inc. (VECO)	**34.81**	–	34.81	–
Prism Energy, Inc. (PEI)	–	**40.00** [a]	40.00	–
Faith Lived Out Visions 2 Ventures Holdings, Inc. (FLOWS)	–	**45.00** [j]	–	–

a. Indirect ownership through VEC
b. Indirect ownership through VREC
c. Ownership interest in ETEI is through VSC
d. Changed its corporate name from Vics-Bukun Holdings Corporation (Vics-Bukun) to VREC on October 2, 2015.
e. Changed its corporate name from Vivant Powercore Active Inc. (VPAI) to INEC on December 20, 2019.
f. Changed its corporate name from VC Ventures Net, Inc. (VNI) to SGPDC on January 6, 2016.
g. Ownership interest in Global Luzon Energy Development Corporation (GLEDC) is through LPCI.
h. Indirect ownership through SGPDC
i. Indirect ownership through VIH
j. Indirect ownership through VHHI
k. Changed its corporate name from ET Vivant (ETVVT) to VSC on November 9, 2020.
l. Changed its corporate name from Vivant Enercore Integrated, Inc. to La Pampanga Energy Corporation (LPEC) on January 13, 2021

Subsidiaries

Except for 1590 EC, INEC, VMHI, Core, VII, VGPC, VIDC, ETEI, VEII, WMP and IMCC, all subsidiaries are also operating as holding and investing companies, which are primarily engaged in power generation and distribution and water infrastructure. 1590 EC is operating a diesel power plant, while VMHI is in its pre-operating stage of building a hydro power plant in Silay, Negros Occidental. VEII is also in its pre-operating stage of building an embedded diesel power plant in Pampanga. Core is operating as a retail electricity supplier and engineering services provider. WMP provides engineering services, mainly for water infrastructure projects. IMCC is in its pre-operating stage of building a seawater desalination facility. INEC started its interim commercial operations through an Interim Power Supply Agreement (IPSA) and is currently building a diesel-fired power plant in Bantayan, Cebu. ETEI is operating as a solar rooftop installations provider.

The following sets out a brief information of the Parent Company's subsidiaries and associates:

HDFE

HDFE was incorporated on December 24, 1926, which registration was renewed for another 50 years effective November 26, 1974. The primary purpose of HDFE is to invest in, hold, own, purchase, acquire, lease, contract, operate, improve, develop, grant, sell, exchange, or otherwise dispose of real and personal properties of every kind and description including shares of stocks, bonds and other securities or evidence of indebtedness of any other corporation, association, firm, or entity, domestic or foreign, where necessary or appropriate, and to process and exercise in respect thereof of all the rights, powers and privileges of ownership, including all voting powers of any stock so owned, without acting as, or engaging in, the business of an investment company, or dealer or broker in securities.

The registered office of HDFE is located at Unit 907-908 Ayala Life FGU Center, Mindanao Avenue corner Biliran Road, Cebu Business Park, Barangay Luz, Cebu City, Philippines 6000. The Company's application for amendment on the principal address on the articles of incorporation is ongoing with the SEC. The new registered office once the application for change will be approved is located at 9th Floor, Oakridge IT Center 3, Oakridge Business Park, A.S. Fortuna Street, Brgy. Banilad, Mandaue City, Cebu, Philippines.

SGPDC

SGPDC was incorporated on December 8, 2004 with a primary purpose to invest in, purchase, or otherwise acquire and own, hold, develop, use, sell, lease, assign, transfer, mortgage, pledge, exchange, or otherwise dispose of real and personal property of every kind and description for whatever purpose the same may have been organized. It has also direct equity shareholdings in VRVC and VCCI, both real estate companies.

The registered office of the SGPDC is located at Unit 907-908, Ayala Life-FGU Center, Mindanao Avenue corner Biliran Road, Cebu Business Park, Barangay Luz, Cebu City, Philippines 6000. The Company's application for amendment on the principal address on the articles of incorporation is ongoing with the SEC. The new registered office once the application for change will be approved is located at 9th Floor, Oakridge IT Center 3, Oakridge Business Park, A.S. Fortuna Street, Brgy. Banilad, Mandaue City, Cebu, Philippines.

On March 5, 2015, during the Special Stockholders' Meeting and Special Board Meeting, the stockholders and BOD approved that one of SGPDC's secondary purposes is to conduct and transact any and all lawful business, and to do or cause to be done any one or more of the acts and things set forth as its purposes, within or without the Philippines, and in any and all foreign countries, and to do everything necessary, desirable or incidental to the accomplishment of the purposes or the exercise of any one or more of the powers of the Company under the Corporation Code of the Philippines, or which shall at any time appear conducive to or expedient for its protection or benefit. These amendments made in SGPDC's Articles of Incorporation (AOI) were approved by the SEC on October 8, 2015.

On January 6, 2016, the SEC approved the amendment to its AOI changing its name from VC Ventures Net, Inc. to Southern Grove Properties and Development Corp. and its primary purpose is to engage in real estate business, to hold, construct, develop, manage, administer, sell, convey, encumber, purchase, acquire, rent or otherwise deal in and dispose of all kinds of real property or to act as real estate broker for such fees as may be legal and proper.

VRVC

VRVC was incorporated on May 19, 2017. Its primary purpose is to engage in the real estate business. On July 3, 2017, VRVC purchased from HDFE, a company under common control, a parcel of land located at M.J. Cuenco Ave., Tinago Central, Barangay San Roque, Cebu City amounting to ₱27.9 million, with the intention of holding the land for capital appreciation. As of December 31, 2020, VRVC continues to recognize rental income from the purchased investment property.

The registered office of VRVC is located at Unit 907-908 Ayala Life FGU Center, Mindanao Avenue corner Biliran Road, Cebu Business Park, Barangay Luz, Cebu City, Philippines 6000. Its application for amendment on the principal address on the articles of incorporation was approved on March 25, 2021. The new registered office is located at 9th Floor, Oakridge IT Center 3, Oakridge Business Park, A.S. Fortuna Street, Brgy. Banilad, Mandaue City, Cebu, Philippines.

VCCI

VCCI was incorporated on October 10, 2018 and its primary purpose is to engage in the real estate business. As of December 31, 2020, VCCI has not yet started its operations.

VIHI
VIHI was incorporated on December 18, 2018 and its primary purpose is to engage in real estate business in all its branches and ramifications, to hold, construct, develop, manage, administer, sell, convey, encumber, purchase, acquire, rent or otherwise deal in and dispose of, for itself or for others, all kinds of real property such as lands, buildings, commercial centers, housing projects, mixed-use property, or to act as real estate broker, for itself or for others, for such fees as may be legal and proper. As of December 31, 2020, VIHI is operating as a holding company for VHHI and VTHI.

The registered office of the Company is located at 9th Floor, Oakridge IT Center 3, Oakridge Business Park, A.S. Fortuna Street, Brgy. Banilad, Mandaue City, Cebu, Philippines.

VHHI
VHHI was incorporated on May 20, 2019 and its primary purpose is to purchase, subscribe for or otherwise acquire and own, hold, use, invest in, develop, sell, assign, transfer, lease, take option to, mortgage, pledge, exchange, and in all ways deal with, personal and real property of every kind and description, including share of the capital stock of corporations, bonds, notes, evidence of indebtedness, and other securities, contracts, or obligations of any corporation, domestic or foreign, without however engaging in dealership in securities, in the stock brokerage business or in the business of an investment company, all in accordance with the Corporation Code, the Securities Act and other applicable laws and regulations. As of December 31, 2020, VHHI is operating as a holding company for WMP, IMCC and FLOWS, a holding company.

VTHI
VTHI was incorporated on May 20, 2019 and its primary purpose is to purchase, subscribe for or otherwise acquire and own, hold, use, invest in, develop, sell, assign, transfer, lease, take option to, mortgage, pledge, exchange, and in all ways deal with, personal and real property of every kind and description, including share of the capital stock of corporations, bonds, notes, evidence of indebtedness, and other securities, contracts, or obligations of any corporation, domestic or foreign, without however engaging in dealership in securities, in the stock brokerage business or in the business of an investment company, all in accordance with the Corporation Code, the Securities Act and other applicable laws and regulations. As of December 31, 2020, VTHI has not yet started its operations.

IMCC
IMCC was incorporated on August 14, 2020. Its primary purpose is to plan, layout (by duly licensed engineers), build, fund, operate and maintain a seawater desalination facility, ground and surface water treatment facility, waste water treatment facility, and water distribution systems; and to negotiate and sell bulk water to the water districts, private entities and consumers. As of December 31, 2020, IMCC has not yet started its operations.

WMP
WMP was incorporated on July 23, 2019 as a water treatment engineering company primarily engaged in the design, supply (which includes detailed design, procurement, and assembly), installation, commission, operation and maintenance of water treatment and waste water treatment plant to be owned by WMP or for third parties. WMP also engages in bulk water supply agreements using water sourced from ground water, surface water, or desalinated water. As of December 31, 2020, WMP has started commercial operations.

VEC
VEC was incorporated on January 25, 2005 and its primary purpose is to establish, maintain and operate power plants of any kind and such other sources that may be a viable source of electric light, heat and power system and to sell to the general public, electricity as the corporation may determine. Its principal office is located at 9th Floor, Oakridge IT Center 3, Oakridge Business Park, A.S. Fortuna Street, Brgy. Banilad, Mandaue City, Cebu.

Details of VEC's direct and indirect equity holdings are provided in Note 9.

VIGC
VIGC was incorporated on November 5, 2008 with the primary purpose of holding investments in power generation companies. It has direct equity shareholdings in Minergy Power Corporation (MPC), Therma Visayas, Inc. (TVI) and Lunar Power Core Inc. (LPCI), entities engaged in the power generation business and Abovant Holdings, Inc. (AHI), a holding entity.

VGPC
VGPC was incorporated on April 23, 2014. Its primary purpose is to establish, maintain, own, and operate geothermal, thermal, hydroelectric, solar, wind, coal, diesel power plants and such other sources that may be viable source of electric light, heat and power system and to sell and/or trade electricity for light, heat and power purposes within cities, municipalities and provinces of the Philippines as the corporation may determine and enter into business activity that now or hereafter may be necessary, incidental, proper, advisable or convenient in furtherance of or otherwise relating to such purpose. As of December 31, 2020, VGPC is still in the pre-operating stage.

VII
VII was incorporated on July 11, 2014. Its primary purpose is to engage in business of owning, acquiring, commissioning, operating, maintaining, evaluating, developing, constructing, holding and selling power generation facilities and related facilities, or any other business activity that now or hereafter may be necessary, incidental, proper, advisable or convenient in furtherance of or otherwise relating to such purpose. As of December 31, 2020, VII is still in the pre-operating stage.

VREC
VREC was incorporated on January 8, 2010 with the primary purpose of holding investments in power generation companies. On October 2, 2015, the SEC approved its application for change in corporate name from Vics Bakun Holdings Corporation to VREC. It also has direct equity shareholdings in VMHI, VGPC, SPHC, AHC, VSC, Sabang Renewable Energy Corporation (SREC), Culna Renewable Energy Corp. (CREC), and Lihangin Wind Energy Corporation (LWEC) as of December 31, 2020.

Core
Core was incorporated on December 14, 2012. Its primary purpose is to buy, source and obtain electricity from generating companies or from the wholesale electricity spot market to sell, broker, market or aggregate electricity to the end users, to provide services necessary in connection with the supply or delivery of electricity thereof, distribution utilities and other entities in the electric systems by a duly licensed electrical engineer, the conduct of energy examinations, inspections, assessments, maintenance, testing and commissioning, as amended dated May 31, 2019. As of December 31, 2020, Core has entered into Retail Supply Contract and engineering service contracts with five and four customers, respectively.



VIDC
VIDC was incorporated on August 7, 2015. Its primary purpose is to establish, maintain, acquire, own, hold, and operate diesel powered generating facilities. As of December 31, 2020, VIDC is the holding company of INEC.

VEII
VEII was incorporated on May 26, 2016. The Company applied with the SEC for the change in its name to LPEC, which application was approved on January 13, 2021.

Its primary purpose is to engage in the business of exploring, developing and utilizing renewable energy resources, and establishing, acquiring, maintaining, commissioning, owning and operating geothermal, thermal, hydroelectric, solar, wind, coal, diesel plants and such other sources that may be a viable source of electric light, heat and power system. As of December 31, 2020, VEII is still in the pre-operating stage.

INEC
INEC, formerly VPAI, was incorporated on June 13, 2016. Its primary purpose is to engage in the business of exploring, developing and utilizing renewable energy resources, and establishing, acquiring, maintaining, commissioning, owning and operating geothermal, thermal, hydroelectric, solar, wind, coal, diesel plants and such other sources that may be a viable source of electric light, heat and power system.

As of December 31, 2019, INEC is effectively 74%-owned by VEC and 26%-owned by Gigawatt Power, Inc. (GPI) through a consortium formed by VIDC.

On October 23, 2020, INEC increased its authorized capital stock to ₱436.0 million divided into 43.6 million common stocks and 392.4 million preferred stocks with par values of ₱1.00 per share has been approved by the SEC. As of December 31, 2020, INEC is effectively 65%-owned by VEC and 35%-owned by Gigawatt Power, Inc. (GPI) through a consortium formed by VIDC. The impact of the decrease in the VEC's ownership interest in INEC is not significant.

On December 20, 2019, the application to change the name of VPAI to INEC was approved by the SEC. INEC has started its interim commercial operations through an Interim Power Supply Agreement (IPSA) with Bantayan Electric Cooperative (BANELCO) as of December 31, 2020.

The registered office of INEC is at 9th Floor, Oakridge IT Center 3, Oakridge Business Park, A.S. Fortuna, Brgy. Banilad, Mandaue City, Cebu, Philippines 6014.

SPHC
SPHC was incorporated on April 20, 2017. Its primary purpose is to engage in the business of holding investments in power generation companies. As of December 31, 2020, SPHC has not yet started its commercial operations.

AHC
AHC was incorporated on August 16, 2017. Its primary purpose is to engage in the business of a holding company. As of December 31, 2020, AHC has not yet started its commercial operations.

VMHI
VMHI was incorporated on June 8, 2012. Its primary purpose is to engage in the business of owning, acquiring, operating, generating, collecting and distributing electricity.



VMHI is in its starting phase or pre-operational stage as a power generating entity that will implement a greenfield power plant project, involving the construction and operation of a series of run-of-river hydropower facility in Barangay Capitan Ramon in Silay City, Negros Occidental. VMHI will implement the project in phases, where Phase 1 will involve the construction and operation of a six (6) MW power plant facility along the Malogo river. The project has concluded its detailed engineering design. A tender process is underway for the construction to coincide with the project timetable, but subject to adjustments that may be brought about by regulations from the grid system operator.

1590 EC
1590 EC was incorporated and started operations on July 30, 2010. It is primarily engaged in power generation and operates a 225 MW diesel-fired power plant in Bauang, La Union. 1590 EC is also partly-owned by GPI, Eco Utilities Ventures Holdings Company, Inc. and ICS Renewables Holdings, Inc. (ICS), among others. The principal place of business is located at 9th Floor, Oakridge IT Center 3, Oakridge Business Park, A.S. Fortuna Street, Brgy. Banilad, Mandaue City, Cebu Philippines.

VSC
VSC, formerly ETVVT, was incorporated on April 4, 2018 primarily to engage in developing and constructing solar power generation and related facilities for lighting and power purposes and whole-selling the electric power to the wholesale electricity spot market, private distribution utilities, private electric cooperative and other off-takers and selling and/or trading electricity for light, heat and power purposes. It has direct equity shareholdings in ETEI, an entity engaged in the solar power generation business. As of December 31, 2020, VSC has started its commercial operations.

On November 9, 2020, the application to change the name of ET Vivant to VSC was approved by the SEC.

ETEI
ETEI was incorporated on January 11, 2017 with the primary purpose to explore, develop, build, construct, install, commission, rehabilitate, maintain, own, manage, operate and invest in, bid for or otherwise acquire power generating plants and related facilities and to engage in the business of generating, marketing, selling and supplying electricity generated from solar photovoltaic systems and components; planning and construction of photovoltaic power plants and to provide consulting services associated with photovoltaic power plants, provided that it shall not operate a public utility. ETEI started commercial operations in January 2019.

Associates. VECO, PEI and FLOWS qualify as associates of the Parent Company.

VECO
VECO was incorporated on February 22, 1961 and whose corporate term was extended for another 50 years from after the expiration on February 23, 2012. VECO is a power distribution entity, the primary activities of which are to establish, maintain and operate electric light, heat and power systems and to sell to the general public electricity for light, heat and power purposes.

VECO serves the electrical power needs of four cities (Cebu, Mandaue, Talisay and Naga) and four municipalities (Minglanilla, San Fernando, Consolacion and Lilo-an) of the greater part of Metro Cebu by virtue of legislative franchise grants.

The registered office address of VECO is at J. Panis Street, Banilad, Cebu City, Philippines.



PEI
PEI was incorporated on March 24, 2009 as a retail electricity supplier. On April 26, 2017, PEI began its operations providing qualified contestable customers the opportunity to select a contract structure that will meet their generation supply requirement.

PEI's registered principal office address is at Aboitiz Corporate Center, Gov. Manuel A. Cuenco Ave., Kasambagan, Cebu City, Philippines.

On October 5, 2020, the Parent Company assigned all of its rights, title and interest in 8,432,400 common shares in PEI to VEC, including its advances to VEC amounting to ₱1.5 million, in exchange for 47,517,642 preferred shares of the latter. A gain of ₱39.1 million was recognized in the parent company statement of comprehensive income in 2020 in relation to this transfer (see Note 9).

FLOWS
FLOWS, an associate of VHHI, was incorporated on August 31, 2018 primarily to engage in the activities of a holding company except as a stockbroker or dealer of securities, provided that, FLOWS shall not solicit, accept or take investments/placements from the public neither shall it issue investments contracts.

FLOWS has an 89.58% direct ownership interest in Puerto Princesa Water Reclamation and Learning Center, Inc. (PPWRLC).

The registered principal office of FLOWS is at 37 Taft Street, Barangay Maligaya, Puerto Princesa City, Palawan.

The parent company financial statements as of December 31, 2020 and 2019 and for each of the three years in the period ended December 31, 2020 were approved and authorized for issuance by the Board of Directors (BOD) on April 5, 2021.

2. Basis of Preparation and Statement of Compliance

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

The Parent Company also prepares and issues consolidated financial statements for the same period as these separate financial statements presented in accordance with Philippine Financial Reporting Standards (PFRSs). These may be obtained at 9th Floor, Oakridge IT Center 3, Oakridge Business Park, A.S. Fortuna Street, Brgy. Banilad, Mandaue City, Cebu, Philippines.

Statement of Compliance
The financial statements of the Parent Company have been prepared in compliance with PFRSs.

3. **Changes in Accounting Policies and Disclosures**

New Standards, Interpretations and Amendments

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

  The amendments do not have a significant impact on the parent company financial statements since it has not received any rent concessions.

Standards Issued but not yet Effective

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

Effective beginning on or after January 1, 2021

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

  The amendments provide the following temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR):
  - Practical expedient for changes in the basis for determining the contractual cash flows as a result of IBOR reform;
  - Relief from discontinuing hedging relationships; and
  - Relief from the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component.

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



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

Effective beginning on or after January 1, 2022

- Amendments to PFRS 3, Reference to the Conceptual Framework

  The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements. The amendments added an exception to the recognition principle of PFRS 3 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 applied prospectively.

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

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

  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 amendments are not expected to have a material impact on the parent company financial statements.

- 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 Parent Company will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.



- *Annual Improvements to PFRSs 2018-2020 Cycle*

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

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

    The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted. The amendments are not expected to have a material impact on the parent company financial statements.

  - Amendments to PFRS 9, 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 Parent Company will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendments are not expected to have a material impact on the parent company financial statements.

Effective beginning on or after January 1, 2023

- Amendments to PAS 1, Classification of Liabilities as Current or Noncurrent

  The amendments clarify paragraphs 69 to 76 of PAS 1 to specify the requirements for classifying liabilities as current or noncurrent. 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; and
  - That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

  The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and must be applied retrospectively. The amendments are not expected to have a material impact on the parent company financial statements since all liabilities of the Parent Company, except pension, lease liabilities, notes payable and other noncurrent liabilities, which do not have deferral rights, are current.



Deferred Effectivity

- Amendments to PFRS 10, *Consolidated Financial Statements*, and PAS 28, *Investments in Associates and Joint Ventures,* 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.

  The amendments are not expected to have an impact on the parent company financial statements.

4. Summary of Significant Accounting Policies

Current and Noncurrent Classification

The Parent Company presents assets and liabilities in the parent company statement of financial position based on current/noncurrent classification. An asset is current when it is:

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

All other assets are classified as 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 months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Parent Company classifies all other liabilities as noncurrent.

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

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

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

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

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

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

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

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

Financial Instruments

Initial Recognition and Subsequent Measurement

- *Classification of Financial Assets*. Financial assets are classified in their entirety based on the contractual cash flows characteristics of the financial assets and the Parent Company's business model for managing the financial assets. The Parent Company classifies its financial assets into the following measurement categories:
  - Financial assets measured at amortized cost;
  - Financial assets measured at fair value through profit or loss (FVPL);
  - Financial assets measured at FVOCI, where cumulative gains or losses previously recognized are reclassified to profit or loss; and



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

- *Contractual Cash Flows Characteristics*. If the financial asset is held within a business model whose objective is to hold assets to collect contractual cash flows or within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, the Parent Company assesses whether the cash flows from the financial asset represent solely payments of principal and interest (SPPI) on the principal amount outstanding. In making this assessment, the Parent Company determines whether the contractual cash flows are consistent with a basic lending arrangement, i.e., interest includes consideration only for the time value of money, credit risk and other basic lending risks and costs associated with holding the financial asset for a particular period of time. In addition, interest can include a profit margin that is consistent with a basic lending arrangement. The assessment as to whether the cash flows meet the test is made in the currency in which the financial asset is denominated. Any other contractual terms that introduce exposure to risks or volatility in the contractual cash flows that is unrelated to a basic lending arrangement, such as exposure to changes in equity prices or commodity prices, do not give rise to contractual cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

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

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



As at December 31, 2020 and 2019, the Parent Company has financial assets at amortized cost consisting of cash and cash equivalents, trade and other receivables, and receivable from RFM Corporation included under "Other noncurrent assets" such as (see Notes 6, 7, 11 and 14).

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

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

  Dividends are recognized in profit or loss only when:
  - the Parent Company's right to receive payment of the dividend is established;
  - it is probable that the economic benefits associated with the dividend will flow to the Parent Company; and
  - the amount of the dividend can be measured reliably.

  As at December 31, 2020 and 2019, the Parent Company has financial assets at FVOCI amounting to ₱7.4 million, which is presented as part of "Other noncurrent assets" (see Note 11).

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

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

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

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

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

The Parent Company's financial liabilities include accounts payable, accrued interest, accrued expenses and advances from related parties (under "Trade and other current liabilities"), interest-bearing loans (under "Notes payable") and lease liabilities (see Notes 12, 13, 14 and 21).

Impairment of Financial Assets. The Parent Company recognizes ECL for the following financial assets that are not measured at FVPL:
- Debt instruments that are measured at amortized cost and FVOCI;
- Loan commitments; and
- Financial guarantee contracts.

No ECL is recognized on equity investments.

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

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

- *Stage 1: 12-month ECL.* For credit exposures where there have not been significant increases in credit risk since initial recognition and that are not credit-impaired upon origination, the portion of lifetime ECLs that represent the ECLs that result from default events that are possible within the 12-months after the reporting date are recognized.

- *Stage 2: Lifetime ECL - not credit-impaired.* For credit exposures where there have been significant increases in credit risk since initial recognition on an individual or collective basis but are not credit-impaired, lifetime ECLs representing the ECLs that result from all possible default events over the expected life of the financial asset are recognized.



- *Stage 3: Lifetime ECL - credit-impaired.* Financial assets are credit-impaired when one or *more* events that have a detrimental impact on the estimated future cash flows of those financial assets have occurred. For these credit exposures, lifetime ECLs are recognized and interest revenue is calculated by applying the credit-adjusted effective interest rate to the amortized cost of the financial asset.

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

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

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

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

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

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

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

Offsetting Financial Instruments. Financial assets and financial liabilities are offset and the net amount is reported in the parent company statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.



Derecognition of Financial Assets and Liabilities

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

  - the rights to receive cash flows from the asset have expired;

  - The Parent Company 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 Parent Company 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.

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

  Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Parent Company's continuing involvement is the amount of the transferred asset that the Parent Company may repurchase, except that in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, the extent of the Parent Company's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

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

Cash and Cash Equivalents

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

Prepaid Expenses and Other Current Assets

Prepayments and other current assets are recognized and carried at cost, less any impairment in value. These are recognized as assets when it is probable that any future economic benefit associated with the item will flow to or from the entity and the item has a cost or value that can be measured with reliability. An asset is not recognized in the parent company statement of financial position when expenditure has been incurred for which it is considered improbable that economic benefits will flow to the entity beyond the current accounting period. Instead, such a transaction



results in the recognition of an expense in the parent company statement of comprehensive income.

Investments in and Advances to Subsidiaries and Associates

A subsidiary is an entity over which the Parent Company has the power to govern the financial and operating policies generally accompanying a shareholding of more than half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Parent Company controls another entity.

An associate is an entity over which the Parent Company has significant influence and which is neither a subsidiary nor a joint venture. 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.

Investments in and advances to subsidiaries and associates are carried at cost, less impairment in value, in the parent company financial statements.

The Parent Company recognizes income from the investments only to the extent that the Parent Company receives distributions or establishes a right to receive distributions from accumulated profits of the subsidiaries and associates arising after the date of acquisition. Distributions received in excess of such profits are regarded as a recovery of investment and are recognized as a reduction of the cost of the investment.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation and impairment losses, if any.

Initially, an item of property and equipment is measured at its cost, which comprises its purchase price and any directly attributable costs of bringing the asset to the location and condition for its intended use. Subsequent expenditures are added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the originally assessed standard of performance, will flow to the Parent Company. The costs of day-to-day servicing of an asset are recognized as an expense in the period in which they are incurred.

Depreciation is computed using the straight-line method over the assets' estimated useful lives. Leasehold improvements are depreciated using the straight-line method over the estimated useful life of the improvements or the term of the lease, whichever is shorter. The estimated useful lives are as follows:

	Number of Years
Condominium units and improvements	5–40
Transportation equipment	5
Office furniture and equipment	2–10
Leasehold improvements	3–10
Other equipment	3–5

The useful lives and depreciation method are reviewed at each reporting date to ensure that such useful lives and depreciation method are consistent with the expected pattern of economic benefits from those assets.

Construction in progress represents structures under construction and is stated at cost. This includes cost of construction and other direct costs. Borrowing costs that are directly attributable to the construction of property and equipment are capitalized during the construction period. Property and equipment under construction are not depreciated until such time as the relevant assets are completed and put into operational use.

Fully depreciated assets are retained in the accounts until they are no longer in use and no further charge for depreciation is made in respect to those assets.

When an asset is disposed of, or is permanently withdrawn from use and no future economic benefits are expected from its disposal, the cost and the related accumulated depreciation and impairment losses, if any, are removed from the accounts and any resulting gain or loss arising from the retirement or disposal is recognized in profit or loss.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Leases

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

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

Right-of-use Assets. The Parent Company recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. Unless the Parent Company is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term as follows:

	Number of Years
Land	15
Office space	1–4

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

Lease Liabilities. At the commencement date of the lease, the Parent Company recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. 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 Parent Company and payments of penalties for terminating a lease, if the lease term reflects the Parent Company 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 Parent Company uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short-term Leases. The Parent Company applies the short-term lease recognition exemption to its short-term leases of office space and lot (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). Lease payments on short-term leases are recognized as expense on a straight-line basis over the lease term.

Foreign-currency-denominated Transactions

Transactions in foreign currencies are recorded using the exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are restated using the rate of exchange at reporting date. Exchange gains and losses arising from foreign currency transactions and translations of foreign-currency-denominated monetary assets and liabilities are credited or charged to current operations.

Impairment of Nonfinancial Assets

The Parent Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Parent Company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset 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 to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples or other available fair value indicators.

Impairment losses of continuing operations are recognized in the parent company statement of comprehensive income in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Parent Company 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 estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the parent company statement of comprehensive income unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal the depreciation charge is adjusted in future periods to allocate the

asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Equity

Capital Stock. Capital stock is recognized as issued when the stock is paid for or subscribed under a binding subscribing agreement and is measured at par value for all issued shares.

Additional Paid-in Capital. Consideration received in excess of par value are recognized as additional paid-in capital, net of incremental costs that are directly attributable to the issuance of new shares.

Retained Earnings. Retained earnings consist of appropriated and unappropriated balances. Appropriated retained earnings are restricted for specific purposes and/or are not available for dividend declaration. Unappropriated retained earnings are not restricted and include the cumulative balance of net income or loss, any dividend distributions, prior period adjustments and effects of any change in accounting policy.

Revenue Recognition

Revenue is measured based on the consideration to which the Parent Company expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

Revenue is recognized when the Parent Company satisfies a performance obligation by transferring a promised good or service to the customer, which is when the customer obtains control of the good or service. A performance obligation may be satisfied at a point in time or over time. The amount of revenue recognized is the amount allocated to the satisfied performance obligation. The Parent Company has concluded that it is the principal in its revenue arrangements because it controls the goods or services before these goods or services are transferred to the customer.

The following specific recognition criteria must also be met before revenue is recognized:

Revenues from Contracts with Customers

- *Management Fees.* Revenue from management fees, arising from services involving consultancy, management, technical, and services covered by Service Level Agreements (SLAs), are recognized over time when the related services are rendered based on the terms of the management and service contracts.

- *Service Income.* Revenue from service income arising from intercompany charges are recognized over time when the related services are rendered based on agreed hourly billing rates.

- *Engineering Service Income.* Revenue from engineering services, arising from engagement with customers availing technical and engineering expertise and covered by service contracts, are recognized over time when the services are rendered.

For the years ended December 31, 2020, 2019 and 2018, the Parent Company has no variable consideration and the timing of revenue recognition currently does not result in any contract assets or liabilities and there are no unfulfilled performance obligations at any point in time.

Dividends. Dividends are recognized when the Parent Company's right to receive the payment is established.

Interest Income. Interest income is recognized as the interest accrues, taking into account the effective yield on the asset.

Other Income. Other income includes services to third party, rental income from short-term leases and gain on disposal of property and equipment. These are generally recognized when earned.

Expense Recognition

Expenses are decreases in economic benefits during the accounting period in the form of outflows or decrease of assets or incurrence of liabilities that result in decreases in equity, other than those relating to distributions to equity participants. Expenses are recognized in the parent company statement of comprehensive income when incurred.

Provisions

Provisions are recognized when the Parent Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Parent Company expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain.

The expense relating to any provision is presented in the parent company statement of comprehensive income, net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a borrowing cost.

Pension Benefits

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.

Defined benefit costs comprise the following:

- Service cost;
- Net interest on the net defined benefit liability or asset; and
- 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 the parent company statement of comprehensive income. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuaries.

Net interest on the net defined benefit liability 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 the parent company statement of comprehensive income.

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 parent company statement of income in subsequent periods.

Plan assets are assets that are held by a long-term employee benefit fund. Plan assets are not available to the creditors of the Parent Company, nor can they be paid directly to the Parent Company. Fair value of plan assets is based on market price information. 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 tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date.

Deferred Income Tax. Deferred income tax is provided using the liability method on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred income tax liabilities are recognized for all taxable temporary differences, except:

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

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

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

- where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

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

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted as of the reporting date. Income tax relating to items recognized directly in equity is recognized in equity and not in the parent company statement of comprehensive income.

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

Value-Added Tax (VAT)
Revenues, expenses, and assets are recognized net of the amount of VAT, if applicable.

When VAT from sales of services (output VAT) exceeds VAT passed on from purchases of goods or services (input VAT), the excess is recognized as payable in the parent company statement of financial position. When VAT passed on from purchases of goods or services (input VAT) exceeds VAT from sales of services (output VAT), the excess is recognized as an asset in the parent company statement of financial position to the extent of the recoverable amount.

Contingencies
Contingent liabilities are not recognized in the parent company 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 parent company financial statements but disclosed when an inflow of economic benefits is probable.

Events After the Reporting Period
Post year-end events that provide additional information about the Parent Company's position at the reporting date (adjusting events) are reflected in the parent company financial statements. Post year-end events that are not adjusting events are disclosed when material.

Earnings Per Share
Basic earnings per common share is calculated by dividing net income for the year attributable to the common stockholders of the Parent Company by the weighted average number of common shares issued and outstanding during the year, after retroactive adjustments for any stock dividend declared.

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



As of December 31, 2020 and 2019, the Parent Company does not have dilutive common stock equivalents.

5. Significant Accounting Judgments, Estimates and Assumptions

The preparation of the parent company financial statements in compliance with PFRSs requires the Parent Company to make judgments, estimates and assumptions that affect the amounts reported in the parent company financial statements and related notes. In preparing these parent company financial statements, the Parent Company made its best judgments and estimates of certain amounts, giving due consideration to materiality. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability in future periods.

The Parent Company believes that the following represent a summary of these significant accounting estimates and the related impact and associated risks in the parent company financial statements.

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

Estimating Allowance for Impairment of Losses on Investments in and Advances to Subsidiaries and Associates. Investments in and advances to subsidiaries and associates are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. In 2019, there was an increase in the carrying value of HDFE's investment properties being appraised. Thus, a reversal of prior impairment was recognized in 2019 amounting to ₱59.8 million.

Estimating Provision for Pension Liability. The costs of defined benefit pension plans, as well as the present value of the pension obligation, are determined using actuarial valuations. An actuarial valuation involves making various assumptions. These include the determination of the discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined benefit obligations are highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

The pension liability as of December 31, 2020 and 2019 amounted to ₱52.4 million and ₱44.6 million, respectively (see Note 15).

Further details about the assumptions used are provided in Note 15.

Estimating Realizability of Deferred Income Tax Assets. The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of such deferred income tax assets to be utilized. The Parent Company's assessment on the recognition of deferred income tax assets on deductible temporary differences is based upon the likely timing and level of future taxable profits determined from the tax planning strategies of the Parent Company.



Deferred income tax assets amounted to ₱35.4 million and ₱33.0 million as of December 31, 2020 and 2019, respectively. Deferred income tax assets have not been recognized on net operating loss carry-over (NOLCO) of ₱910.3 million and ₱782.7 million as of December 31, 2020 and 2019, respectively, because management believes that it is not probable that sufficient taxable profit will be available to allow all or part of the deferred income tax assets to be utilized (see Note 16).

Estimating the Incremental Borrowing Rate for Lease Liability. The Parent company cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Parent Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Parent Company 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Parent Company estimates the IBR using observable inputs when available and is required to make certain entity-specific estimates.

The Parent Company's lease liabilities amounted to ₱48.8 million and ₱64.0 million as of December 31, 2020 and 2019, respectively (see Note 21).

6. Cash and Cash Equivalents

	2020	2019
Cash on hand and in banks	**₱42,785,270**	₱48,565,734
Short-term investments	**2,607,337,164**	2,264,671,368
	₱2,650,122,434	₱2,313,237,102

Cash in banks earn interest at the respective bank deposit rates. Short-term investments are cash equivalents and made for varying periods of up to three months depending on the immediate cash requirements of the Parent Company and earn interest at the respective short-term investment rates.

Interest income recognized from cash in banks and short-term investments amounted to ₱40.5 million, ₱103.5 million and ₱72.8 million in 2020, 2019 and 2018, respectively. Accrued interest receivable amounted to ₱1.9 million and ₱6.5 million as of December 31, 2020 and 2019, respectively (see Note 7).

7. Trade and Other Receivables

	2020	2019
Accounts receivable:		
Related parties (see Note 14)	**₱12,126,756**	₱19,071,629
Third parties	**–**	216,158
Advances to related parties (see Note 14)	**162,999,642**	14,726,757
Advances to employees	**2,701,824**	2,224,803
Accrued interest receivable (see Note 6)	**1,861,064**	6,454,332
Dividends receivable (see Note 14)	**–**	12,800,000
Others (see Note 14)	**13,789,545**	16,026,199
	193,478,831	71,519,878
Less allowance for impairment and credit losses	**732,935**	486,937
	₱192,745,896	₱71,032,941

Accounts receivable represent amounts owed by third parties and related parties for consultancy, management, technical and other related services rendered by the Parent Company. These are noninterest-bearing and collectible within 10 to 30 days.

Advances to employees pertain to cash advanced to the Parent Company's employees for official business expenses which are subject to liquidation upon completion of the purpose for which the cash is advanced.

Other receivables arise from transactions other than those related to the Parent Company's normal course of business such as nontrade intercompany charges, receivable from government agencies and others.

The following table shows the movement in the allowance for impairment losses of receivables:

	2020	2019
At January 1	**₱486,937**	₱861,508
Provision (reversal)	**245,998**	(374,571)
At December 31	**₱732,935**	₱486,937

In 2019, the Parent Company recognized a reversal of the estimated credit losses amounting to ₱0.4 million since most of the receivables were recovered. In 2020, the Parent Company recognized provision for estimated credit losses amounting to ₱0.2 million as a result from performing collective impairment tests on its receivables using the simplified approach.

8. Prepaid Expenses and Other Current Assets

	2020	2019
Prepayments	**₱11,028,837**	₱7,680,904
Input VAT	**2,550,213**	3,651,412
Others (see Note 13)	**16,622,665**	4,561,842
	₱30,201,715	₱15,894,158

Prepayments include prepaid rentals and advance payments for health insurance coverage and all risks of direct physical loss or damage to the Parent Company's properties.

Others include professional fees incurred in connection with the new FRCN (see Note 13), and unused office supplies.

9. Investments in and Advances to Subsidiaries and Associates

The components of the carrying values of investments accounted for under the cost method and advances to subsidiaries and associates are as follows:

	Nature of Business	**Ownership**	**2020**	Ownership	2019
Investments in Subsidiaries					
VEC	Holding Company/ Power generation	**100.00**	**₱5,430,918,341**	100.00	₱5,214,447,475
HDFE	Holding company	**50.94**	**760,507,362**	50.94	760,507,362
VIHI	Holding company	**100.00**	**298,405,520**	100.00	177,505,520
SGPDC (formerly VNI)	Real estate	**100.00**	**5,000,000**	100.00	5,000,000
			6,494,831,223		6,157,460,357
Less allowance for impairment loss			**457,715,219**		457,715,219
			6,037,116,004		5,699,745,138
Investments in Associates					
VECO	Power distribution	**34.81**	**919,693,137**	34.81	919,693,137
PEI	Retail electricity supplier	**0.00**	**–**	40.00	6,900,000
			919,693,137		926,593,137
Advances for Future Stock Subscription					
SGPDC			**61,750,000**		61,750,000
VRVC			**26,156,250**		26,156,250
HDFE			**16,811,225**		–
			104,717,475		87,906,250
			₱7,061,526,616		₱6,714,244,525

Subsidiaries

VEC, HDFE, VIHI and SGPDC qualify as the Parent Company's subsidiaries. The relevant operations of the subsidiaries are as follows:

VEC

VEC is a holding company with the following direct and indirect equity shareholdings:

	2020		2019	
	Percentage of Ownership			
	Direct	**Indirect**	Direct	Indirect
Subsidiaries				
VIGC	**100.00**	**–**	100.00	–
VREC	**100.00**	**–**	100.00	–
Core	**100.00**	**–**	100.00	–
VII	**100.00**	**–**	100.00	–
VIDC	**100.00**	**–**	100.00	–
VEII	**100.00**	**–**	100.00	–
INEC (formerly VPAI; see Note 1)	**65.00**	**–**	73.75	–
1590 EC	**55.20**	**–**	55.20	–
VMHI	**62.30**	**4.70**	20.00	47.00
VGPC	**–**	**100.00**	–	100.00
AHC	**–**	**100.00**	–	100.00
SPHC	**–**	**100.00**	–	100.00
VSC (formerly ETVVT)	**–**	**100.00**	–	100.00
ETEI	**–**	**100.00**	–	100.00

(Forward)

	2020		2019	
	Percentage of Ownership			
	Direct	**Indirect**	Direct	Indirect
Associates				
CPPC	**40.00**	–	40.00	–
LPCI	–	**42.50**	–	42.50
GLEDC	–	**42.50**	–	42.50
AHI	–	**40.00**	–	40.00
MPC	–	**40.00**	–	40.00
LWEC	–	**40.00**	–	40.00
CREC	–	**35.00**	–	35.00
SREC	**17.00**	**13.00**	–	30.00
TVI	**18.00**	**2.00**	–	20.00
PEI	**40.00**	–	–	–
Joint Ventures				
CIPC	**50.00**	–	50.00	–
Delta P	**50.00**	–	50.00	–

In November 2013, VEC participated in the public bidding process conducted by Power Sector Assets and Liabilities Management (PSALM) for the selection and appointment of the Independent Power Producer (IPP) Administrator for the Strips of Energy of the Unified Leyte Geothermal Power Plants (ULGPP) located at Tongonan, Leyte. On January 29, 2014, PSALM has declared and selected VEC as the winning bidder for seventeen (17) strips of energy of the ULGPP. This allowed VEC to sell seventeen (17) Megawatt (MW) of geothermal power from ULGPP beginning January 1, 2015, the start of commercial operations. On October 25, 2019, the IPP Administration Agreement was preterminated.

VEC declared dividends to the Parent Company amounting to ₱862.8 million in 2020, ₱581.4 million in 2019 and ₱260.0 million in 2018 (see Note 14).

In 2018, the Parent Company made additional investments in VEC amounting to ₱1,172.9 million, which represents 1,172,909,439 preferred shares with par value of ₱1.00 per share.

In 2019, the Parent Company made an additional investment in VEC amounting to ₱25.6 million, which represents 25,632,713 preferred shares with par value of ₱1.00 per share.

In 2020, the Parent Company made an additional investment in VEC amounting to ₱169.0 million, which represents 168,953,224 preferred shares with par value of ₱1.00 per share. In 2020, the Parent Company also transferred its shares in PEI in exchange for 47,517,642 preferred shares in VEC. The additional investment in VEC was valued at the fair value of PEI shares amounting to ₱47.5 million (see Note 1).

HDFE

As of December 31, 2019, an appraisal of HDFE's investment properties showed an increase in their fair market values, thereby increasing the carrying value of the Parent Company's investment in HDFE. Reversal of allowance for impairment loss amounting to ₱59.8 million was recognized in the parent company statement of comprehensive income in 2019. In 2020, the Parent Company made advances for future stock subscription to HDFE amounting to ₱16.8 million.

HDFE declared dividends to the Parent Company amounting to ₱64.6 million in 2018. No dividends were declared in 2020 and 2019.

VIHI
In 2019, the Parent Company made investments in VIHI amounting to ₱72.2 million, which represents 7,385,625 common shares with par value of ₱1.00 per share and 64,783,125 preferred shares with par value of ₱1.00 per share. In the same year, the Parent Company made investments for the acquisition of Watermatic Philippines Corporation (WMP) on behalf of VHHI, a subsidiary of VIHI, amounting ₱105.3 million.

In 2020, the Parent Company made additional investments in VIHI amounting to ₱120.9 million, which represents 12,090,000 common shares and 108,810,000 preferred shares with par value of ₱1.00 per share.

SGPDC
In 2018, the Parent Company made additional investments in SGPDC amounting to ₱3.8 million, which represents 3,750,000 common shares with par value of ₱1.00 per share. In addition, the Parent Company made advances for future stock subscription to SGPDC in 2018.

In 2019, the Parent Company made additional advances for future stock subscription to SGPDC for investments in SGPDC amounting to ₱8.0 million, which represents 800,000 common shares with par value of ₱1.00 per share and 7,200,000 million preferred shares with par value of ₱1.00 per share.

VRVC
In 2018, the Parent Company made advances for future stock subscription to VRVC amounting to ₱26.2 million.

Associates
VECO and PEI qualify as associates of the Parent Company.

VECO
VECO declared cash dividends to the Parent Company amounting to ₱741.3 million, ₱432.3 million and ₱761.8 million in 2020, 2019 and 2018, respectively (see Note 14).

PEI
In 2017, the Parent Company made additional advances for future stock subscription to PEI amounting to ₱6.4 million. The advances for future stock subscription were already converted to equity in 2018.

PEI declared dividends to the Parent Company amounting to ₱33.2 million, ₱12.8 million and ₱4.1 million in 2020, 2019 and 2018, respectively (see Note 14). Dividends receivable as of December 31, 2019 amounting to ₱12.8 million was received in 2020 (see Note 7).

On October 5, 2020, the Parent Company assigned all of its rights, title and interest in 8,432,400 common shares in PEI to VEC, including its advances to VEC amounting to ₱1.5 million, in exchange for 47,517,642 preferred shares of the latter. A gain of ₱39.1 million was recognized in the parent company statement of comprehensive income in 2020 in relation to this transfer (see Note 1).

10. Property and Equipment

Construction in progress mainly includes costs for the construction of the Parent Company's new head office in 2019 which was subsequently completed in March 2020. Costs for renovation and improvements of the satellite office were incurred in 2020.

	2020						
	Condominium Units and Improvements	Transportation Equipment	Office Furniture and Equipment	Leasehold Improvements	Other Equipment	Construction in Progress	Total
Cost							
At January 1	**₱36,421,603**	**₱42,383,971**	**₱57,236,173**	**₱18,329,065**	**₱8,511,303**	**₱37,242,933**	**₱200,125,048**
Additions	–	**7,046,428**	**6,127,963**	**345,658**	–	**9,083,253**	**22,603,302**
Transfers	–	–	**4,372,978**	**34,421,000**	–	**(38,793,978)**	–
Disposals	–	–	**(74,022)**	–	–	–	**(74,022)**
At December 31	**36,421,603**	**49,430,399**	**67,663,092**	**53,095,723**	**8,511,303**	**7,532,208**	**222,654,328**
Accumulated Depreciation							
At January 1	**23,681,715**	**23,611,316**	**40,300,133**	**5,938,780**	**7,196,110**	–	**100,728,054**
Additions	**487,127**	**7,386,484**	**9,897,267**	**7,738,632**	**981,535**	–	**26,491,045**
Disposals	–	–	**(74,022)**	–	–	–	**(74,022)**
At December 31	**24,168,842**	**30,997,800**	**50,123,378**	**13,677,412**	**8,177,645**	–	**127,145,077**
Net Book Value	**₱12,252,761**	**₱18,432,599**	**₱17,539,714**	**₱39,418,311**	**₱333,658**	**₱7,532,208**	**₱95,509,251**

	2019						
	Condominium Units and Improvements	Transportation Equipment	Office Furniture and Equipment	Leasehold Improvements	Other Equipment	Construction in Progress	Total
Cost							
At January 1	₱36,421,603	₱37,177,384	₱49,656,076	₱18,306,565	₱8,511,303	₱-	₱150,072,931
Additions	–	6,394,425	7,655,901	22,500	–	37,242,933	51,315,759
Disposals	–	(1,187,838)	(75,804)	–	–	–	(1,263,642)
At December 31	36,421,603	42,383,971	57,236,173	18,329,065	8,511,303	37,242,933	200,125,048
Accumulated Depreciation							
At January 1	22,638,373	17,820,019	31,357,141	3,867,412	5,908,664	–	81,591,609
Additions	1,043,342	6,979,135	9,018,796	2,071,368	1,287,446	–	20,400,087
Disposals	–	(1,187,838)	(75,804)	–	–	–	(1,263,642)
At December 31	23,681,715	23,611,316	40,300,133	5,938,780	7,196,110	–	100,728,054
Net Book Value	₱12,739,888	₱18,772,655	₱16,936,040	₱12,390,285	₱1,315,193	₱37,242,933	₱99,396,994

11. Other Noncurrent Assets

	2020	2019
Creditable tax withheld	**₱135,395,668**	₱130,620,388
Financial assets at FVOCI	**7,400,000**	7,370,000
Input VAT - noncurrent	**3,419,955**	3,666,550
Others - net of allowance for impairment loss of ₱46.1 million	**11,231,190**	10,109,901
	₱157,446,813	₱151,766,839

Creditable Tax Withheld

These pertain to taxes withheld by customers on income payments to the Parent Company for sales of services that can be applied against its income tax liabilities.

Financial Assets at FVOCI

As of December 31, 2020 and 2019, the carrying values of the financial assets at FVOCI are as follows:

	2020	2019
Cost:		
Cebu Country Club, Inc.	**₱3,400,000**	₱3,400,000
Tower Club, Inc.	**300,000**	300,000
	3,700,000	3,700,000
Fair value remeasurement gain (loss):		
Cebu Country Club, Inc.	**4,000,000**	3,900,000
Tower Club, Inc.	**(300,000)**	(230,000)
	3,700,000	3,670,000
	₱7,400,000	₱7,370,000

Cebu Country Club, Inc. In 2012, the Parent Company acquired proprietary ownership shares in the Cebu Country Club, Inc. The non-listed equity security is stated at fair value based on the published buying and selling prices of these shares.

Tower Club, Inc. In 2014, the Parent Company acquired proprietary ownership shares in the Tower Club, Inc. The non-listed equity security is stated at fair value based on the published buying and selling prices of these shares. On September 25, 2020, the shareholders of Tower Club agreed to shorten its corporate life and permanently close by January 2022.

Fair value hierarchy disclosures for the Parent Company's financial assets at FVOCI are provided in Note 19.

Others

Others include receivable from RFM Corporation, the Parent Company's previous owner, which has been fully provided with allowance for impairment losses as of December 31, 2020 and 2019. Also included in this account are security deposits with various tenants and other parties.

12. Trade and Other Current Liabilities

	2020	2019
Accounts payable	**₱6,262,349**	₱4,505,216
Accrued interest (see Note 13)	**23,293,093**	23,540,892
Accrued taxes payable	**11,924,327**	3,812,060
Accrued expenses	**8,516,905**	1,454,705
Dividends payable (see Note 20)	**3,820,087**	3,154,947
Deferred output VAT - net	**2,550,213**	3,651,511
Unearned income	**893,892**	–
Advances from related parties (see Note 14)	**153,591**	42,458
Others	**2,296,181**	213,953
	₱59,710,638	₱40,375,742

Accounts payable consist mainly of liabilities for payroll, professional fees and other expenses. Accrued expenses consist of accruals for legal fees, securities and transfer fees, benefits and other expenses. Unearned income are cash receipts from disposal of fixed assets awaiting the executed deed of sale. Others include contributions payable to government agencies and withholding taxes.

13. **Notes Payable**

	2020	2019
Fixed Rate Corporate Notes (FRCN)		
₱1.0 billion at 5.7271% interest per annum	**₱940,000,000**	₱950,000,000
₱2.0 billion at 5.4450% interest per annum	**1,880,000,000**	1,900,000,000
	2,820,000,000	2,850,000,000
Less unamortized debt issue costs	**491,880**	5,273,030
	2,819,508,120	2,844,726,970
Less current portion - net of unamortized debt issue costs of ₱0.5 million in 2020 and ₱4.8 million in 2019	**2,819,508,120**	25,218,850
	₱–	₱2,819,508,120

The Parent Company entered into a Notes Facility Agreement (Agreement) to issue ₱3.0 billion in Fixed Rate Corporate Notes (FRCN or the Notes) on January 29, 2014 to fund its equity investments in power generation projects, to include, but not limited to, MPC and TVI. The FRCN was fully subscribed by a consortium of local banks and was issued in two tranches and has a maturity of seven (7) years from the drawdown date. The Notes are unsecured.

The first drawdown amounting to ₱1.0 billion was made on February 3, 2014. The second drawdown amounting to ₱2.0 billion was made on March 31, 2014. The Notes are payable at 1% based on the principal amount of the notes in the first six (6) years and 94% at maturity on February 3, 2021. The Notes were settled on said date.

Repayments of outstanding principal amounts are scheduled as follows:

	2020	2019
Within one year	**₱2,820,000,000**	₱30,000,000
More than one year but not more than five years	**–**	2,820,000,000
	₱2,820,000,000	₱2,850,000,000

The Agreement requires that the Parent Company shall not permit its debt-to-equity ratio to exceed 2.5:1. The debt-to-equity ratio is based on the Parent Company's debt and consolidated equity. In addition, the Agreement requires the current ratio to not fall below 1.25:1 and is based on the current assets and current liabilities. The Parent Company has complied with these ratio requirements as of December 31, 2020 and 2019.

Interest expense recognized in the parent company statements of comprehensive income related to these notes payable amounted to ₱164.6 million, ₱166.3 million and ₱168.1 million in 2020, 2019 and 2018, respectively, and the related accrued interest expense as of December 31, 2020 and 2019 amounted to ₱23.3 million and ₱23.5 million, respectively (see Note 12).

Debt issue costs were incurred in connection with the financing arrangements. These costs are amortized, using the EIR method, over the term of the related loans. The Parent Company has recognized amortization of debt issue costs amounting to ₱4.8 million, ₱4.6 million and ₱4.4 million in 2020, 2019 and 2018, respectively. These are presented under "Interest expense" in the parent company statements of comprehensive income.

On December 4, 2020, the Parent Company signed an Agreement to issue ₱3.0 billion worth of FRCN with tenors of two (2) years and five (5) years. The proceeds from the issuance of the Notes will be used to finance capital expenditures for existing assets and investments in power generation and/or water infrastructure projects and partly to refinance the existing 7-year FRCN which matured in February 2021.

14. Related Party Transactions

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

In the normal course of business, the Parent Company enters into transactions with related parties principally consisting of the following:

		2020			
		Outstanding Balance			
Category	Volume	Receivable	Payable	Terms	Conditions
Subsidiaries					
Dividend income (see Note 9):					
VEC	₱862,813,084	₱–	₱–	15-30 days; noninterest-bearing	Unsecured
Management fees (income) (see Note 14a):					
1590 EC	15,400,000	–	–	15-30 days; noninterest-bearing	Unsecured
HDFE	840,000	–	–	15-30 days; noninterest-bearing	Unsecured
VEC	114,225,240	10,470,647	–	15-30 days; noninterest-bearing	Unsecured; no impairment
WMP	900,000	924,000	–	15-30 days; noninterest-bearing	Unsecured; no impairment
Service income (see Note 14a):					
VEC	2,405,674	206,445	–	15-30 days; noninterest-bearing	Unsecured; no impairment
VRVC	205,091	229,702	–	15-30 days; noninterest-bearing	Unsecured; no impairment
1590EC	15,673	–	–	15-30 days; noninterest-bearing	Unsecured
ETEI	1,570,734	2,701,643	–	15-30 days; noninterest-bearing	Unsecured; no impairment
VSC (Formerly ETVVT)	134,437	143,830	–	15-30 days; noninterest-bearing	Unsecured; no impairment
CORE	352,250	139,959	–	15-30 days; noninterest-bearing	Unsecured; no impairment
HDFE	421,292	45,920		15-30 days; noninterest-bearing	Unsecured; no impairment
IMCC	77,530	86,834		15-30 days; noninterest-bearing	Unsecured; no impairment
INEC	1,066,958	1,194,993		15-30 days; noninterest-bearing	Unsecured; no impairment
SGPDC	285,576	172,544	–	15-30 days; noninterest-bearing	Unsecured; no impairment
VMHI	5,265	154,311	–	15-30 days; noninterest-bearing	Unsecured; no impairment
VHHI	20,000	–	–	15-30 days; noninterest-bearing	Unsecured
WMP	72,665	440,290	–	15-30 days; noninterest-bearing	Unsecured; no impairment
Advances (see Note 14c):					
VEC	214,619	1,548,455	153,449	15-30 days; noninterest-bearing	Unsecured; no impairment

(Forward)

	2020				
		Outstanding Balance			
Category	Volume	Receivable	Payable	Terms	Conditions
1590 EC	₱64,480	₱46,450	₱-	15-30 days; noninterest-bearing	Unsecured; no impairment
SGPDC	262	9,923,235	–	15-30 days; noninterest-bearing	Unsecured; no impairment
VRVC	200	–	–	15-30 days; noninterest-bearing	Unsecured
VMHI	106	106	–	15-30 days; noninterest-bearing	Unsecured; no impairment
VIGC	700	200	–	15-30 days; noninterest-bearing	Unsecured; no impairment
VGPC	–	–	30	15-30 days; noninterest-bearing	Unsecured
CORE	8,496	5,434	–	15-30 days; noninterest-bearing	Unsecured; no impairment
HDFE	17,251,223	425,866	–	15-30 days; noninterest-bearing	Unsecured; no impairment
VIDC	674	–	–	15-30 days; noninterest-bearing	Unsecured
INEC	7,006	7,000	6	15-30 days; noninterest-bearing	Unsecured; no impairment
IMCC	1,353	1,353		15-30 days; noninterest-bearing	Unsecured; no impairment
AHC	–	–	106	15-30 days; noninterest-bearing	Unsecured
VCCI	30	–	–	15-30 days; noninterest-bearing	Unsecured
VIHI	1,204	1,204	–	15-30 days; noninterest-bearing	Unsecured; no impairment
VHHI	3,019,152	2,320	–	15-30 days; noninterest-bearing	Unsecured; no impairment
ETEI	13,514	4,045	–	15-30 days; noninterest-bearing	Unsecured; no impairment
VSC (Formerly ETVVT)	600	–	–	15-30 days; noninterest-bearing	Unsecured
WMP	627,018	627,018	–	15-30 days; noninterest-bearing	Unsecured; no impairment
Interim Financing Agreement (see Note 14f)					
FLOWS	150,000,000	150,000,000	–	On Demand; interest-bearing	Unsecured
Transferred pension obligations (see Note 14d)					
VEC	–	–	16,704,078	On Demand; noninterest-bearing	Unsecured
Lease liabilities (see Note 14e)					
SGPDC	393,512	–	3,556,975	15-30 days; noninterest-bearing	Unsecured
Associates					
Dividend income (see Note 9):					
VECO	741,311,200	–	–	15-30 days; noninterest-bearing	Unsecured
PEI	33,200,000	–	–	15-30 days; noninterest-bearing	Unsecured
Advances (see Note 14c):					
LPCI	–	300	–	15-30 days; noninterest-bearing	Unsecured; no impairment
GLEDC	–	30,609	–	15-30 days; noninterest-bearing	Unsecured; no impairment
CREC	–	339	–	15-30 days; noninterest-bearing	Unsecured; no impairment
Service income (see Note 14a)					
CREC	12,914	14,463	–	15-30 days; noninterest-bearing	Unsecured; no impairment
GLEDC	–	25,101	–	15-30 days; noninterest-bearing	Unsecured; no impairment

(Forward)

2020

Category	Volume	Outstanding Balance: Receivable	Outstanding Balance: Payable	Terms	Conditions
Joint Ventures					
Management fees (income) (see Note 14a):					
DPI	**₱–**	**₱732,109**	**₱–**	**15-30 days; noninterest-bearing**	**Unsecured; no impairment**
Service income (see Note 14a):					
CIPC	**81,356**	–	–	**15-30 days; noninterest-bearing**	**Unsecured**
DPI	**89,851**	**5,333,176**	–	**15-30 days; noninterest-bearing**	**Unsecured; no impairment**
Advances (see Note 14c):					
CIPC	**8,796**	**2,601**	–	**15-30 days; noninterest-bearing**	**Unsecured; no impairment**
DPI	**24,954**	**330,431**	–	**15-30 days; noninterest-bearing**	**Unsecured; no impairment**
Stockholders					
Professional fees (see Note 14b):					
JDC	**4,525,243**	–	–	**15-30 days; noninterest-bearing**	**Unsecured**
MRC	**6,787,865**	–	–	**15-30 days; noninterest-bearing**	**Unsecured**
Advances (see Note 14c):					
Shareholder	–	**42,676**	–	**15-30 days; noninterest-bearing**	**Unsecured; no impairment**

2019

Category	Volume	Outstanding Balance: Receivable	Outstanding Balance: Payable	Terms	Conditions
Subsidiaries					
Dividend income (see Note 9):					
VEC	₱581,397,049	₱–	₱–	15-30 days; noninterest-bearing	Unsecured
Management fees (income) (see Note 14a):					
1590 EC	46,200,000	3,734,500	–	15-30 days; noninterest-bearing	Unsecured; no impairment
HDFE	840,000	67,900	–	15-30 days; noninterest-bearing	Unsecured; no impairment
VEC	68,564,148	6,285,048	–	15-30 days; noninterest-bearing	Unsecured; no impairment
SGPDC	200,000	–	–	15-30 days; noninterest-bearing	Unsecured
WMP	225,000	252,000	–	15-30 days; noninterest-bearing	Unsecured; no impairment
Service income (see Note 14a):					
VEC	5,699,895	2,605,073	–	15-30 days; noninterest-bearing	Unsecured; no impairment
VRVC	19,180	–	–	15-30 days; noninterest-bearing	Unsecured
VIHI	17,849	19,991	–	15-30 days; noninterest-bearing	Unsecured; no impairment
1590EC	197,213	154,120	–	15-30 days; noninterest-bearing	Unsecured; no impairment
ETEI	1,104,706	1,208,724	–	15-30 days; noninterest-bearing	Unsecured; no impairment
VSC (Formerly ETVVT)	2,262	609	–	15-30 days; noninterest-bearing	Unsecured; no impairment
CORE	57,657	869	–	15-30 days; noninterest-bearing	Unsecured; no impairment
VAHC	3,700	4,144	–	15-30 days; noninterest-bearing	Unsecured; no impairment
VIGC	51,238	10,548	–	15-30 days; noninterest-bearing	Unsecured; no impairment
VIDC	6,264	6,904	–	15-30 days; noninterest-bearing	Unsecured; no impairment

(Forward)

	2019				
		Outstanding Balance			
Category	Volume	Receivable	Payable	Terms	Conditions
VREC	₱48,010	₱2,559	₱–	15-30 days; noninterest-bearing	Unsecured; no impairment
VGPC	100	–	–	15-30 days; noninterest-bearing	Unsecured
VII	100	–	–	15-30 days; noninterest-bearing	Unsecured
VMHI	2,425	154,503	–	15-30 days; noninterest-bearing	Unsecured; no impairment
VHHI	546	612	–	15-30 days; noninterest-bearing	Unsecured; no impairment
WMP	323,056	361,823	–	15-30 days; noninterest-bearing	Unsecured; no impairment
Advances (see Note 14c):					
VEC	8,566,440	2,121,652	42,322	15-30 days; noninterest-bearing	Unsecured; no impairment
1590 EC	60,889	19,790	–	15-30 days; noninterest-bearing	Unsecured; no impairment
SGPDC	11,111	9,923,435	–	15-30 days; noninterest-bearing	Unsecured; no impairment
VRVC	280	280	–	15-30 days; noninterest-bearing	Unsecured; no impairment
VMHI	2,335	1,835	–	15-30 days; noninterest-bearing	Unsecured; no impairment
VIGC	58,998	1,580	–	15-30 days; noninterest-bearing	Unsecured; no impairment
VGPC	60	–	30	15-30 days; noninterest-bearing	Unsecured
CORENERGY	27,685	2,089	–	15-30 days; noninterest-bearing	Unsecured; no impairment
HDFE	46,103	25,365	–	15-30 days; noninterest-bearing	Unsecured; no impairment
VREC	8,778	3,028	–	15-30 days; noninterest-bearing	Unsecured; no impairment
VIDC	750	1,040	–	15-30 days; noninterest-bearing	Unsecured; no impairment
VII	230	200	–	15-30 days; noninterest-bearing	Unsecured; no impairment
VEII	256	–	–	15-30 days; noninterest-bearing	Unsecured
AHC	256	–	106	15-30 days; noninterest-bearing	Unsecured
SPHC	280	–	–	15-30 days; noninterest-bearing	Unsecured
INEC (formerly VPAI)	180	–	–	15-30 days; noninterest-bearing	Unsecured
SPHC	280	–	–	15-30 days; noninterest-bearing	Unsecured
VCCI	590	90	–	15-30 days; noninterest-bearing	Unsecured; no impairment
VIHI	1,488,877	220	–	15-30 days; noninterest-bearing	Unsecured; no impairment
VHHI	119,048	310	–	15-30 days; noninterest-bearing	Unsecured; no impairment
VTHI	47,148	310	–	15-30 days; noninterest-bearing	Unsecured; no impairment
ETEI	36,939	26,239	–	15-30 days; noninterest-bearing	Unsecured; no impairment
VSC (Formerly ETVVT)	4,181	2,589	–	15-30 days; noninterest-bearing	Unsecured; no impairment
WMP	680,334	678,172	–	15-30 days; noninterest-bearing	Unsecured; no impairment
Transferred pension obligations (see Note 14d)					
VEC	16,704,078	–	16,704,078	On Demand; noninterest-bearing	Unsecured

(Forward)

		2019			
		Outstanding Balance			
Category	Volume	Receivable	Payable	Terms	Conditions
Lease liabilities (see Note 14e)					
SGPDC	₱4,306,736	₱–	₱3,633,003	15-30 days; noninterest-bearing	Unsecured
Associates					
Dividend income (see Note 9):					
VECO	432,319,454	–	–	15-30 days; noninterest-bearing	Unsecured
PEI	12,800,000	12,800,000	–	15-30 days; noninterest-bearing	Unsecured
Advances (see Note 14c):					
PEI	–	1,532,400	–	15-30 days; noninterest-bearing	Unsecured; no impairment
LPCI	–	300	–	15-30 days; noninterest-bearing	Unsecured; no impairment
GLEDC	215	30,609	–	15-30 days; noninterest-bearing	Unsecured; no impairment
CREC	339	339	–	15-30 days; noninterest-bearing	Unsecured; no impairment
Service income (see Note 14a)					
GLEDC	8,912	9,979	–	15-30 days; noninterest-bearing	Unsecured; no impairment
Joint Ventures					
Management fees (income) (see Note 14a):					
DPI	9,537,047	8,732,181	–	15-30 days; noninterest-bearing	Unsecured; no impairment
CIPC	3,918,552	–	–	15-30 days; noninterest-bearing	Unsecured
Service income (see Note 14a):					
CIPC	116,280	127,908	–	15-30 days; noninterest-bearing	Unsecured; no impairment
DPI	554,129	5,234,340	–	15-30 days; noninterest-bearing	Unsecured; no impairment
Advances (see Note 14c):					
CIPC	12,032	6,732	–	15-30 days; noninterest-bearing	Unsecured; no impairment
DPI	79,810	305,477	–	15-30 days; noninterest-bearing	Unsecured; no impairment
Stockholders					
Professional fees (see Note 14b):					
JDC	5,102,790	–	–	15-30 days; noninterest-bearing	Unsecured
MRC	7,654,184	–	–	15-30 days; noninterest-bearing	Unsecured
Advances (see Note 14c):					
Shareholder	–	42,676	–	15-30 days; noninterest-bearing	Unsecured; no impairment

The transactions above are generally settled in cash.

a. Management fees and service income from subsidiaries, associates and joint ventures represent compensation for consultancy, management, technical and other related services rendered by the Parent Company to and for the use of the Parent Company's facilities in accordance with the terms of the respective agreements with the related parties. Services covered by SLAs or management contracts are recognized as part of the "Management fees" account while those not within the scope of work in the SLAs and rendered to the subsidiaries, associates and joint ventures on irregular basis are recognized as part of the "Service income" account in the parent company statements of comprehensive income.

b. The Parent Company entered into agreements with MRC and JDC, its stockholders, to perform consultancy services. For the consideration of the services rendered by MRC and JDC, the Parent Company will pay management fees agreed upon by the parties, without need for further demand. These are recognized as part of "Professional fees" in the parent company statements of comprehensive income.

c. Advances to and from subsidiaries, associates, joint ventures and shareholders pertain to advances for working capital requirements. Advances to shareholder pertains to the life insurance plan advanced by the Parent Company for a member of its BOD.

d. Pension obligations transferred to VEC pertains to the Parent Company's employees transferred to its subsidiary, VEC, upon its full operation in 2019.

e. In 2017, the Parent Company entered into lease agreements as lessee with SGPDC to lease a condominium unit and a parcel of land. The condominium unit was leased for a fixed period of three (3) years from January 1, 2017 to December 31, 2019 while the land was leased for a period of seventeen (17) years and four (4) months from September 1, 2017 to December 31, 2034. In 2018, payments are recognized as part of "Rent and association dues" in the parent company statement of comprehensive income. In 2019, right-of-use assets and lease liabilities were recognized in relation to the adoption of PFRS 16, *Leases* (see Note 21).

f. On February 14, 2020, the Parent Company entered into an Interim Financing Agreement (IFA) with FLOWS for the development of a combined sewerage and septage facility serving the City of Puerto Princesa. The IFA is for a term of four (4) months or until June 13, 2020 at an interest rate of 5.7810% per annum. On June 13, 2020, the IFA was extended for three months or until September 13, 2020 at an interest of 6.2595%, 4.2578% and 4.3016% per annum on the first, second and third month, respectively. FLOWS is in the process of securing bank refinancing of the interim loan.

The retirement fund (the Fund) of the Parent Company is in the form of a trust being maintained and managed by a trust and investment entity in the Philippines. The Fund, which is invested mostly in fixed income securities, has a carrying amount and fair value of ₱15.6 million and ₱15.1 million as of December 31, 2020 and 2019, respectively (see Note 15). The Parent Company does not have any other transactions with the Fund in 2020 and 2019.

Compensation and Benefits of Key Management Personnel

The compensation of the Parent Company's key management personnel by benefit type follows:

	2020	2019	2018
Short-term employee benefits	**₱109,123,867**	₱78,125,480	₱88,162,681
Post-employment pension benefits	**6,237,048**	6,990,120	6,016,720
	₱115,360,915	₱85,115,600	₱94,179,401

15. Retirement Plan

The Parent Company has a funded, noncontributory, defined benefit pension plan ("the Plan") covering all regular, permanent employees. The Plan provides lump sum benefits upon a member's normal retirement. The benefits are based on the member's final monthly salary and length of service with the Parent Company.

The Fund is administered by a trust and investment entity in the Philippines under the supervision of a trustee. The trustee is responsible for the investment strategy of the plan.

The existing regulatory framework, Republic Act (RA) 7641, *The Retirement Pay Law*, requires a provision for retirement pay to qualified private sector employees in the absence of any retirement plan in the entity, provided however that the employee's retirement benefits under any collective bargaining and other agreements shall not be less than those provided under the law. The law does not require minimum funding of the plan.

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

The components of the pension expense recognized under "Salaries and employee benefits" in the parent company statements of comprehensive income follow:

	2020	2019	2018
Current service cost	**₱6,035,415**	₱5,879,280	₱6,372,961
Net interest cost	**2,215,190**	2,395,524	1,239,686
Past service cost	**–**	542,263	–
	₱8,250,605	₱8,817,067	₱7,612,647

Remeasurement effects recognized in the parent company statements of comprehensive income follow:

	2020	2019	2018
Remeasurement gain (loss) on defined benefit obligation	**₱–**	(₱19,728,536)	₱6,781,877
Remeasurement gain (loss) on plan assets	**373,655**	341,506	(482,397)
	₱373,655	(₱19,387,030)	₱6,299,480

The Parent Company's pension liability as of December 31, 2020 and 2019 follows:

	2020	2019
Present value of defined benefit obligation	**₱68,012,639**	₱59,676,255
Fair value of plan assets	**(15,564,454)**	(15,105,020)
Pension liability	**₱52,448,185**	₱44,571,235

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

	2020	2019
At January 1	**₱59,676,255**	₱47,610,358
Current service cost	**6,035,415**	5,879,280
Interest cost on defined benefit obligation	**2,300,969**	2,619,896
Past service cost	–	542,263
Remeasurement loss due to:		
Changes in financial assumptions	–	9,277,229
Experience adjustments	–	10,451,307
Transferred obligation due to employee transfers (see Note 14)	–	(16,704,078)
At December 31	**₱68,012,639**	₱59,676,255

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

	2020	2019
At January 1	**₱15,105,020**	₱14,539,142
Remeasurement gain on return on plan assets	**373,655**	341,506
Interest income included in net interest cost	**85,779**	224,372
At December 31	**₱15,564,454**	₱15,105,020

Changes in the amounts recognized in the parent company statements of financial position for pension liability follow:

	2020	2019
At January 1	**₱44,571,235**	₱33,071,216
Pension expense	**8,250,605**	8,817,067
Remeasurement loss (gain)	**(373,655)**	19,387,030
Transferred obligation due to employee transfers (see Note 14)	–	(16,704,078)
At December 31	**₱52,448,185**	₱44,571,235

The major categories of the plan assets are as follows:

	2020	2019
Unquoted investments:		
Unitized investment trust funds (UITF)	**₱15,564,205**	₱15,104,848
Cash and cash equivalents	**249**	172
	₱15,564,454	₱15,105,020

The control and administration of the fund vest on the trustee. The trustee shall have the full and complete power and authority to hold, manage, administer, convert, sell, assign, alter, divide, invest, and reinvest the fund without distinction between principal and income, to the same extent and with the same effect as might be lawfully done by persons who own and control property and may thus exercise every power and right with respect to each item of property in this trust authority specified in the agreement and expressly conferred upon it by law.

The overall investment policy and strategy of the Parent Company's defined benefit pension plan is guided by the objective of providing the necessary funding for the benefits payable under the plan and achieving such liquidity as deemed appropriate in the circumstances.

The Parent Company does not expect to contribute to the Fund in 2021.

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

	2020	2019
Discount rate	**4.97%**	4.97%
Future salary increase rate	**7.00%**	7.00%

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

		Increase (Decrease) in the Present Value of Defined Benefit Obligation	
	Increase (Decrease)	**2020**	2019
Discount rate	+100 basis points	**(₱3,725,759)**	(₱4,296,440)
	−100 basis points	**5,869,570**	5,085,211
Future salary increase rate	+100 basis points	**6,617,354**	5,172,252
	−100 basis points	**(4,479,944)**	(4,470,563)

The average duration of the defined benefit obligation at the end of the reporting period is 17.0 years and 17.7 years as of December 31, 2020 and 2019, respectively.

The expected benefit payment assumes that all actuarial assumptions will materialize. Shown below is the maturity analysis of the undiscounted benefit payments as of December 31:

	2020	2019
Less than one year	**₱34,359,279**	₱26,758,165
More than 1 year to 5 years	**2,999,519**	5,877,487
More than 5 years to 10 years	**14,420,752**	11,343,747
More than 10 years to 15 years	**48,157,149**	45,862,202
More than 15 years to 20 years	**75,180,341**	65,071,294
More than 20 years	**116,951,040**	111,937,368
	₱292,068,080	₱266,850,263

16. **Income Tax**

	2020	2019	2018
Final (at 20% and 7.5%)	**₱7,976,967**	₱21,424,703	₱12,571,881
Deferred	**(3,238,378)**	(4,122,450)	(7,365,963)
	₱4,738,589	₱17,302,253	₱5,205,918

The reconciliation of the income tax expense computed at the statutory tax rate to provision for income tax reported in the parent company statements of comprehensive income follows:

	2020	2019	2018
Income before income tax	**₱1,293,435,020**	₱822,608,315	₱864,362,921
Income tax computed at 30%	**₱388,030,506**	₱246,782,494	₱259,308,876
Adjustments to income tax resulting from:			
Nontaxable dividend income	**(491,197,285)**	(307,954,951)	(327,165,725)
Unrecognized deferred income tax assets on NOLCO	**106,319,008**	91,658,940	75,113,504
Interest income subjected to final tax	**(11,471,065)**	(31,058,255)	(19,489,783)
Final taxes paid	**7,976,967**	21,424,703	12,571,881
Nondeductible expenses	**5,080,458**	13,050,802	4,876,625
Nontaxable gain	–	(18,060,343)	–
Others - net	–	1,458,863	(9,460)
	₱4,738,589	₱17,302,253	₱5,205,918

The components of the Parent Company's net deferred income tax assets as of December 31 are as follows:

	2020	2019
Deferred income tax assets on:		
Allowance for impairment losses	**₱13,923,328**	₱13,923,328
Pension liability	**12,250,792**	9,775,610
Transferred obligation due to employee transfers	**5,011,223**	5,011,223
Unamortized past service cost	**630,833**	630,833
Unrealized foreign exchange loss	**72,837**	72,078
	31,889,013	29,413,072
Deferred income tax asset on pension liability recognized in other comprehensive income	**3,483,666**	3,595,762
	35,372,679	33,008,834
Deferred income tax liabilities on:		
Unamortized debt issue costs	**147,564**	1,581,909
Unrealized foreign exchange gain	**37,917**	37,917
Unrealized gains in UITF	**671,908**	–
	857,389	1,619,826
Deferred income tax liability on unrealized valuation gain of financial assets at FVOCI recognized in other comprehensive income	**832,500**	828,000
Net deferred income tax assets	**₱33,682,790**	₱30,561,008

On September 30, 2020, the Bureau of Internal Revenue (BIR) issued Revenue Regulations No. 25-2020 to implement Section 4(bbbb) of RA No. 11494, otherwise known as "Bayanihan to Recover as One Act". This RR provides that the net operating loss of the business or enterprise 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.

As of December 31, 2020, the Parent Company has incurred NOLCO before taxable year 2020 which can be claimed as deductions from the regular taxable income for the next three (3) consecutive taxable years, as follows:

Year Incurred	Availment Period	Amount	NOLCO Applied Previous Year's	NOLCO Expired	NOLCO Applied Current Year	NOLCO Unapplied
2017	2018-2020	₱226,798,098	₱-	₱226,798,098	₱-	₱-
2018	2019-2021	250,378,347	-	-	-	250,378,347
2019	2020-2022	305,529,801	-	-	-	305,529,801
		₱782,706,246	₱-	₱226,798,098	₱-	₱555,908,148

As of December 31, 2020, the Parent Company has incurred NOLCO in taxable year 2020 which can be claimed as deduction from the regular taxable income for the next five (5) consecutive taxable years pursuant to the Bayanihan to Recover as One Act, as follows:

Year Incurred	Availment Period	Amount	NOLCO Applied Previous Year's	NOLCO Expired	NOLCO Applied Current Year	NOLCO Unapplied
2020	2021-2025	₱354,396,692	₱-	₱-	₱-	₱354,396,692

As of December 31, 2020 and 2019, the Parent Company did not recognize deferred income tax assets on NOLCO because management believes that it is not probable that sufficient taxable profit will be available to allow all or part of the deferred income tax assets to be utilized.

17. **Equity**

Capital Stock

There were no changes in the Parent Company's authorized, issued and outstanding common shares as of December 31, 2020 and 2019.

Authorized capital stock - ₱1 par value	2,000,000,000
Issued and outstanding shares	1,023,456,698
Unissued shares	976,543,302

The Parent Company's issued capital stock originally consists of 224,880,067 common shares and 600,000,000 preferred shares that were listed in the Philippine Stock Exchange (PSE) since 2003 and 198,576,631 preferred shares that were approved for listing by the PSE on June 29, 2004. In June 2005, the SEC approved the amendment to Article VII that relates to the conversion of the Parent Company's preferred shares to common shares. As of December 31, 2020 and 2019, the Parent Company's issued capital stock all consists of common shares.

The Parent Company has 1,425 stockholders as of December 31, 2020, 1,423 stockholders as of December 31, 2019, and 1,425 stockholders as of December 31, 2018, and has complied with the Minimum Public Ownership requirement of the PSE for listed entities as of the same dates.

Appropriation of Retained Earnings for Business Expansion

Out of the 2016 retained earnings appropriation, the Parent Company made additional investment of ₱606.0 million in 2017 in two power plant projects in the Visayas and Mindanao, which amount was then reverted to unappropriated retained earnings in 2017.

In a BOD meeting held on December 21, 2017, the BOD has determined that the Parent Company's operation require to continue the existing appropriations amounting to ₱2.2 billion for the investment on the two ongoing power plants in Visayas and Mindanao and a rooftop solar installation project starting 2018. In the same BOD meeting, a resolution was approved allocating and restricting part of its retained earnings amounting to an additional ₱1.3 billion to be used for future investments in these projects which are expected to be completed starting 2018.

Out of the 2017 retained earnings appropriation, the Parent Company made additional investment of ₱1.2 billion in 2018 on the power plant projects in the Visayas and in the rooftop solar installation project, which amount was then reverted to unappropriated retained earnings in 2018.

In a BOD meeting held on December 12, 2018, the BOD has determined that the Parent Company's operation require to continue the existing appropriations amounting to ₱2.3 billion for the investments in the two ongoing power plant projects in the Visayas, one ongoing power plant project in Mindanao and a rooftop solar installation project. In the same BOD meeting, a resolution was approved allocating and restricting part of its retained earnings amounting to additional ₱1.7 billion to be used for the investment in one ongoing power plant project in the Visayas estimated to start commercial operations in 2021, new power generation projects in Luzon and the Visayas, and for infrastructure projects in the Visayas starting 2019.

Out of the 2018 retained earnings appropriation, the Parent Company reverted its prior appropriations amounting to ₱2.1 billion on the power plant projects in the Visayas and Mindanao due to its completion in 2019 and made additional investment amounting ₱31.6 million in 2019 on the new power generation project in Luzon, rooftop solar installation project, and infrastructure projects in Visayas.

In a BOD meeting held on November 13, 2019, the BOD has determined that the Parent Company's operation require to continue the existing appropriations amounting to ₱1.8 billion to provide appropriations for the investment in the new power generation project in the Visayas, and the ongoing solar installations projects and infrastructure projects in the Visayas. In the same BOD meeting, a resolution was approved allocating and restricting part of its retained earnings amounting to additional ₱2.6 billion to be used for the investment in the new power generation project in the Visayas estimated to start commercial operations in 2021, solar rooftop installations projects, ongoing power plant project in Luzon, and ongoing infrastructure projects in Visayas.

Out of the 2019 retained earnings appropriation, the Parent Company made additional investments of ₱1.5 billion in 2020 on the new power generation project in the Visayas, ongoing solar installations projects and infrastructure projects in Visayas, which amount was then reverted to unappropriated retained earnings in 2020.

In a BOD meeting held on November 13, 2020, the BOD has determined that the Parent Company's operation require to continue the existing appropriations amounting to ₱3.0 billion to provide appropriations for the investment on the ongoing power generation projects in the Visayas, solar installation projects, and infrastructure projects in Visayas. In the same BOD meeting, a resolution was approved allocating and restricting part of its retained earnings amounting to additional ₱2.3 billion to be used for investment in the new power generation projects in Luzon and Mindanao and ongoing projects on power generation, solar rooftop installation, and infrastructure projects in Visayas.



Dividends

The BOD declared cash dividends to its stockholders as follows:

	2020	2019	2018
Date of declaration	**May 13, 2020**	May 15, 2019	May 11, 2018
Date of record	**May 27, 2020**	May 29, 2019	June 6, 2018
Date of payment	**June 23, 2020**	June 24, 2019	July 3, 2018
Regular dividends declared	**₱467,822,060**	₱346,133,059	₱285,749,110
Dividends per share	**₱0.4571**	₱0.3382	₱0.2792

Earnings per Share

The earnings per share as of December 31 are computed as follows:

	2020	2019	2018
Net income for the year	**₱1,288,696,431**	₱805,306,062	₱859,157,003
Number of outstanding common shares	**1,023,456,698**	1,023,456,698	1,023,456,698
Basic and diluted earnings per share	**₱1.259**	₱0.787	₱0.839

There are no potential dilutive shares as of December 31, 2020, 2019 and 2018.

18. Personnel Expenses

	2020	2019	2018
Salaries and employee benefits	**₱157,273,537**	₱109,379,744	₱143,176,232
Pension expense (see Note 15)	**8,250,605**	8,817,067	7,612,647
	₱165,524,142	₱118,196,811	₱150,788,879

19. Financial Risk Management Objectives and Policies

The Parent Company's principal financial instruments comprise cash and cash equivalents, trade and other receivables, financial assets at FVOCI, trade and other current liabilities, lease liabilities and notes payable. The main purpose of these financial instruments is to raise funds for the Parent Company's operations.

The main risks arising from the Parent Company's financial instruments are credit risk and liquidity risk. The BOD reviews and agrees policies for managing each of these risks and these policies are summarized below.

Credit Risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or a customer contract, leading to a financial loss. The Parent Company is exposed to credit risk from its operating activities (primarily for trade receivables) and from its financing activities, including deposits with banks and financial institutions and other financial instruments. With respect to cash investments, the risk is mitigated by the short-term and/or liquid nature of its investments mainly in bank deposits and placements, which are placed with financial institutions of high credit standing.

Receivable balances are actively monitored on an ongoing basis and acted upon regularly to avoid significant concentrations of credit risk.

The maximum exposure to credit risk, net of allowance for doubtful accounts, amounted to ₱2,839.9 million and ₱2,381.8 million as of December 31, 2020 and 2019, respectively.

There are no significant concentrations of credit risk within the Parent Company.

The Parent Company writes off a financial asset, in whole or in part, when the asset is considered uncollectible, it has exhausted all practical recovery efforts and has concluded that it has no reasonable expectations of recovering the financial asset in its entirety or a portion thereof. The Parent Company writes off an account when all of the following conditions are met:

- the asset is in past due for over 90 days, or is already an item-for-forfeiture; and
- contract restructuring is no longer possible.

The Parent Company may also write off financial assets that are still subject to enforcement activity. The Parent Company has not written off outstanding loans and receivables that are still subject to enforcement activity as of December 31, 2020 and 2019.

The following are the details of the Parent Company's assessment of credit quality and the related ECLs as of December 31, 2020 and 2019:

- *General Approach*

    - *Cash and Cash Equivalents and Accrued Interest Receivable.* As of December 31, 2020 and 2019, the ECL relating to the cash and cash equivalents and accrued interest receivable of the Parent Company is minimal as these are deposited in reputable banks which have good bank standing, and is considered to have low credit risk.

    - *Advances to Related Parties, Advances to Employees and Dividends Receivable.* The Parent Company did not recognize ECL relating to advances to related parties, advances to employees and dividends receivable since there were no history of default payments, except for the receivable from RFM Corporation, which is specifically and fully provided with allowance for impairment amounting to ₱46.1 million as of December 31, 2020 and 2019 (see Note 11). This assessment is undertaken each financial year through examining the financial position of the related parties and the markets in which the related parties operate.

- *Simplified Approach*

    - *Accounts and Other Receivables.* The Parent Company applied the simplified approach under PFRS 9, using a 'provision matrix'. As of December 31, 2020 and 2019, the allowance for impairment losses as a result from performing collective and specific impairment test amounted to ₱0.7 million and ₱0.5 million, respectively. Management evaluated that the Parent Company's accounts and other receivables are of high grade and of good credit quality.

The tables below show the maximum exposure to credit risk based on the Parent Company's stage classification as of December 31:

	2020				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Lifetime ECL Simplified Approach	Total
Gross carrying amount	₱2,814,738,140	₱–	₱46,078,063	₱25,916,301	₱2,886,732,504
Loss allowance	–	–	(46,078,063)	(732,935)	(46,810,998)
Carrying amount	₱2,814,738,140	₱–	₱–	₱25,183,366	₱2,839,921,506

	2019				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Lifetime ECL Simplified Approach	Total
Gross carrying amount	₱2,346,973,191	₱–	₱46,078,063	₱35,313,986	₱2,428,365,240
Loss allowance	–	–	(46,078,063)	(486,937)	(46,565,000)
Carrying amount	₱2,346,973,191	₱–	₱–	₱34,827,049	₱2,381,800,240

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

	2020						
	Neither Past Due nor Impaired	Past Due but not Impaired					
		Less than 30 Days	31–60 Days	61–90 Days	Over 90 days	Impaired	Total
Financial Assets at Amortized Cost							
Cash and cash equivalents (excluding cash on hand)	₱2,649,877,434	₱–	₱–	₱–	₱–	₱–	₱2,649,877,434
Trade and other receivables:							
Accounts receivable	–	10,554,647	84,000	84,000	1,404,109	–	12,126,756
Advances to related parties	–	478,011	307,816	200	162,213,615	–	162,999,642
Accrued interest receivable	1,861,064	–	–	–	–	–	1,861,064
Others	–	2,644,991	247,499	1,276,594	8,887,526	732,935	13,789,545
Due from RFM Corporation (under "Other noncurrent assets")	–	–	–	–	–	46,078,063	46,078,063
	₱2,651,738,498	₱13,677,649	₱639,315	₱1,360,794	₱172,505,250	₱46,810,998	₱2,886,732,504

	2019						
	Neither Past Due nor Impaired	Past Due but not Impaired					
		Less than 30 Days	31–60 Days	61–90 Days	Over 90 days	Impaired	Total
Financial Assets at Amortized Cost							
Cash and cash equivalents (excluding cash on hand)	₱2,312,992,102	₱–	₱–	₱–	₱–	₱–	₱2,312,992,102
Trade and other receivables:							
Accounts receivable	–	11,213,677	874,229	874,229	6,325,652	–	19,287,787
Advances to related parties	–	261,974	193,342	55,541	14,215,900	–	14,726,757
Dividends receivable	12,800,000	–	–	–	–	–	12,800,000
Accrued interest receivable	6,454,332	–	–	–	–	–	6,454,332
Others	–	4,074,032	1,713,519	2,381,381	7,370,330	486,937	16,026,199
Due from RFM Corporation (under "Other noncurrent assets")	–	–	–	–	–	46,078,063	46,078,063
	₱2,332,246,434	₱15,549,683	₱2,781,090	₱3,311,151	₱27,911,882	₱46,565,000	₱2,428,365,240

Liquidity Risk

Liquidity risk is the risk that the Parent Company will not be able to meet its financial obligations as they fall due.

The Parent Company maintains sufficient cash and cash equivalents to finance its operations. Any excess cash is invested in short-term money market placements. These placements and the Parent Company's trade receivables are maintained to meet maturing obligations. The Parent Company, in general, matches the appropriate long-term funding instruments with the general nature of its equity instruments.

The following tables summarize the Parent Company's financial assets that can be used to manage its liquidity risk and the maturity profile of the Parent Company's financial liabilities based on contractual undiscounted payments as of December 31:

	2020			
	Contractual Undiscounted Payments			
	Total	On Demand	Less than 1 Year	More than 1 Year
Financial Assets				
At amortized cost:				
Cash and cash equivalents	**₱2,650,122,434**	**₱42,785,270**	**₱2,607,337,164**	**₱–**
Trade and other receivables:				
Accounts receivable	**12,126,756**	**–**	**12,126,756**	**–**
Advances to related parties	**162,999,642**	**–**	**162,999,642**	**–**
Accrued interest receivable	**1,861,064**	**–**	**1,861,064**	**–**
Others	**13,056,610**	**–**	**13,056,610**	**–**
At FVOCI	**7,400,000**	**–**	**–**	**7,400,000**
	2,847,566,506	**42,785,270**	**2,797,381,236**	**7,400,000**
Financial Liabilities				
At amortized cost:				
Notes payable*	**5,834,318,401**	**–**	**2,834,318,401**	**3,000,000,000**
Lease liabilities**	**55,509,626**	**–**	**17,213,256**	**38,296,370**
Accrued interest	**23,293,093**	**–**	**23,293,093**	**–**
Accounts payable, accrued expenses and advances from related parties	**14,932,845**	**–**	**14,932,845**	**–**
Dividends payable	**3,820,087**	**–**	**3,820,087**	**–**
	5,931,874,052	**–**	**2,893,577,682**	**3,038,296,370**
Net Financial Assets (Liabilities)	**(₱3,084,307,546)**	**₱42,785,270**	**(₱96,196,446)**	**(₱3,030,896,370)**

**Including contractual interest to maturity*
***Contractual undiscounted lease payments*

	2019			
	Contractual Undiscounted Payments			
	Total	On Demand	Less than 1 Year	More than 1 Year
Financial Assets				
At amortized cost:				
Cash and cash equivalents	₱2,313,237,102	₱48,565,734	₱2,264,671,368	₱–
Trade and other receivables:				
Accounts receivable	19,287,787	–	19,287,787	–
Advances to related parties	14,684,081	–	14,684,081	–
Dividends receivable	12,800,000	–	12,800,000	–
Accrued interest receivable	6,454,332	–	6,454,332	–
Others	15,539,262	–	15,539,262	–
At FVOCI	7,370,000	–	–	7,370,000
	2,389,372,564	48,565,734	2,333,436,830	7,370,000
Financial Liabilities				
At amortized cost:				
Notes payable*	3,021,086,892	–	186,768,491	2,834,318,401
Lease liabilities**	74,202,997	–	17,876,646	56,326,351
Accrued interest	23,540,892	–	23,540,892	–
Accounts payable, accrued expenses and advances from related parties	6,002,379	–	6,002,379	–
Dividends payable	3,154,947	–	3,154,947	–
	3,127,988,107	–	237,343,355	2,890,644,752
Net Financial Assets (Liabilities)	(₱738,615,543)	₱48,565,734	₱2,096,093,475	(₱2,883,274,752)

**Including contractual interest to maturity*
***Contractual undiscounted lease payments*

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

Fair Value Hierarchy
The Parent Company uses the following hierarchy for determining the fair value of assets and liabilities:

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

The Parent Company's financial assets at FVOCI is carried at fair value classified under Level 2 as at December 31, 2020 and 2019, since its fair value was measured based on published buying and selling prices in a relatively inactive market, and no significant adjustments were made to market observations due to the relatively nonvolatile movements in historical prices of the said club shares (see Note 11).

As of December 31, 2020 and 2019, the carrying values of the Parent Company's financial instruments, except for the notes payable, approximate fair values due to their relatively short-term maturity.

The Parent Company considers the notes payable with fair value of ₱3.0 billion as of December 31, 2020 and 2019 under Level 3 classification. The carrying amounts of these notes payable amounted to ₱2.8 billion as of December 31, 2020 and 2019.

For the years ended December 31, 2020, 2019 and 2018, there were no changes in the valuation techniques used in the Level 2 and Level 3 fair value measurements.

For the years ended December 31, 2020, 2019 and 2018, there were no transfers between Level 1 and Level 2 fair value measurements.

Valuation Techniques Used to Derive Level 3 Fair Values
The following tables show an analysis of the Parent Company's long-term notes payable for which fair values are disclosed at Level 3 of the fair value hierarchy as at December 31:

Description	**Fair Value as of December 31, 2020**	**Valuation Technique**	**Key Unobservable Inputs**	**Range (Weighted Average)**
Notes payable	**₱2,966,026,459**	**Discounted Cash Flow Approach**	**Risk-free interest rate**	**0.99%–3.95% (1.72%)**

Description	Fair Value as of December 31, 2019	Valuation Technique	Key Observable Inputs	Range (Weighted Average)
Notes payable	₱2,983,602,555	Discounted Cash Flow Approach	Risk-free interest rate	3.11%–5.22% (3.70%)

Capital Management

The Parent Company considers its total equity as its capital. The primary objective of the Parent Company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value.

The Parent Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Parent Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

No changes were made in the objectives, policies or processes for the years ended December 31, 2020, 2019 and 2018.

The Parent Company is required to maintain a minimum current ratio and maximum debt-to-equity ratio as part of its covenants on its notes payable. The Parent Company has complied with these ratio requirements as of December 31, 2020 and 2019 (see Note 13). The Parent Company is also subject to Minimum Public Ownership requirement of the PSE. As of December 31, 2020 and 2019, the Parent Company has complied with the requirement. The Parent Company is not subject to other externally imposed capital requirements (see Note 17).

The Parent Company monitors capital using a gearing ratio, which is net debt divided by equity plus net debt. The Parent Company determines net debt as notes payable less cash and cash equivalents.

Gearing ratios of the Parent Company as of December 31 are as follows:

	2020	2019
Notes payable	**₱2,819,508,120**	₱2,844,726,970
Less cash and cash equivalents	**2,650,122,434**	2,313,237,102
Net cash and cash equivalents (a)	**169,385,686**	531,489,868
Equity	**7,268,382,606**	6,447,221,176
Equity and net cash and cash equivalents (b)	**₱7,437,768,292**	₱6,978,711,044
Gearing ratio (a/b)	**0.02:1.00**	0.08:1.00

20. Changes in Liabilities Arising from Financing Activities

	2020			
	Notes Payable	**Dividends Payable**	**Lease Liabilities**	**Total Liabilities from Financing Activities**
At January 1	**₱2,844,726,970**	**₱3,154,947**	**₱64,017,183**	**₱2,911,899,100**
Cash flows	**(30,000,000)**	**(467,156,920)**	**(14,244,182)**	**(511,401,102)**
Noncash changes:				
Amortization of debt issue costs	**4,781,150**	–	–	**4,781,150**
Dividends declared	–	**467,822,060**	–	**467,822,060**
Modifications	–	–	**(981,954)**	**(981,954)**
At December 31	**₱2,819,508,120**	**₱3,820,087**	**₱48,791,047**	**₱2,872,119,254**

	2019			
	Notes Payable	Dividends Payable	Lease Liabilities	Total Liabilities from Financing Activities
At January 1*	₱2,870,154,989	₱2,806,854	₱22,300,351	₱2,895,262,194
Cash flows	(30,000,000)	(345,784,966)	(7,830,714)	(383,615,680)
Noncash changes:				
Amortization of debt issue costs	4,571,981	–	–	4,571,981
Dividends declared	–	346,133,059	–	346,133,059
Additions and modifications	–	–	52,032,876	52,032,876
Pretermination of lease	–	–	(2,485,330)	(2,485,330)
At December 31	₱2,844,726,970	₱3,154,947	₱64,017,183	₱2,911,899,100

**includes effects of PFRS 16 adoption for lease liabilities*

	2018			
	Notes Payable	Dividends Payable	Lease Liabilities	Total Liabilities from Financing Activities
At January 1	₱2,895,771,935	₱2,331,387	₱–	₱2,898,103,322
Cash flows	(30,000,000)	(285,273,643)	–	(315,273,643)
Noncash changes:				
Amortization of debt issue costs	4,383,054	–	–	4,383,054
Dividends declared	–	285,749,110	–	285,749,110
At December 31	₱2,870,154,989	₱2,806,854	₱–	₱2,872,961,843

21. Lease Agreements

The Parent Company have lease contracts for various items of land and office space used in its operations. Lease of land has a lease term of 17 years, while office space generally has lease terms between 2 and 5 years. The Parent Company's obligations under its leases are secured by the lessor's title to the leased assets. Generally, the Parent Company is restricted from assigning and subleasing the leased assets. The Parent Company identified these as leases under PFRS 16.

Set out below are the carrying amounts of the Parent Company's right-of-use assets and lease liabilities and the movements for the years ended December 31, 2020 and 2019:

	2020			
	Right-of-use Assets			
	Land	**Office Space**	**Total**	**Lease Liabilities**
As at January 1, 2020	**₱3,471,218**	**₱58,011,599**	**₱61,482,817**	**₱64,017,183**
Modifications	**–**	**(981,954)**	**(981,954)**	**(981,954)**
Depreciation expense	**(231,414)**	**(15,960,290)**	**(16,191,704)**	**–**
Interest expense	**–**	**–**	**–**	**3,363,921**
Payments	**–**	**–**	**–**	**(17,608,103)**
As at December 31, 2020	**₱3,239,804**	**₱41,069,355**	**₱44,309,159**	**₱48,791,047**

	2019			
	Right-of-use Assets			
	Land	Office Space	Total	Lease Liabilities
As at January 1, 2019	₱3,702,633	₱18,597,718	₱22,300,351	₱22,300,351
Additions and modifications	–	52,032,876	52,032,876	52,032,876
Termination	–	(2,331,604)	(2,331,604)	(2,485,330)
Depreciation expense	(231,415)	(10,287,391)	(10,518,806)	–
Interest expense	–	–	–	2,309,097
Payments	–	–	–	(10,139,811)
As at December 31, 2019	₱3,471,218	₱58,011,599	₱61,482,817	₱64,017,183

As of December 31, 2020 and 2019, current portion of lease liabilities recognized in the parent company statements of financial position amounted to ₱14.7 million and ₱14.5 million, respectively, and noncurrent portion of lease liabilities amounted to ₱34.1 million and ₱49.6 million, respectively.

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

	2020	2019
Depreciation expense of right-of-use assets	**₱16,191,704**	₱10,518,806
Interest expense on lease liabilities	**3,363,921**	2,309,097
Rent expense - short-term leases	**355,098**	693,722
Gain on pretermination of lease	–	(153,726)
	₱19,910,723	₱13,367,899

Rent expense recognized in the parent company statement of comprehensive income in 2018 amounted to ₱9.2 million.

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

	2020	2019
1 year	**₱17,213,256**	₱17,876,646
more than 1 year to 2 years	**17,867,613**	17,475,610
more than 2 years to 3 years	**15,321,171**	18,150,461
more than 3 years to 5 years	**867,696**	16,026,542
more than 5 years	**4,239,890**	4,673,738
	₱55,509,626	₱74,202,997

22. Events After the Reporting Period

Enactment of Corporate Recovery and Tax Incentives for Enterprises (CREATE) Bill into Law
President Rodrigo Duterte signed into law on March 26, 2021 the Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act to attract more investments and maintain fiscal prudence and stability in the Philippines. RA 11534 or the CREATE Act introduces reforms to the corporate income tax and incentives systems. It takes effect 15 days after its complete publication in the Official Gazette or in a newspaper of general circulation or April 11, 2021.

The following are the key changes to the Philippine tax law pursuant to the CREATE Act which have an impact on the Parent Company:

- Effective July 1, 2020, regular corporate income tax (RCIT) rate is reduced from 30% to 25% for domestic and resident foreign corporations. For domestic corporations with net taxable income not exceeding ₱5 million and with total assets not exceeding ₱100 million (excluding land on which the business entity's office, plant and equipment are situated) during the taxable year, the RCIT rate is reduced to 20%.

- Minimum corporate income tax (MCIT) rate reduced from 2% to 1% of gross income effective July 1, 2020 to June 30, 2023.

- Imposition of improperly accumulated earnings tax (IAET) is repealed.

As clarified by the Philippine Financial Reporting Standards Council in its Philippine Interpretations Committee Q&A No. 2020-07, the CREATE Act was not considered substantively enacted as of December 31, 2020 even though some of the provisions have retroactive effect to July 1, 2020. The passage of the CREATE Act into law on March 26, 2021 is considered as a non-adjusting subsequent event. Accordingly, current and deferred taxes as of and for the year ended December 31, 2020 continued to be computed and measured using the applicable income tax rates as of December 31, 2020 (i.e., 30% RCIT / 2% MCIT) for financial reporting purposes.

Applying the provisions of the CREATE Act, the Parent Company would have been subjected to lower regular corporate income tax rate of 25% effective July 1, 2020.

- This will result in no change in the provision for current income tax for the year ended December 31, 2020 and creditable tax withheld as of December 31, 2020 since the Parent Company incurred gross loss and NOLCO and thus, is not in a taxable position.

- This will result in lower deferred income tax assets and liabilities as of December 31, 2020 by ₱5.9 million and ₱0.1 million, respectively, lower benefit from deferred tax for the year then ended by ₱5.2 million and lower remeasurement gain on employee benefits - net of tax by ₱0.6 million. These reductions will be recognized in the 2021 financial statements.

23. Supplementary Information Required under Revenue Regulations 15-2010

In compliance with the requirements set forth by the RR 15-2010, hereunder are the information on taxes, duties, and license fees paid or accrued by the Parent Company in 2020:

Details of the Parent Company's net sales, output VAT and input VAT accounts are as follows:

Value-Added Tax (VAT)

Output VAT. The Parent Company is a VAT-registered company. The Parent Company's sources of revenue are management fees and service income from subsidiaries, associates, and joint ventures. The VAT rate is 12.0%.

Net Sales/Receipts and Output VAT Declared in the Parent Company's VAT Returns

	Net Sales/ Receipts	Output VAT
Net sales	₱151,760,442	₱18,211,253

The Parent Company's taxable sales are based on actual collections received, hence, may not be the same as the amounts accrued under "Management fees" and "Service income" in the parent company statement of comprehensive income.

Input VAT. The Parent Company recognized input VAT for the purchases of goods and services from other VAT-registered individuals or corporations in 2020 amounting to ₱134,119,190.

Total input VAT available for application as of December 31, 2020 is as follows:

At January 1	₱7,317,962
Current year's domestic purchases or payments for:	
Services lodged under expenses	13,624,301
Capital goods subject to amortization	754,286
Capital goods not subject to amortization	460,514
Goods other than capital goods	1,255,202
Total available input tax	23,412,265
Adjustments:	
Amortization of input VAT from capital goods	(836,838)
Deferred input VAT	866,888
Claims against output VAT	(17,472,147)
At December 31	₱5,970,168

Customs Duties
The Parent Company does not engage in import/export transactions, hence, no customs duties were paid or recorded during the year.

Excise Tax
The Parent Company does not engage in transactions that will give rise to payment of excise taxes.

Documentary Stamp Tax
The Parent Company paid documentary stamp taxes in 2020 amounting to ₱146,937 of which ₱438 are from the advances from related parties, ₱9,000 from subsidiaries' share issuance and ₱137,499 from telegraphic transfer from bank transactions, insurance-related and other transactions entered during the year.

Other Taxes and Licenses
Other taxes paid during the year are as follows:

Business permit	₱4,367,596
Fringe benefit tax	310,041
Real property tax	81,944
Community tax	500
BIR annual registration fee	500
Others	165,788
	₱4,926,369

Withholding Taxes
The amount of taxes withheld in 2020 follows:

Expanded withholding taxes	₱32,784,134
Withholding taxes on compensation and benefits	35,967,417
Final withholding taxes	177,508
	₱68,929,059

Tax Assessments and Cases
The Parent Company does not have any pending tax cases outside the administration of the BIR.

VIVANT CORPORATION

RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION

FOR THE YEAR ENDED DECEMBER 31, 2020

Items	Amount
Unappropriated Retained Earnings, Beginning	₱971,489,778
Adjustments:	
Deferred income tax assets that reduced the amount of provision for income tax	(29,413,071)
Deferred income tax liabilities that increased the amount of provision for income tax	1,619,825
Unappropriated Retained Earnings, as Adjusted, Beginning	943,696,532
Net Income Based on the Face of AFS	1,288,696,431
Less: Non-actual/Unrealized Income Net of Tax	
Equity in net income of an associate/joint venture	–
Unrealized foreign exchange gain - net (except those attributable to cash and cash equivalents)	–
Unrealized actuarial gain	–
Fair value adjustment (M2M gains)	–
Fair value adjustment of investment property resulting to gain	–
Adjustment due to deviation from PFRS/GAAP - gain	–
Gain on reversal of impairment loss	–
Gain on pre-termination of lease	–
Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS	–
Deferred income tax assets that reduced the amount of provision for income tax	(2,363,845)
Deferred income tax liability that reduced the amount of provision for income tax	(762,437)
Add: Non-actual Losses	
Unrealized foreign exchange loss - net (except those attributable to cash and cash equivalents)	–
Equity in net loss of an associate/joint venture	–
Depreciation on revaluation increment (after tax)	–
Adjustment due to deviation from PFRS/GAAP - loss	–
Loss on fair value adjustment of investment property (after tax)	–
Impairment loss on investment	–
Net Income Actual/Realized	1,285,570,149
Add (Less)	
Dividend declarations during the period	(467,822,060)
Appropriations of retained earnings during the period	(2,286,000,000)
Reversals of appropriations	1,521,583,131
Effects of prior period adjustments	–
Treasury shares	–
TOTAL RETAINED EARNINGS, END AVAILABLE FOR DIVIDEND DECLARATION	₱997,027,752

COVER SHEET

for

AUDITED FINANCIAL STATEMENTS

SEC Registration Number

						1	7	5	2	2	2

COMPANY NAME

VIVANT CORPORATION AND SUBSIDIARIES

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

9th Floor Oakridge IT Center 3, Oakridge Business Park, A.S. Fortuna Street, Brgy. Banilad, Mandaue City, Cebu, Philippines 6014

Form Type	Department requiring the report	Secondary License Type, If Applicable
AACFS	CRMD	N/A

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number	Mobile Number
vivant@vivant.com.ph	(032) 234-2256	N/A

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
1,425	September 11	December 31

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Atty. Joan A. Giduquio-Baron	jbaron@jpgarcialaw.com	(032) 232-0253	0917-5356692

CONTACT PERSON's ADDRESS

15th Floor Ayala Life FGU Center, Mindanao Avenue corner Biliran Road, Cebu Business Park, Cebu City

NOTE 1: In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.

2: All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.

Cebu Extension Office
15 APR 2021
BY

VIVANT

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The Management of **VIVANT CORPORATION AND SUBSIDIARIES** is responsible for the preparation and fair presentation of the financial statements, including the schedules attached therein, for the years ended December 31, 2020 and 2019, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

The Board of Directors is responsible for overseeing the Company's financial reporting process.

The Board of Directors reviews and approves the financial statements, including the schedules attached therein, and submits the same to the stockholders.

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

RAMONFITO E. GARCIA
Chairman of the Board/Chief Executive Officer

MINUEL CARMELA N. FRANCO
Chief Financial Officer

Signed this 5th day of April, 2021.

9th Floor Oakridge IT Center 3
Oakridge Business Park, A. S. Fortuna Street
Brgy. Banilad, Mandaue City, Philippines 6014

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www.vivant.com.ph

ACKNOWLEDGEMENT

Republic of the Philippines)
Cebu City) s.s.

BEFORE ME, a Notary Public, for and in Cebu City, Philippines, this MAR 10 2021 personally appeared the following:

Name	Competent Evidence of Identity	Expiration Date	Place of Issue
Ramontito E. Garcia	Passport No. P4784127B	Feb. 11, 2030	DFA Cebu
Minuel Carmela N. Franco	Passport No. P2168178A	March 5, 2022	DFA Consular office Cebu

known to me and to me known to have executed the foregoing instrument, and he/she acknowledged to me that the same is his/her free and voluntary act and deed and of the corporations he/she represent.

IN WITNESS WHEREOF, I have hereunto set my hand on the date and place above stated.

Doc. No. 147;
Page No. 30;
Book No. 34;
Series of 2021.

ATTY. JOAN A. GIDUQUIO-BARON
ROLL NO. 41829
NOTARY PUBLIC
CEBU, PHILIPPINES

ATTY. JOAN GIDUQUIO - BARON
NOTARY COMMISSION NO. 018-19
NOTARY PUBLIC
UNTIL JUNE 30, 2021
UNITS 1601-1602 AYALA LIFE - FGU CENTER
CEBU BUSINESS PARK, CEBU CITY
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PTR NO. 1881985 - CEBU CITY - 1-06-2021
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BOA/PRC Reg. No. 0001,
October 4, 2018, valid until August 24, 2021
SEC Accreditation No. 0012-FR-5 (Group A),
November 6, 2018, valid until November 5, 2021

INDEPENDENT AUDITOR'S REPORT

The Board of Directors and the Stockholders
Vivant Corporation
9th Floor, Oakridge IT Center 3
Oakridge Business Park, A.S. Fortuna Street
Brgy. Banilad, Mandaue City
Cebu, Philippines 6014

Opinion

We have audited the consolidated financial statements of Vivant Corporation and its subsidiaries (the Group), which comprise the consolidated statements of financial position as at December 31, 2020 and 2019, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2020, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2020 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 Professional Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

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

Accounting for the Investment in Visayan Electric Company, Inc. (VECO)

As disclosed in Notes 1 and 10 to the consolidated financial statements, the Group owns 34.81% of VECO, an associate engaged in power distribution services, as at December 31, 2020 and accounts for the investment under the equity method. The application of the equity method of accounting to the Group's investment in VECO is significant to our audit because the carrying value of the investment accounted for 14% of the consolidated total assets and it contributed 34% to the consolidated net income of the Group as at and for the year ended December 31, 2020, respectively. VECO's net income is significantly affected by the electricity revenue which depends on the electric consumption captured, the rates applied across different customer groups, and the systems involved in the billing process. The electric consumption captured is based on the meter readings taken on various dates for the different groups of customers (i.e., industrial, commercial, and residential customers) within the franchise area of operation.

The disclosures relating to the investment in VECO are included in Note 10 to the consolidated financial statements.

Audit Response

We obtained the relevant financial information of VECO and recomputed the Group's share in the net income of VECO for the year ended December 31, 2020. We evaluated the design and tested the controls over VECO's billing and revenue process. These include the capture and accumulation of meter data in the billing system as well as a calculation of the billed amounts, and uploading of the billed amounts from the billing system to the financial reporting system. We performed a test calculation of the rates using the Energy Regulatory Commission-approved rates and formulae, then compared them with the rates used in the billing statements.

Recoverability of certain items of property, plant and equipment and right-of-use of assets

Based on the assessment of the Group as of December 31, 2020, certain items of its property, plant and equipment totaling ₱1,071.2 million and right-of-use assets amounting to ₱628.9 million maybe impaired. We considered the recoverability of certain items of property, plant and equipment and right-of-use assets as a key audit matter because of the amounts involved and significant management assumptions and judgment involved, which include future electricity generation levels and costs, as well as external inputs such as fuel prices and discount rates.

The Group's disclosures about the recoverability of certain items of property, plant and equipment and right-of-use assets are included in Notes 5, 11 and 24 to the consolidated financial statements.

Audit Response

We involved our internal specialist in evaluating the methodologies and assumptions used by the Group in estimating value in use. We compared the key assumptions, such as future electricity generation levels and costs, and fuel prices against the historical data and industry outlook. Our internal specialist tested the parameters used in the determination of the discount rate against market data. We performed sensitivity analyses to understand the impact of reasonable changes in the key assumptions. We also reviewed the Group's disclosures about those assumptions to which the outcome of the impairment test is most sensitive.

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2020, but does not include the consolidated financial statements and our auditor's report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2020 are expected to be made available to us after the date of this auditor's report.

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

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

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Margem A. Tagalog.

SYCIP GORRES VELAYO & CO.

Margem A. Tagalog

Margem A. Tagalog
Partner
CPA Certificate No. 0098098
SEC Accreditation No. 1741-A (Group A),
February 26, 2019, valid until February 25, 2022
Tax Identification No. 206-544-506
BIR Accreditation No. 08-001998-138-2018,
December 17, 2018, valid until December 16, 2021
PTR No. 8534368, January 4, 2021, Makati City

April 5, 2021

VIVANT CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	December 31	
	2020	2019 (As Restated - Note 13)
ASSETS		
Current Assets		
Cash and cash equivalents (Note 6)	**P4,872,331,464**	P4,405,244,649
Trade and other receivables (Note 7)	**814,103,832**	788,842,129
Advances to associates, joint ventures and stockholders (Note 16)	**253,060,382**	91,803,173
Inventories - at cost (Note 8)	**220,498,758**	101,307,901
Prepayments and other current assets (Note 9)	**281,892,670**	159,912,610
Total Current Assets	**6,441,887,106**	5,547,110,462
Noncurrent Assets		
Investments in associates and joint ventures (Note 10)	**11,247,606,324**	11,236,867,087
Property, plant and equipment (Note 11)	**2,260,461,407**	1,321,444,974
Right-of-use assets (Note 24)	**672,222,914**	925,279,293
Investment properties (Note 12)	**757,280,601**	757,280,601
Deferred income tax assets (Note 20)	**34,013,474**	30,891,693
Other noncurrent assets (Note 13)	**1,167,489,781**	1,045,187,669
Total Noncurrent Assets	**16,139,074,501**	15,316,951,317
TOTAL ASSETS	**P22,580,961,607**	P20,864,061,779
LIABILITIES AND EQUITY		
Current Liabilities		
Current portion of trade and other payables (Note 14)	**P875,837,380**	P1,203,179,205
Short term notes payable (Note 15)	**749,300,741**	–
Current portion of lease liabilities (Note 24)	**360,063,325**	360,141,234
Advances from related parties (Note 16)	**5,689,112**	18,309,614
Income tax payable	**36,955,619**	15,999,066
Current portion of long-term notes payable (Note 15)	**2,819,508,120**	25,218,850
Total Current Liabilities	**4,847,354,297**	1,622,847,969
Noncurrent Liabilities		
Long-term notes payable - net of current portion (Note 15)	–	2,819,508,120
Lease liabilities - net of current portion (Note 24)	**303,114,979**	516,299,054
Pension liability (Note 19)	**87,541,306**	67,222,433
Deferred income tax liabilities (Note 20)	**189,832,424**	203,423,809
Other noncurrent liabilities - net of current portion (Notes 14 and 23)	**837,635,182**	836,662,924
Total Noncurrent Liabilities	**1,418,123,891**	4,443,116,340
Total Liabilities	**6,265,478,188**	6,065,964,309
Equity Attributable to Equity Holders of the Parent		
Capital stock - P1 par value (Note 21)		
Authorized - 2,000,000,000 shares		
Issued - 1,023,456,698 shares	**1,023,456,698**	1,023,456,698
Additional paid-in capital	**8,339,452**	8,339,452

(Forward)

S.E.C. Cebu Extension Office
15 APR 2021

	December 31	
	2020	2019 (As Restated - Note 13)
Other components of equity:		
Share in revaluation increment of an associate (Note 10)	**₱1,658,598,674**	₱1,323,680,397
Remeasurement gain (loss) on employee benefits (Note 19)	**(13,035,095)**	(10,270,755)
Share in remeasurement losses on employee benefits of associates and a joint venture (Note 10)	**(96,181,114)**	(80,413,281)
Unrealized valuation gain (loss) on financial assets at fair value through other comprehensive income (FVOCI)	**2,862,209**	2,836,709
Equity reserves (Note 21)	**(25,128,554)**	(25,128,554)
Retained earnings (Notes 10 and 21):		
Appropriated for business expansion	**5,213,900,230**	4,449,483,361
Unappropriated	**7,674,801,422**	7,392,814,294
Equity Attributable to Equity Holders of the Parent	**15,447,613,922**	14,084,798,321
Equity Attributable to Non-controlling Interests (Note 21)	**867,869,497**	713,299,149
Total Equity	**16,315,483,419**	14,798,097,470
TOTAL LIABILITIES AND EQUITY	**₱22,580,961,607**	₱20,864,061,779

See accompanying Notes to Consolidated Financial Statements.

VIVANT CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31		
	2020	2019	2018
REVENUE			
Revenue from contracts with customers			
Sale of power (Note 23)			
Ancillary services	₱1,407,752,125	P1,009,757,401	P654,346,322
Generation	328,907,875	2,446,354,295	1,508,376,403
Retail electricity supply	120,232,272	70,589,533	67,066,411
Management and service fees (Note 16)	210,189,238	97,547,438	137,262,570
Engineering service income	111,068,559	18,582,784	–
	2,178,150,069	3,642,831,451	2,367,051,706
EQUITY IN NET EARNINGS OF ASSOCIATES AND JOINT VENTURES (Note 10)	1,530,892,007	2,183,383,722	1,796,151,495
INTEREST INCOME (Note 6)	62,242,191	153,411,964	117,057,368
	3,771,284,267	5,979,627,137	4,280,260,569
COSTS OF SERVICES			
Generation costs (Notes 17 and 23)	896,158,327	2,332,094,275	1,938,813,443
Engineering service fees (Note 17)	117,711,267	1,451,250	–
	1,013,869,594	2,333,545,525	1,938,813,443
OPERATING EXPENSES			
Salaries and employee benefits (Note 18)	284,005,583	202,975,160	174,759,438
Professional fees	157,302,439	173,671,643	103,823,911
Taxes and licenses (Note 12)	58,940,183	55,333,078	48,260,680
Depreciation and amortization (Notes 11, 13 and 24)	48,356,782	31,861,829	19,492,188
Management fees (Note 16)	26,002,274	22,206,974	23,234,666
Outside services	25,698,856	19,532,232	15,241,219
Travel	10,788,470	37,462,373	30,384,580
Communication and utilities	7,276,738	7,084,959	9,554,682
Representation	5,998,099	8,566,625	9,559,710
Rent and association dues	5,949,841	3,613,177	9,528,118
Project termination cost (Note 1)	–	53,111,200	–
Provision for estimated liability (Note 14)	–	32,577,442	–
Other operating expenses (Note 17)	78,333,134	70,956,984	59,255,901
	708,652,399	718,953,676	503,095,093
INCOME FROM OPERATIONS	2,048,762,274	2,927,127,936	1,838,352,033
OTHER INCOME (CHARGES)			
Finance costs on loans (Note 15)	(172,911,936)	(170,922,101)	(173,176,699)
Finance costs on lease liabilities (Note 24)	(75,342,137)	(85,661,701)	–
Foreign exchange gains (losses) - net	4,313,061	(4,387,978)	7,167,097
Gain on fair value measurement of investment properties (Note 12)	–	235,326,709	–
Gain on disposal of a joint venture and subsidiary (Notes 1 and 10)	–	–	119,961,701
Other income - net (Notes 12 and 17)	56,411,994	41,931,060	21,263,589
	(187,529,018)	16,285,989	(24,784,312)

(Forward)

	Years Ended December 31		
	2020	2019	2018
INCOME BEFORE INCOME TAX	**₱1,861,233,256**	₱2,943,413,925	₱1,813,567,721
PROVISION FOR INCOME TAX (Note 20)	**154,412,620**	271,663,175	45,102,782
NET INCOME	**1,706,820,636**	2,671,750,750	1,768,464,939
OTHER COMPREHENSIVE INCOME (LOSS)			
Items that will not be reclassified to profit or loss:			
Remeasurement gain (loss) on employee benefits (Note 19)	**(7,457,347)**	(26,956,362)	12,867,279
Income tax effect	**2,237,205**	7,310,862	(3,860,184)
	(5,220,142)	(19,645,500)	9,007,095
Unrealized valuation gain on financial assets at FVOCI (Note 13)	**30,000**	1,820,000	1,850,000
Income tax effect	**(4,500)**	(273,000)	(555,000)
	25,500	1,547,000	1,295,000
Share in the remeasurement losses on employee benefits of associates and joint ventures, net of tax (Note 10)	**(15,767,833)**	(2,240,958)	(3,607,842)
Share in revaluation increment of an associate, net of tax (Note 10)	**407,012,356**	–	–
OTHER COMPREHENSIVE INCOME (LOSS) FOR THE YEAR	**386,049,881**	(20,339,458)	6,694,253
TOTAL COMPREHENSIVE INCOME	**₱2,092,870,517**	₱2,651,411,292	₱1,775,159,192
NET INCOME			
Attributable to:			
Equity holders of the parent	**₱1,442,131,978**	₱2,338,934,325	₱1,730,807,717
Non-controlling interests	**264,688,658**	332,816,425	37,657,222
	₱1,706,820,636	₱2,671,750,750	₱1,768,464,939
TOTAL COMPREHENSIVE INCOME			
Attributable to:			
Equity holders of the parent	**₱1,830,637,661**	₱2,320,970,603	₱1,735,442,308
Non-controlling interests	**262,232,856**	330,440,689	39,716,884
	₱2,092,870,517	₱2,651,411,292	₱1,775,159,192
EARNINGS PER SHARE			
Basic and diluted, for net income for the year attributable to equity holders of the parent (Note 22)	**₱1.409**	₱2.285	₱1.691

See accompanying Notes to Consolidated Financial Statements.

VIVANT CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2020, 2019 AND 2018

	Equity Attributable to Equity Holders of the Parent											
	Capital Stock (Note 21)	Additional Paid-in Capital	Share in Revaluation Increment of an Associate	Remeasurement Gain on Employee Benefits	Share in Remeasurement Losses on Employee Benefits of Associates and a Joint Venture	Equity Reserves	Unrealized Valuation Gain (Loss) on Financial Assets at FVOCI	Retained Earnings (Note 21) Appropriated	Retained Earnings (Note 21) Unappropriated	Total	Equity Attributable to Non-Controlling Interests (As Restated - Notes 13 and 21)	Total Equity
Balances at January 1, 2020	₱1,023,456,698	₱8,339,452	₱1,323,680,397	(₱10,270,755)	(₱80,413,281)	(₱25,128,554)	₱2,836,709	₱4,449,483,361	₱7,392,814,294	₱14,084,798,321	₱713,299,149	₱14,798,097,470
Total comprehensive income (loss)	–	–	407,012,356	(2,764,340)	(15,767,833)	–	25,500	–	1,442,131,978	1,830,637,661	262,235,856	2,092,873,517
Appropriation for business expansion	–	–	–	–	–	–	–	2,286,000,000	(2,286,000,000)	–	–	–
Reversal of appropriation for business expansion	–	–	–	–	–	–	–	(1,521,583,131)	1,521,583,131	–	–	–
Additional investments of non-controlling interests of a subsidiary	–	–	–	–	–	–	–	–	–	–	16,000,907	16,000,907
Conversion of deposit for future stock subscription to equity	–	–	–	–	–	–	–	–	–	–	72,008,585	72,008,585
Share in the amount transferred to retained earnings representing depreciation on the revaluation increment of an associate (Note 10)	–	–	(72,094,079)	–	–	–	–	–	72,094,079	–	–	–
Cash dividends	–	–	–	–	–	–	–	–	(467,822,060)	(467,822,060)	(196,672,000)	(664,494,060)
Balances at December 31, 2020	₱1,023,456,698	₱8,339,452	₱1,658,598,674	(₱13,035,095)	(₱96,181,114)	(₱25,128,554)	₱2,862,209	₱5,213,900,230	₱7,674,801,422	₱15,447,613,922	₱867,869,497	₱16,315,483,419
Balances at January 1, 2019	₱1,023,456,698	₱8,339,452	₱1,398,039,947	₱6,999,009	(₱78,172,323)	(₱43,845)	₱1,289,709	₱3,972,297,789	₱5,802,739,051	₱12,135,045,487	₱435,418,470	₱12,570,463,957
Total comprehensive income (loss)	–	–	–	(17,269,764)	(2,240,958)	–	1,547,000	–	2,338,954,329	2,320,970,603	330,440,689	2,651,411,292
Appropriation for business expansion	–	–	–	–	–	–	–	2,600,000,000	(2,600,000,000)	–	–	–
Reversal of appropriation for business expansion	–	–	–	–	–	–	–	(2,122,914,428)	2,122,914,428	–	–	–
Acquisition of a subsidiary (Note 13)	–	–	–	–	–	–	–	–	–	–	21,249,999	21,249,999
Additional investments of non-controlling interests of a subsidiary	–	–	–	–	–	–	–	–	–	–	12,737,500	12,737,500
Purchase of NCI's share (Note 21)	–	–	–	–	–	(25,084,709)	–	–	–	(25,084,709)	(5,907,509)	(30,992,218)
Share in the amount transferred to retained earnings representing depreciation on the revaluation increment of an associate (Note 10)	–	–	(74,359,550)	–	–	–	–	–	74,359,550	–	–	–
Cash dividends	–	–	–	–	–	–	–	–	(346,133,060)	(346,133,060)	(80,640,000)	(426,773,060)
Balances at December 31, 2019	₱1,023,456,698	₱8,339,452	₱1,323,680,397	(₱10,270,755)	(₱80,413,281)	(₱25,128,554)	₱2,836,709	₱4,449,483,361	₱7,392,814,294	₱14,084,798,321	₱713,299,149	₱14,798,097,470
Balances at January 1, 2018	₱1,003,456,698	₱8,339,452	₱1,472,399,497	₱51,576	(₱74,564,481)	(₱43,845)	(₱5,291)	₱1,422,808,228	₱4,832,910,455	₱10,685,352,289	₱582,856,500	₱11,268,208,789
Total comprehensive income (loss)	–	–	–	6,947,433	(3,607,842)	–	1,295,000	–	1,730,807,717	1,735,442,308	39,716,884	1,775,159,192
Appropriation for business expansion	–	–	–	–	–	–	–	1,700,000,000	(1,700,000,000)	–	–	–
Reversal of appropriation for business expansion	–	–	–	–	–	–	–	(1,150,410,439)	1,150,410,439	–	–	–
Additional investments of non-controlling interests of a subsidiary	–	–	–	–	–	–	–	–	–	–	9,474,009	9,474,009
Share in the amount transferred to retained earnings representing depreciation on the revaluation increment of an associate (Note 10)	–	–	(74,359,550)	–	–	–	–	–	74,359,550	–	–	–
Cash dividends	–	–	–	–	–	–	–	–	(285,749,110)	(285,749,110)	(196,628,472)	(482,377,582)
Balances at December 31, 2018	₱1,023,456,698	₱8,339,452	₱1,398,039,947	₱6,999,009	(₱78,172,323)	(₱43,845)	₱1,289,709	₱3,972,397,789	₱5,802,739,051	₱12,135,045,487	₱435,418,470	₱12,570,463,957

See accompanying Notes to Consolidated Financial Statements.

VIVANT CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31		
	2020	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**₱1,861,233,256**	₱2,943,413,925	₱1,813,567,721
Adjustments for:			
Equity in net earnings of associates and joint ventures (Note 10)	**(1,530,892,007)**	(2,183,383,722)	(1,796,151,495)
Depreciation and amortization (Notes 11, 13, and 24)	**306,122,597**	269,322,566	31,385,096
Finance costs on loans (Note 15)	**172,911,936**	170,922,101	173,176,699
Finance costs on lease liabilities (Note 24)	**75,342,137**	85,661,701	–
Interest income (Note 6)	**(62,242,191)**	(153,411,964)	(117,057,368)
Pension expense (Note 19)	**15,961,646**	11,987,522	12,271,812
Unrealized foreign exchange losses (gains)	**(4,313,061)**	4,387,978	(7,167,097)
Loss (gain) on disposal of property and equipment (Note 17)	**(330,357)**	96,818	(508,480)
Gain on fair value remeasurement of investment properties (Note 12)	–	(235,326,709)	–
Gain on pre-termination of lease	–	(153,732)	–
Gain on disposal of a joint venture and subsidiary (Notes 1 and 10)	–	–	(119,961,701)
Operating income (loss) before working capital changes	**833,793,956**	913,516,484	(10,444,813)
Decrease (increase) in:			
Trade and other receivables	**60,810,583**	(88,576,075)	(243,335,973)
Prepayments and other current assets	**(17,654,034)**	(93,355,049)	(61,072,335)
Inventories	**(119,190,857)**	24,191,045	(2,635,625)
Increase in trade and other payables	**(261,872,673)**	143,083,792	85,423,701
Net cash generated from (used in) operations	**495,886,975**	898,860,197	(232,065,045)
Interest paid	**(241,567,931)**	(253,658,954)	(169,056,021)
Income taxes paid	**(147,936,527)**	(187,494,039)	(39,401,964)
Contributions to the retirement fund (Note 19)	**(3,122,623)**	(454,148)	(2,497,815)
Net cash flows from (used in) operating activities	**103,259,894**	457,253,056	(443,020,845)
CASH FLOWS FROM INVESTING ACTIVITIES			
Dividends received from associates and joint ventures (Note 10)	**1,884,511,195**	1,317,391,449	1,314,503,825
Additions to property, plant and equipment (Note 11)	**(1,010,719,915)**	(399,126,651)	(114,274,889)
Decrease (increase) in other noncurrent assets	**(123,180,917)**	(25,662,576)	7,475,096
Advances to suppliers on purchase of fixed assets	**(104,303,524)**	–	–
Additional investments and advances to associates and joint ventures (Note 10)	**(102,381,502)**	(8,400,000)	(1,524,709,815)
Interest received	**66,969,905**	153,575,414	113,959,756
Proceeds from:			
Redemption of preferred shares (Note 10)	**40,000,000**	–	50,000,000
Disposal of property, plant and equipment (Note 11)	**330,357**	299,789	1,927,269
Sale of an equity interest in a joint venture (Note 10)	–	–	48,000,000
Net cash outflow from acquisition of a subsidiary (Note 13)	–	(61,131,114)	–
Additions to investment properties (Note 12)	–	(10,500,000)	–
Net cash flows from (used in) investing activities	**651,225,599**	966,446,311	(103,118,758)

(Forward)

	Years Ended December 31		
	2020	2019	2018
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from short term loan	₱779,300,741	₱-	₱-
Payments of:			
Cash dividends (Note 21)	(745,895,948)	(480,184,967)	(346,320,996)
Lease liabilities (Note 24)	(193,715,915)	(259,530,952)	-
Loans (Note 15)	(60,000,000)	(30,000,000)	(30,000,000)
Net proceeds (payments) in advances from related parties (see Note 26)	(160,410,109)	(13,112,210)	57,753,105
Additional investments and deposits for future stock subscriptions of non-controlling interests of a subsidiary (Note 21)	89,009,492	12,737,500	9,474,009
Non-controlling interest on the sale of shares (Note 21)	-	(30,992,218)	-
Net cash flows used in financing activities	(291,711,739)	(801,082,847)	(309,093,882)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	462,773,754	622,616,520	(855,233,485)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	4,313,061	(4,387,978)	7,167,097
TOTAL CASH AT BEGINNING OF YEAR			
Cash and cash equivalents (Note 6)	4,405,244,649	3,787,016,107	4,635,082,495
Restricted cash (Notes 9 and 13)	650,000	650,000	650,000
	4,405,894,649	3,787,666,107	4,635,732,495
TOTAL CASH AT END OF YEAR			
Cash and cash equivalents (Note 6)	4,872,331,464	4,405,244,649	3,787,016,107
Restricted cash (Notes 9 and 13)	2,002,202	650,000	650,000
	₱4,874,333,666	₱4,405,894,649	₱3,787,666,107

See accompanying Notes to Consolidated Financial Statements.

1. Corporate Information

Vivant Corporation (the "Parent Company" or "Vivant") was incorporated under the laws of the Republic of the Philippines and registered with the Securities and Exchange Commission (SEC) on May 28, 1990. The Parent Company is listed in the Philippine Stock Exchange using the symbol VVT. Vivant is the ultimate parent of the Group.

The Parent Company's primary purpose is to invest in and manage the general business of any other corporation or corporations except management of fund securities portfolios and other similar assets of a managed entity.

The Parent Company is owned by Mai-I Resources Corporation (MRC) and JEG Development Corporation (JDC) with a combined ownership of 75.84%. MRC and JDC are entities incorporated and domiciled in the Philippines.

The Parent Company and its Subsidiaries (collectively referred to as the Group) are engaged in various business activities, through its subsidiaries and affiliates, namely electric power generation (both renewable and non-renewable energy), electric power distribution, retail electricity supply, electrical engineering services, water infrastructure and real estate.

The principal office address of the Parent Company is currently located at 9th Floor Oakridge IT Center 3, Oakridge Business Park, A.S. Fortuna Street, Barangay Banilad, Mandaue City, Cebu.

The consolidated financial statements comprise the financial statements of the Parent Company and the following subsidiaries, associates and joint ventures, all incorporated in the Philippines, as at December 31, 2020 and 2019:

	2020		2019	
	Percentage of Ownership			
	Direct	Indirect	Direct	Indirect
Subsidiaries				
Hijos De F. Escaño (HDFE)	50.94	–	50.94	–
Southern Grove Properties and Development Corp. (SGPDC) [a]	100.00	–	100.00	–
Vivant Realty Ventures Corporation (VRVC)	–	100.00 [a][r]	–	100.00 [a][r]
Vivant Corporate Center, Inc. (VCCI)	–	100.00 [a][w]	–	100.00 [a][w]
Vivant Infracore Holdings Inc. (VIHI)	100.00 [v]	–	100.00 [v]	–
Vivant Hydrocore Holdings Inc. (VHHI)	–	100.00 [bb][v]	–	100.00 [bb][v]
Vivant Transcore Holdings Inc. (VTHI)	–	100.00 [bb][v]	–	100.00 [bb][v]
Isla Mactan Cordova Corporation (IMCC)	–	100.00 [cc][ee]	–	–
Watermatic Philippines Corporation (WMP)	–	60.00 [v][cc]	–	60.00 [v][cc]
Vivant Energy Corporation (VEC)	100.00	–	100.00	–
Vivant Integrated Generation Corporation (VIGC)	–	100.00 [a]	–	100.00 [a]
Vivant Geo Power Corp. (VGPC)	–	100.00 [b][g]	–	100.00 [b][g]
Vivant Isla, Inc. (VII)	–	100.00 [a][h]	–	100.00 [a][h]
Vivant Renewable Energy Corporation (VREC) [f]	–	100.00 [a]	–	100.00 [a]
Corenergy Inc. (Core)	–	100.00 [a]	–	100.00 [a]
Vivant Integrated Diesel Corporation (VIDC)	–	100.00 [a][i]	–	100.00 [a][i]
Vivant Enercore Integrated, Inc. (VEII)	–	100.00 [a][j]	–	100.00 [a][j]
Isla Norte Energy Corp. (INEC)	–	65.00 [a][m]	–	73.75 [a][m]
Southern Powercore Holding Corp. (SPHC)	–	100.00 [b][n]	–	100.00 [b][n]
Amberdust Holding Corporation (AHC)	–	100.00 [b][o]	–	100.00 [b][o]

(Forward)

	2020		2019	
	Percentage of Ownership			
	Direct	Indirect	Direct	Indirect
Vivant-Malogo Hydropower, Inc. (VMHI)	–	67.00 [a]	–	67.00 [a]
1590 Energy Corp. (1590 EC)	–	55.20 [a]	–	55.20 [a]
Vivant Solar Corporation (VSC)	–	100.00 [a] [c]	–	100.00 [a] [c]
ET Energy Island Corporation (ETEI)	–	100.00 [a] [d]	–	100.00 [a] [d]
Associates				
Visayan Electric Company, Inc. (VECO)	34.81 [e]	–	34.81 [e]	–
Prism Energy, Inc. (PEI)	–	40.00 [a]	40.00	–
Abovant Holdings, Inc. (AHI)	–	40.00 [c]	–	40.00 [c]
Cebu Private Power Corporation (CPPC)	–	40.00 [a]	–	40.00 [a]
Minergy Power Corporation (MPC)	–	40.00 [c]	–	40.00 [c]
Therma Visayas, Inc. (TVI)	–	20.00 [c]	–	20.00 [c]
Lunar Power Core Inc. (LPCI)	–	42.50 [c] [k]	–	42.50 [c] [k]
Global Luzon Energy Development Corporation (GLEDC)	–	42.50 [c] [o]	–	42.50 [c] [o]
Sabang Renewable Energy Corporation (SREC)	–	30.00 [b] [p]	–	30.00 [b] [p]
Culna Renewable Energy Corp. (CREC)	–	35.00 [b] [s]	–	35.00 [b] [s]
Lihangin Wind Energy Corp (LWEC)	–	40.00 [b] [aa]	–	40.00 [b] [aa]
Faith Lived Out Visions 2 Ventures Holdings, Inc	–	45.00 [ee] [dd]	–	–
Joint Ventures				
Calamian Islands Power Corp. (CIPC)	–	50.00 [a]	–	50.00 [a]
Delta P, Inc. (Delta P)	–	50.00 [a] [j]	–	50.00 [a] [j]

a. Indirect ownership through VEC
b. Indirect ownership through VREC
c. Indirect ownership through VGC
d. Incorporated January 11, 2017. Ownership interest in ETEI is through VSC
e. Indirect ownership through HIVE until December 31, 2013
f. Incorporated on January 8, 2010. Changed its corporate name from Vicv-Bukun Holdings Corporation (Vicv-Bukun) to VREC on October 2, 2015.
g. Incorporated on April 23, 2014
h. Incorporated on July 11 2014
i. Incorporated on August 7, 2013
j. Increased to 50% effective May 28, 2015
k. Incorporated on June 10, 2016
l. Incorporated on May 26, 2016. Changed its corporate name from Vivant Enercore Integrated, Inc. to La Pampanga Energy Corporation (LPEC) on January 13, 2021
m. Incorporated on June 13, 2016 Changed its corporate name from Vivant Powercore Active Inc. (VPAI) to INEC on December 20, 2019.
n. Incorporated on December 8, 2004
o. Incorporated on January 31, 2013. Ownership interest in GLEDC is through LPCI
p. Incorporated on September 27, 2013
q. Indirect ownership through SGPDC
r. Incorporated May 19, 2017
s. Incorporated April 20, 2017
t. Incorporated August 16, 2017
u. Incorporated April 12, 2017
v. Incorporated December 18, 2018
w. Incorporated October 10, 2018.
x. Incorporated April 4, 2018. Changed its corporate name from ET-Vivant Solar Corporation (EVC) to VSC on November 9, 2020.
y. Incorporated May 20, 2019
z. Incorporated July 23, 2019
aa. Incorporated January 24, 2017. Changed its corporate name from E Barracuda Energy Corp. (E Barracuda) to LWEC on June 15, 2020
bb. Indirect ownership through VHH
cc. Indirect ownership through VHH
dd. Incorporated August 31, 2018
ee. Incorporated August 14, 2020

Subsidiaries
Except for 1590 EC, INEC, VMHI, Core, VII, VGPC, VIDC, ETEI, VEII, WMP and IMCC, all subsidiaries are also operating as holding and investing companies, which are primarily engaged in power generation and distribution, and water infrastructure. 1590 EC is operating a diesel power plant, while VMHI is in its pre-operating stage of building a hydro power plant in Silay, Negros Occidental. VEII is also in its pre-operating stage of building an embedded diesel power plant in Pampanga. Core is operating as a retail electricity supplier and engineering services provider. WMP provides engineering services, mainly for water infrastructure projects. IMCC is in its pre-operating stage of building a seawater desalination facility.

The following sets out a brief information of the Parent Company's subsidiaries and associates:

HDFE
HDFE was incorporated on December 24, 1926, which registration was renewed for another 50 years effective November 26, 1974. The primary purpose of HDFE is to invest in, hold, own, purchase, acquire, lease, contract, operate, improve, develop, grant, sell, exchange, or otherwise dispose of real and personal properties of every kind and description including shares of stocks, bonds and other securities or evidence of indebtedness of any other corporation, association, firm, or entity, domestic or foreign, where necessary or appropriate, and to process and exercise in respect thereof of all the rights, powers and privileges of ownership, including all voting powers of any stock so owned, without acting as, or engaging in, the business of an investment company, or dealer or broker in securities.

SGPDC
SGPDC was incorporated on December 8, 2004 with a primary purpose to invest in, purchase, or otherwise acquire and own, hold, develop, use, sell, lease, assign, transfer, mortgage, pledge, exchange, or otherwise dispose of real and personal property of every kind and description for whatever purpose the same may have been organized. It has also direct equity shareholdings in VRVC and VCCI, both real estate companies.

On March 5, 2015, during the Special Stockholders' Meeting and Special Board Meeting, the stockholders and BOD approved that one of SGPDC's secondary purposes is to conduct and transact any and all lawful business, and to do or cause to be done any one or more of the acts and things set forth as its purposes, within or without the Philippines, and in any and all foreign countries, and to do everything necessary, desirable or incidental to the accomplishment of the purposes or the exercise of any one or more of the powers of the Company under the Corporation Code of the Philippines, or which shall at any time appear conducive to or expedient for its protection or benefit. These amendments made in SGPDC's Articles of Incorporation (AOI) were approved by the SEC on October 8, 2015.

On January 6, 2016, the SEC approved the amendment to its AOI changing its name from VC Ventures Net, Inc. to Southern Grove Properties and Development Corp. and its primary purpose is to engage in real estate business, to hold, construct, develop, manage, administer, sell, convey, encumber, purchase, acquire, rent or otherwise deal in and dispose of all kinds of real property or to act as real estate broker for such fees as may be legal and proper.

VRVC
VRVC was incorporated on May 19, 2017. Its primary purpose is to engage in the real estate business. On July 3, 2017, VRVC purchased from HDFE, a company under common control, a parcel of land located at M.J. Cuenco Ave., Tinago Central, Barangay San Roque, Cebu City amounting to ₱27.9 million, with the intention of holding the land for capital appreciation. As of December 31, 2020, VRVC has recognized rental income from the purchased investment property (see Note 12).

VCCI
VCCI was incorporated on October 10, 2018 and its primary purpose is to engage in the real estate business. As of December 31, 2020, VCCI has not yet started its operations.

VEC
VEC was incorporated on January 25, 2005 and its primary purpose is to establish, maintain and operate power plants of any kind and such other sources that may be a viable source of electric light, heat and power system and to sell to the general public, electricity as the corporation may determine.

VEC currently exists as a holding company with direct equity shareholdings in CPPC, Delta P, 1590 EC, CIPC, VMHI, TVI, VII, INEC, VEII and VIDC entities engaged in the power generation business and PEI and Core, entities engaged in the retail electricity supply. Core is also engaged in engineering services. VEC also has direct equity shareholdings on holding entities namely VIGC and VREC.

In November 2013, VEC participated in the public bidding process conducted by Power Sector Assets and Liabilities Management (PSALM) for the selection and appointment of the Independent Power Producer (IPP) Administrator for the Strips of Energy of the Unified Leyte Geothermal Power Plants (ULGPP) located at Tongonan, Leyte. On January 29, 2014, PSALM has declared and selected VEC as the Winning Bidder for Seventeen (17) Strips of Energy of the ULGPP. This allowed VEC to sell seventeen (17) MW of geothermal power from ULGPP beginning January 1, 2015 (see Note 23). On October 25, 2019, the Company paid pre-termination costs amounting to ₱53.1 million recognized under "Operating expenses" in the statement of comprehensive income effectively terminating the contract.

VIHI
VIHI was incorporated on December 18, 2018 and its primary purpose is to engage in real estate business in all its branches and ramifications, to hold, construct, develop, manage, administer, sell, convey, encumber, purchase, acquire, rent or otherwise deal in and dispose of, for itself or for others, all kinds of real property such as lands, buildings, commercial centers, housing projects, mixed-use property, or to act as real estate broker, for itself or for others, for such fees as may be legal and proper. As of December 31, 2020, VIHI is operating as a holding company for VTHI and VHHI.

VTHI
VTHI was incorporated on May 20, 2019 and its primary purpose is to purchase, subscribe for or otherwise acquire and own, hold, use, invest in, develop, sell, assign, transfer, lease, take option to, mortgage, pledge, exchange, and in all ways deal with, personal and real property of every kind and description, including share of the capital stock of corporations, bonds, notes, evidence of indebtedness, and other securities, contracts, or obligations of any corporation, domestic or foreign, without however engaging in dealership in securities, in the stock brokerage business or in the business of an investment company, all in accordance with the Corporation Code, the Securities Act and other applicable laws and regulations. As of December 31, 2020, VTHI has not yet started its operations.

VHHI
VHHI was incorporated on May 20, 2019 and its primary purpose is to purchase, subscribe for or otherwise acquire and own, hold, use, invest in, develop, sell, assign, transfer, lease, take option to, mortgage, pledge, exchange, and in all ways deal with, personal and real property of every kind and description, including share of the capital stock of corporations, bonds, notes, evidence of indebtedness, and other securities, contracts, or obligations of any corporation, domestic or foreign, without however engaging in dealership in securities, in the stock brokerage business or in the business of an investment company, all in accordance with the Corporation Code, the Securities Act and other applicable laws and regulations. As of December 31, 2020, VHHI is operating as a holding company for WMP, IMCC, and FLOWS, a holding company.

WMP
WMP was incorporated on July 23, 2019 as a water treatment engineering company primarily engaged in the design, supply (which includes detailed design, procurement, and assembly), installation, commission, operation and maintenance of water treatment and waste water treatment plant to be owned by WMP or for third parties. WMP also engages into bulk water supply agreements using water sourced from ground water, surface water, or desalinated water. As of December 31, 2020, WMP has already started its operations.

IMCC
IMCC was incorporated on August 14, 2020 and its primary purpose is to develop, layout (by duly licensed engineers), build, fund, operate and maintain a seawater desalination facility, ground and surface water treatment facility, waste water treatment facility and water distribution systems; and to negotiate and sell bulk water to the water districts, private entities and consumers.

As of December 31, 2020, IMCC has not yet started its operations.

FLOWS
FLOWS was incorporated on August 31, 2018 primarily to engage in the activities of a holding company except as a stockbroker or dealer of securities, provided, that FLOWS shall not solicit, accept or take investments/placements from the public neither shall it issue investments contracts. It owns the Puerto Princesa Water Reclamation and Learning Center Inc (PPWRLC) in partnership with the Puerto Princesa City Government. PPWRLC is currently constructing a wastewater treatment facility to help rehabilitate the Puerto Princesa Bay.

VIGC
VIGC was incorporated on November 5, 2008 with the primary purpose of holding investments in power generation companies. It has direct equity shareholdings in MPC, TVI and LPCI, entities engaged in the power generation business and AHI, a holding entity.

VGPC
VGPC was incorporated on April 23, 2014. Its primary purpose is to establish, maintain, own, and operate geothermal, thermal, hydroelectric, solar, wind, coal, diesel power plants and such other sources that may be viable source of electric light, heat and power system and to sell and/or trade electricity for light, heat and power purposes within cities, municipalities and provinces of the Philippines as the corporation may determine and enter into business activity that now or hereafter may be necessary, incidental, proper, advisable or convenient in furtherance of or otherwise relating to such purpose. As of December 31, 2020, VGPC is still in the pre-operating stage.

VII
VII was incorporated on July 11, 2014. Its primary purpose is to engage in business of owning, acquiring, commissioning, operating, maintaining, evaluating, developing, constructing, holding and selling power generation facilities and related facilities, or any other business activity that now or hereafter may be necessary, incidental, proper, advisable or convenient in furtherance of or otherwise relating to such purpose. As of December 31, 2020, VII is still in the pre-operating stage.

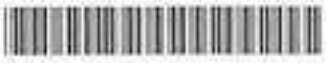
VREC
VREC was incorporated on January 8, 2010 with the primary purpose of holding investments in power generation companies. On October 2, 2015, the SEC approved its application for change in corporate name from Vics Bakun Holdings Corporation to VREC. It also has direct equity shareholdings in VMHI, VGPC, SPHC, AHC, VSC, SREC, CREC, and LWEC as of December 31, 2020.

Core
Core was incorporated on December 14, 2012. Its primary purpose is to buy, source and obtain electricity from generating companies or from the wholesale electricity spot market to sell, broker, market or aggregate electricity to the end-users, to provide services necessary in connection with the supply or delivery of electricity thereof, distribution utilities and other entities in the electric systems by a duly licensed electrical engineer, the conduct of energy examinations, inspections, assessments, maintenance, testing and commissioning, as amended dated May 31, 2019. As of December 31, 2020, Core has entered into Retail Supply Contract and engineering service contracts with five and four customers, respectively.

VIDC
VIDC was incorporated on August 7, 2015. Its primary purpose is to establish, maintain, acquire, own, hold, and operate diesel powered generating facilities. As of December 31, 2020, VIDC is the holding company of INEC.

INEC
INEC, formerly Vivant Powercore Active Inc. (VPAI) was incorporated on June 13, 2016. Its primary purpose is to engage in the business of exploring, developing and utilizing renewable energy resources, and establishing, acquiring, maintaining, commissioning, owning and operating geothermal, thermal, hydroelectric, solar, wind, coal, diesel plants and such other sources that may be a viable source of electric light, heat and power system.

As of December 31, 2019, INEC is effectively 74%-owned by VEC and 26%-owned by Gigawatt Power, Inc. (GPI) through a consortium formed by VIDC.



On October 23, 2020, INEC increased its authorized capital stock to ₱436 million divided into 43.6 million common stocks and 392.4 million preferred stocks with par value of ₱1.00 per share was approved by the SEC. As of December 31, 2020, INEC is effectively 65%-owned by VEC and 35%-owned by GPI through a consortium formed by VIDC. The impact of the decrease in the Group's ownership interest in INEC is not significant.

On December 20, 2019, the application to change the name of VPAI to INEC was approved by the SEC. INEC has started its interim commercial operations through an Interim Power Supply Agreement (IPSA) with Bantayan Electric Cooperative (BANELCO) as of December 31, 2020.

The registered office of INEC is at 9th Floor, Oakridge IT Center 3, Oakridge Business Park, A.S. Fortuna, Brgy. Banilad, Mandaue City, Cebu, Philippines 6014.

VEII
Vivant Enercore Integrated, Inc. (VEII), was incorporated on May 26, 2016. The Company applied with the SEC for the change in its name to La Pampanga Energy Corporation (LPEC), which application was approved on January 13, 2021.

Its primary purpose is to engage in the business of exploring, developing and utilizing renewable energy resources, and establishing, acquiring, maintaining, commissioning, owning and operating geothermal, thermal, hydroelectric, solar, wind, coal, diesel plants and such other sources that may be a viable source of electric light, heat and power system. As of December 31, 2020, VEII is still in the pre-operating stage.

SPHC
SPHC was incorporated on April 20, 2017. Its primary purpose is to engage in the business of holding investments in power generation companies. As of December 31, 2020, SPHC has not yet started its commercial operations.

AHC
AHC was incorporated on August 16, 2017. Its primary purpose is to engage in the business of a holding company. As of December 31, 2020, AHC has not yet started its commercial operations.

VMHI
VMHI was incorporated on June 8, 2012. Its primary purpose is to engage in the business of owning, acquiring, operating, generating, collecting and distributing electricity.

VMHI is in its starting phase or pre-operational stage as a power generating entity that will implement a greenfield power plant project, involving the construction and operation of a series of run-of-river hydropower facility in Barangay Capitan Ramon in Silay City, Negros Occidental. VMHI will implement the project in phases, where Phase 1 will involve the construction and operation of a six (6) MW power plant facility along the Malogo river. The project has concluded its detailed engineering design. A tender process is underway for the construction to coincide with the project timetable, but subject to adjustments that may be brought about by regulations from the grid system operator.

1590 EC
1590 EC was incorporated and started operations on July 30, 2010. It is primarily engaged in power generation and operates a 225 MW diesel-fired power plant in Bauang, La Union. 1590 EC is also partly-owned by GPI, Eco Utilities Ventures Holdings Company, Inc. and ICS Renewables Holdings, Inc. (ICS), among others. The principal place of business is located at 9th Floor, Oakridge IT Center 3, Oakridge Business Park, A.S. Fortuna Street, Brgy. Banilad, Mandaue City, Cebu Philippines.

VSC
VSC, formerly ET Vivant, was incorporated on April 4, 2018 primarily to engage in developing and constructing solar power generation and related facilities for lighting and power purposes and whole-selling the electric power to the wholesale electricity spot market, private distribution utilities, private electric cooperatives and other off-takers and selling and/or trading electricity for light, heat and power purposes. VSC has direct equity shareholding in ETEI, an entity engaged in the solar power generation business. As of December 31, 2020, ET Vivant has started its commercial operations.

On November 9, 2020, the application to change the name of ET Vivant to VSC was approved by the SEC.

ETEI
ETEI was incorporated on January 11, 2017 with the primary purpose to explore, develop, build, construct, install, commission, rehabilitate, maintain, own, manage, operate and invest in, bid for or otherwise acquire power generating plants and related facilities and to engage in the business of generating, marketing, selling and supplying electricity generated from solar photovoltaic systems and components; planning and construction of photovoltaic power plants and to provide consulting services associated with photovoltaic power plants, provided that it shall not operate a public utility. In January 2019, ETEI has started its commercial operations.

Associates. VECO, PEI, AHI, CPPC, MPC, TVI, LPCI, GLEDC, SREC, CREC, LWEC, and FLOWS qualify as associates of the Group.

VECO
VECO was incorporated on February 22, 1961 and whose corporate term was extended for another 50 years after the expiration on February 23, 2012. VECO is a power distribution entity, the primary activities of which are to establish, maintain and operate electric light, heat and power systems and to sell to the general public electricity for light, heat and power purposes.

VECO serves the electrical power needs of four cities (Cebu, Mandaue, Talisay and Naga) and four municipalities (Minglanilla, San Fernando, Consolacion and Lilo-an) of the greater part of Metro Cebu by virtue of legislative franchise grants.

The registered office address of VECO is at J. Panis Street, Banilad, Cebu City, Philippines.

PEI
PEI was incorporated on March 24, 2009 as a retail electricity supplier. On April 26, 2017, PEI began its operations providing qualified contestable customers the opportunity to select a contract structure that will meet their generation supply requirement.

PEI's registered principal office address is at Aboitiz Corporate Center, Gov. Manuel A. Cuenco Ave., Kasambagan, Cebu City, Philippines.

AHI
AHI was incorporated on November 28, 2007 primarily to manage entities and to provide management, investment and technical advice for enterprises engaged in electricity generation and/or distribution.

AHI and Global Formosa Power Holdings, Inc., a joint venture between Global Business Power Corp. (Global Power) and Formosa Heavy Industries (Global Formosa), signed a shareholders' agreement to develop, construct and own Cebu Energy Development Corporation (CEDC), a 246 MW coal-fired power plant in Toledo City, Cebu. AHI has a 44% direct ownership interest in CEDC.

Its principal place of business is located at Aboitiz Corporate Center, Gov. Manuel Cuenco Avenue, Kasambagan, Cebu City, Philippines.

CPPC
CPPC was incorporated on July 13, 1994 and its primary purpose is to build, construct or own power generation plants and related facilities. It operates a 70 MW bunker "C" diesel-fired power generating plant.

The registered office address of CPPC, which is also its principal place of business, is Old VECO Compound, Barangay Ermita, Carbon, Cebu City.

MPC
MPC (formerly Minergy Coal Corporation) was registered with SEC on February 18, 2013, primarily to design, construct, erect, assemble, commission and operate power-generating plants and related facilities for the generation and supply of power utilizing any fuel or energy source.

In the first quarter of 2014, MPC began construction of a 3x55 MW coal-fired power plant in Balingasag, Misamis Oriental. In September 2017, MPC already started its operations.

The registered office of MPC is at Brgy. Mandangoa, Balingasag, Misamis Oriental.

TVI
TVI was registered with SEC on October 15, 1997, primarily to acquire by purchase, lease, contract, concession, or otherwise any and all real estate, land, land patents, opinions, grants, concessions, franchises, water and other rights, privileges, easements, estates, interests and mineral properties of every kind and description. The power plant already started its operations in April 2019.

The registered principal office of TVI is at Barangay Bato, Toledo City, Cebu.

LPCI
LPCI was registered with SEC on June 10, 2016 and is primarily engaged in the business of exploring, developing and utilizing renewable energy resources, and establishing, acquiring, maintaining, commissioning, owning and operating geothermal, thermal, hydroelectric, solar, wind, coal, diesel plants and such other sources. As of December 31, 2020, LPCI has not yet started its commercial operations.

The registered office of LPCI is at 22F GT Tower International 6813 Ayala Avenue cor. H.V. dela Costa St, Makati City 1227.

GLEDC
GLEDC, a wholly owned subsidiary of LPCI, was registered with SEC on January 31, 2013. It is primarily engaged in the general business of generating power derived from coal, fossil fuel, geothermal, nuclear, natural gas, hydroelectric, and other viable sources of power, for lighting and power purposes and whole selling the electric power to electric cooperatives, distribution utilities, and industrial customers. As of December 31, 2020, GLEDC has not started its commercial operations.

The registered office of GLEDC is at 22nd Flr GT Tower International, Ayala Avenue Corner H.V. Dela Costa St. Bel-air, Makati City.

SREC
SREC, an associate through VREC, was registered on September 27, 2013 primarily to engage in the business of owning, acquiring, commissioning, operating, maintaining, evaluating, developing, and constructing conventional renewable energy and/or hybrid power generation, distribution and related facilities, and distributing and selling power, or any other business or activity that now or hereafter may be necessary, incidental, proper, advisable or convenient in the furtherance of or otherwise relating to such purpose. As of December 31, 2020, SREC has not yet started its commercial operations.

The registered principal office of SREC is at Km. 13 North National Highway, Sta. Lourdes, Puerto Princesa City, Palawan.

CREC
CREC, an associate through VREC, was registered on April 12, 2017 primarily to engage in the business of owning, acquiring, commissioning, operating, maintaining, evaluating, developing, and constructing conventional renewable energy and/or hybrid power generation, distribution and related facilities, and distributing and selling power, or any other business or activity that now or hereafter may be necessary, incidental, proper, advisable or convenient in the furtherance of or otherwise relating to such purpose. As of December 31, 2020, CREC has not yet started its commercial operations.

The registered principal office of CREC is at Sitio Lilibutin, Barangay Guadalupe, Coron, Palawan 5316.

LWEC
LWEC, formerly known as 6 Barracuda, was incorporated and registered with SEC on January 24, 2017 and was established primarily to engage in all aspects of exploration, assessment, development and utilization of renewable energy resources, including the procurement, acquisition, importation, construction, installation, erection, ownership, lease, operation, and maintenance of edifices, structures, facilities, materials, machinery and equipment, for or related of the generation and sale of power; to acquire, purchase, own, lease, sublease and obtain rights and access to real and personal property. As of December 31, 2020, LWEC has not yet started its operations.

FLOWS
FLOWS, an associate of VHHI, was incorporated on August 31, 2018 primarily to engage in the activities of a holding company except as a stockbroker or dealer of securities, provided that, FLOWS shall not solicit, accept or take investments/placements from the public neither shall it issue investments contracts.

FLOWS has an 89.58% direct ownership interest in Puerto Princesa Water Reclamation and Learning Center, Inc. (PPWRLC).

The registered principal office of FLOWS is at 37 Taft Street, Barangay Maligaya, Puerto Princesa City, Palawan.

Joint Ventures. CIPC and Delta P qualify as joint ventures of the Group.

CIPC
CIPC was incorporated on October 19, 2010 primarily to engage in the business of owning, acquiring, commissioning, operating and selling power generation facilities and related facilities, or any other business or activity that now or hereafter may be necessary, incidental, proper, advisable or convenient in furtherance of or otherwise relating to such purpose. Currently, CIPC operates an 8 MW bunker and 0.75 MW diesel-fired power generation plants in the municipalities of Coron and Busuanga, respectively.

The registered principal office of CIPC is at Sitio Lilibutin, Barangay Guadalupe Coron, Palawan, Philippines 5316.

Delta P
Delta P was registered with SEC on September 20, 2002 primarily to operate and maintain a 16 MW heavy fuel oil-fired generating power station in Puerto Princesa, Palawan. On May 28, 2015, GPI agreed to sell to VEC 6,310,352 common shares representing 15% of Delta P's total issued and outstanding capital stock, bringing the Group's ownership in Delta P to 50%. In February 2020, VEC paid GPI ₱19.8 million as an additional consideration for such purchase of shares in 2015. In October 2020, DPI redeemed its preferred shares from VEC amounting to ₱40.0 million (see Note 10).

The registered principal office of Delta P is at Km. 13 North National Highway, Sta. Lourdes, Puerto Princesa City, Palawan.

Authorization to Issue the Consolidated Financial Statements. The consolidated financial statements of the Group as of and for the years ended December 31, 2020, 2019 and 2018 were approved and authorized for issuance by the Board of Directors (BOD) on April 5, 2021.

2. Basis of Preparation, Statement of Compliance and Basis of Consolidation

Basis of Preparation
The consolidated financial statements of the Group have been prepared on a historical cost basis, except for financial assets at FVOCI and investment properties which have been measured at fair value. The consolidated financial statements are presented in Philippine Peso (₱), the Parent Company's functional currency. All amounts are rounded to the nearest Peso, except as 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. 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; and
- The Group's voting rights and potential voting rights.

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

The consolidated financial statements of the subsidiaries are prepared for the same reporting year as the Parent Company using consistent accounting policies.

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

Accounting for Loss of Control

When the Group loses control of a subsidiary, it derecognizes the assets and liabilities of the former subsidiary, including any non-controlling interests in the former subsidiary at the date control is lost, and components of other comprehensive income attributable to them. The Group also recognizes any investment retained in the former subsidiary at its fair value when control is lost. The Group subsequently accounts for any retained interests and for any amount owed by or to the former subsidiary in accordance with other relevant PFRSs. The fair value shall be regarded as the fair value on initial recognition of a financial asset or the cost on initial recognition of an investment in an associate or joint venture. The Group recognizes a gain or loss associated with the loss of control attributable to the former controlling interest.

The Group accounts for all amounts previously recognized in other comprehensive income in relation to former subsidiaries on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

Transactions with Non-controlling Interests
Non-controlling interests represent the portion of profit or loss and net assets in the subsidiaries not held by the Group and are presented separately in the consolidated statement of comprehensive income and within equity in the consolidated statement of financial position, separately from the equity attributable to equity holders of the parent. Transactions with non-controlling interests are accounted for as equity transactions. On acquisitions of non-controlling interests, the difference between the consideration and the book value of the share of the net assets acquired is reflected as being a transaction between owners and recognized directly in equity. Gain or loss on disposals to non-controlling interest is also recognized directly in equity.

3. 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, 2020. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

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

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

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

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

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

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

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

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



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

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

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

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

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

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

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

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

  The amendments do not have a significant impact on the financial statements of the Group since it has not entered into any rent concessions.

Effective beginning on or after January 1, 2021

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

  The amendments provide the following temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR):
  - Practical expedient for changes in the basis for determining the contractual cash flows as a result of IBOR reform
  - Relief from discontinuing hedging relationships
  - Relief from the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component



The Group shall also disclose information about:

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

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

Effective beginning on or after January 1, 2022

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

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

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

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

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

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

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

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

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

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



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

- *Annual Improvements to PFRSs 2018-2020 Cycle*

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

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

    The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted. The amendments are not expected to have a material impact on the Group.

  - Amendments to PFRS 9, *Financial Instruments, Fees in the '10 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 will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendments are not expected to have a material impact on the Group.

Effective beginning on or after January 1, 2023

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

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

The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and must be applied retrospectively. The amendments are not expected to have an impact 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.

4. Summary of Significant Accounting Policies

Current and Noncurrent Classification

The Group presents assets and liabilities in the consolidated statement of financial position based on current/noncurrent classification. An asset is current when it is:

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

All other assets are classified as 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 months after the reporting period; or,
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group classifies all other liabilities as noncurrent.

Deferred tax assets and liabilities are classified as noncurrent assets and liabilities, respectively.

Fair Value Measurement

The Group measures financial instruments, such as, cash on hand and in banks, short-term placements, trade and other receivables, trade and other payables, notes payable and non-financial assets such as investment properties and AFS investments, at fair value at each reporting date.

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 by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming 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 consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

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

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

The Group's management determines the policies and procedures for both recurring fair value measurement, such as cash on hand and in banks, short-term investments, trade and other receivables, advances to associates and stockholders, financial assets at FVOCI, trade and other payables, advances from related parties, notes payable and investment properties.

External valuers are involved for valuation of significant assets, such as investment properties. Involvement of external valuers is decided upon annually by the management after discussion with and approval by the Group's audit committee. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. Valuers are normally rotated every 3–6 years. The management decides, after discussions with the Group's external valuers, which valuation techniques and inputs to use for each case.



At each reporting date, the management analyses the movements in the values of assets which are required to be re-measured or re-assessed as per the Group's accounting policies. For this analysis, the management verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents.

The management, in conjunction with the Group's external valuers, also compares the changes in the fair value of each asset with relevant external sources to determine whether the change is reasonable.

On an interim basis, the management and the Group's external valuers present the valuation results to the audit committee. This includes a discussion of the major assumptions used in the valuations.

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.

Financial Assets and Financial Liabilities

Financial Instruments - Initial Recognition and Subsequent Measurement

- *Classification of Financial Assets.* Financial assets are classified in their entirety based on the contractual cash flows characteristics of the financial assets and the Group's business model for managing the financial assets. The Group classifies its financial assets into the following measurement categories:
  - Financial assets measured at amortized cost;
  - Financial assets measured at fair value through profit or loss (FVPL);
  - Financial assets measured at fair value through other comprehensive income (FVOCI), where cumulative gains or losses previously recognized are reclassified to profit or loss
  - Financial assets measured at FVOCI, where cumulative gains or losses previously recognized are not reclassified to profit or loss

- *Contractual Cash Flows Characteristics.* If the financial asset is held within a business model whose objective is to hold assets to collect contractual cash flows or within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, the Group assesses whether the cash flows from the financial asset represent solely payments of principal and interest (SPPI) on the principal amount outstanding.
  In making this assessment, the Group determines whether the contractual cash flows are consistent with a basic lending arrangement, i.e., interest includes consideration only for the time value of money, credit risk and other basic lending risks and costs associated with holding the financial asset for a particular period of time. In addition, interest can include a profit margin that is consistent with a basic lending arrangement. The assessment as to whether the cash flows meet the test is made in the currency in which the financial asset is denominated. Any other contractual terms that introduce exposure to risks or volatility in the contractual cash flows that is unrelated to a basic lending arrangement, such as exposure to changes in equity prices or commodity prices, do not give rise to contractual cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

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

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

  As at December 31, 2020 and 2019, the Group has financial assets at amortized cost consisting of cash and cash equivalents, trade and other receivables, advances to associates, joint ventures and stockholders, and other receivables included under "Other noncurrent assets" such as advances to suppliers and other parties, due from RFM Corporation, and security deposits and restricted cash under "Other current assets" (see Notes 6, 7, 9, 13 and 16).

- *Financial Assets at FVPL.* Financial assets at FVPL are measured at FVPL unless these are measured at amortized cost or at FVOCI. Included in this classification are equity investments held for trading and debt instruments with contractual terms that do not represent solely payments of principal and interest. Financial assets held at FVPL are initially recognized at fair value, with transaction costs recognized in the consolidated statement of comprehensive income as incurred. Subsequently, they are measured at fair value and any gains or losses are recognized in the consolidated statement of comprehensive income. 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 FVPL, irrespective of the business model.

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

The Group assesses whether embedded derivatives are required to be separated from host contracts when the Company first becomes party to the contract. An embedded derivative is separated from the host financial liability or nonfinancial contract and accounted for as a derivative if all of the following conditions are met:

- the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics of the host contract;
- a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and
- the hybrid or combined instrument is not recognized as at FVPL.

For derivatives embedded in financial asset host contracts, the Group applies the financial asset classification and measurement requirements to the entire instrument. No embedded derivatives in financial asset host contracts are recognized separately in the financial statements.

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.

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

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

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

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

Dividends are recognized in profit or loss only when:
- the Group's right to receive payment of the dividend is established;
- it is probable that the economic benefits associated with the dividend will flow to the Group; and,
- the amount of the dividend can be measured reliably.

As at December 31, 2020 and 2019, the Group has financial assets at FVOCI amounting to ₱7.4 million, and is presented as part of "Other noncurrent assets" account in Group's consolidated statements of financial position (see Note 13).

- *Classification of Financial Liabilities.* Financial liabilities are measured at amortized cost, except for the following:
  - Financial liabilities measured at fair value through profit or loss;
  - Financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the Group retains continuing involvement;
  - Financial guarantee contracts;
  - Commitments to provide a loan at a below-market interest rate; and,
  - Contingent consideration recognized by an acquirer in accordance with PFRS 3.

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

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

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

  The Group's financial liabilities include trade and other payables, notes payable and advances from related parties.

- *Impairment of Financial Assets.* Upon adoption of PFRS 9, the standard introduces the single, forward-looking "expected loss" impairment model, replacing the "incurred loss" impairment model under PAS 39.

  The Group recognizes ECL on debt instruments that are measured at amortized cost.

  No ECL is recognized on equity investments.

ECLs are measured in a way that reflects the following:

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

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

- *Stage 1: 12-month ECL.* For credit exposures where there have not been significant increases in credit risk since initial recognition and that are not credit-impaired upon origination, the portion of lifetime ECLs that represent the ECLs that result from default events that are possible within the 12-months after the reporting date are recognized.

- *Stage 2: Lifetime ECL - not credit-impaired.* For credit exposures where there have been significant increases in credit risk since initial recognition on an individual or collective basis but are not credit-impaired, lifetime ECLs representing the ECLs that result from all possible default events over the expected life of the financial asset are recognized.

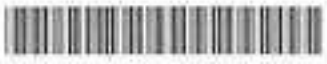
- *Stage 3: Lifetime ECL - credit-impaired.* Financial assets are credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of those financial assets have occurred. For these credit exposures, lifetime ECLs are recognized and interest revenue is calculated by applying the credit-adjusted effective interest rate to the amortized cost of the financial asset.

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

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

The 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'.

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



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

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

  The Group considers 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.

Offsetting Financial Instruments. Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Derecognition of Financial Assets and Liabilities

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

  Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

  Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase, except that in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

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

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

Investments in Associates and Interests in 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. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

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 interests in joint ventures 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 of 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 neither amortized nor individually tested for impairment.

The consolidated statement of comprehensive income reflects the Group's share of the results of operations of the associate or joint venture. Any change in other comprehensive income of those investees is presented as part of the Group's other comprehensive income. 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.

For an associate that is engaged in the power distribution business, the Group accounts for its distribution utility assets under the revaluation model. Thus, the Group's share of the results of operations of the associate and change in the other comprehensive income recognized in the consolidated financial statements reflects the changes in the fair value of the distribution utility assets.

The consolidated 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 recognizes the loss in the consolidated statement of comprehensive 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 profit or loss.

Inventories
Inventories are valued at the lower of cost and net realizable value (NRV). Costs incurred in bringing the inventory to its present location and condition is determined primarily on the basis of the weighted average method. NRV is the current replacement cost. An allowance for inventory obsolescence is provided for slow-moving, defective or damaged goods based on analyses and physical inspection.

Prepayments and Other Current Assets
Prepayments and other current assets are recognized and carried at cost, less any impairment in value. These are recognized as assets when it is probable that any future economic benefit associated with the item will flow to or from the entity and the item has a cost or value that can be measured with reliability. An asset is not recognized in the consolidated statement of financial position when expenditure has been incurred for which it is considered improbable that economic benefits will flow to the entity beyond the current accounting period. Instead, such a transaction results in the recognition of an expense in the consolidated statement of comprehensive income.

Property, Plant and Equipment
Property, plant and equipment, except land, are stated at cost less accumulated depreciation and amortization, and impairment losses, if any.

Initially, an item of property, plant and equipment is measured at its cost, which comprises its purchase price and any directly attributable costs of bringing the asset to the location and condition for its intended use. Subsequent expenditures are added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the originally assessed standard of performance, will flow to the Group. The costs of day-to-day servicing of an asset are recognized as an expense in the period in which they are incurred. Land is measured at cost less any impairment losses. For land transferred from investment properties carried at fair value, the land's deemed cost is its fair value at the date of change in use.

Depreciation and amortization are computed using the straight-line method over the assets' estimated useful lives. Leasehold improvements are amortized using the straight-line method over the estimated useful life of the improvements or the term of the lease, whichever is shorter. The estimated useful lives are as follows:

	Number of Years
Plant machineries and equipment	5–10
Condominium units, building and improvements	5–40
Transportation equipment	5
Office furniture, fixtures and equipment	2–10
Tools and other assets	3–5
Leasehold and land improvements	3–10

The useful lives and depreciation and amortization method are reviewed at each reporting date to ensure that such useful lives and depreciation and amortization method are consistent with the expected pattern of economic benefits from those assets.

Fully depreciated assets are retained in the accounts until they are no longer in use and no further charge for depreciation and amortization is made in respect to those assets.

When an asset is disposed of, or is permanently withdrawn from use and no future economic benefits are expected from its disposal, the cost and the related accumulated depreciation and amortization and impairment losses, if any, are removed from the accounts and any resulting gain or loss arising from the retirement or disposal is recognized in profit or loss.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Construction in progress represents structures under construction and is stated at cost. This includes cost of construction and other direct costs. Borrowing costs that are directly attributable to the construction of property, plant and equipment are capitalized during the construction period.

Investment Properties

Investment properties, which pertain to land and buildings, are properties held by the Group either to earn rentals or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment properties are initially measured at cost. Subsequently, investment properties are measured at fair value with any change therein recognized in profit or loss following the fair value model.

The fair value of the Group's investment properties measured using the fair value model is based on the valuation carried out by independent appraisers. The valuation, which conforms to International Valuation Standards, was arrived at by reference to market evidence of transaction prices of similar properties.

Any gain or loss resulting from either a change in the fair value or the sale of investment properties is recognized in profit or loss in the year of change or derecognition.



Transfers are made to investment properties when, and only when, there is a change in use, evidenced by the end of owner-occupation or the start of an operating lease to another party. Transfers are made from investment property when, and only when, there is a change in use, evidenced by start of owner-occupation or of development with a view to sell.

Business Combination 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 pertaining to instruments that represent present ownership interests and entitle their holders to a proportionate share of the net assets in the event of liquidation either at fair value or at the proportionate share of the acquiree's identifiable net assets.

All other components of non-controlling interest are measured at fair value unless another measurement basis is required by PFRS. Acquisition costs incurred are expensed and included in general and administrative expenses.

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

If the business combination is achieved in stages, 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 through the consolidated statement of comprehensive income.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognized in accordance with PAS 39 either in the consolidated statement of comprehensive income or as a change to other comprehensive income. If the contingent consideration is classified as equity, it should not be remeasured until it is finally settled within equity.

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 Group's interest in the fair values of 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 the consolidated statement of comprehensive 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 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 forms part of a cash-generating unit 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 this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Impairment of Goodwill. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment, annually or more frequently, if events or changes in circumstances indicate that the carrying value may be impaired.

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, or groups of cash-generating units, 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.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units), to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognized.

Impairment of Nonfinancial Assets

As at December 31, 2020 and 2019, the Group has investments in associates and joint ventures, property, plant and equipment and right-of-use assets which are classified as nonfinancial assets subject to impairment.

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset 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 to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples or other available fair value indicators.

Impairment losses of continuing operations, including impairment of inventories, are recognized in the consolidated statement of comprehensive income in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the assets or CGU's recoverable amount.



A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statement of comprehensive income unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Equity

Capital Stock. Capital stock is recognized as issued when the stock is paid for or subscribed under a binding subscription agreement and is measured at par value for all issued shares.

Additional Paid-in Capital. Consideration received in excess of par value are recognized as additional paid-in capital, net of incremental costs that are directly attributable to the issuance of new shares.

Retained Earnings. Retained earnings consist of appropriated and unappropriated balances. Appropriated retained earnings are restricted for specific purposes and/or are not available for dividend declaration. Unappropriated retained earnings are not restricted and include the cumulative balance of net income or loss, any dividend distributions, prior period adjustments and effects of any change in accounting policy.

Equity Reserves. Equity reserves pertain to the difference between the consideration transferred and the book value of interest acquired from non-controlling interest without loss of control.

Revenue Recognition

Revenue is measured based on the consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

Revenue is recognized when the Group satisfies a performance obligation by transferring a promised good or service to the customer, which is when the customer obtains control of the good or service. A performance obligation may be satisfied at a point in time or over time. The amount of revenue recognized is the amount allocated to the satisfied performance obligation. The Group has concluded that it is the principal in its revenue arrangements because it controls the goods or services before these goods or services are transferred to the customer.

The following specific recognition criteria must also be met before revenue is recognized:

Revenue from Contracts with Customers

- *Sale of Power.* For power generation and ancillary services where capacity and energy dispatched are separately identified, these two obligations are to be combined as one performance obligation since these are not distinct within the context of the contract as the buyer cannot benefit from the contracted capacity alone without the corresponding energy and the buyer cannot obtain energy without contracting a capacity. The combined performance obligation qualifies as a series of distinct goods or services that are substantially the same and have the same pattern of transfer.

Revenue from power generation and ancillary services is recognized in the period actual capacity is delivered. Revenue is to be recognized over time since the customer simultaneously receives and consumes the benefits as the seller supplies power.

Power retail supply also qualify as a series of distinct goods or services that are substantially the same and have the same pattern of transfer accounted for as one performance obligation. Revenue should be recognized over time based on amounts billed.

- *Management Fees.* Revenue from management fees, arising from services involving consultancy, management, technical, and services covered by Service Level Agreements (SLAs), are recognized over time when the related services are rendered based on the terms of the management and service contracts.

- *Engineering service income.* Revenue from engineering services, arising from engagement with customers availing technical and engineering expertise and covered by service contracts, are recognized overtime when the services are rendered.

For the years ended December 31, 2020, 2019 and 2018, the Group has no variable consideration and the timing of revenue recognition currently does not result in any contract assets or liabilities and there are no unfulfilled performance obligations at any point in time.

Interest Income. Interest income is recognized as interest accrues taking into account the effective yield on the assets.

Other Income. Other income includes proceeds from insurance claims, rental income and gain on disposal of property and equipment. These are generally recognized when earned. Rental income is recognized on a straight-line basis over the term of the lease while gain on disposal of property, plant and equipment is recognized as the difference between the consideration and the book value of the property, plant and equipment disposed.

Cost and Expenses

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

Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain.

The expense relating to any provision is presented in the consolidated statement of comprehensive income, net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a borrowing cost.

Pension Benefits

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.

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 the consolidated statement of comprehensive income. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuaries.

Net interest on the net defined benefit liability 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 the consolidated statement of comprehensive income.

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 consolidated statement of comprehensive income in subsequent periods.

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.

Taxes

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



Deferred Income Tax. Deferred income tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred income tax liabilities are recognized for all taxable temporary differences, except:

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

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

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

- where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

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

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted as of the reporting date. Income tax relating to items recognized directly in equity is recognized in equity and not in the consolidated statement of comprehensive income.

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

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



Value-Added Tax (VAT). Revenues, expenses, and assets are recognized net of the amount of VAT, if applicable.

When VAT from sales of services (output VAT) exceeds VAT passed on from purchases of goods or services (input VAT), the excess is recognized as payable in the consolidated statement of financial position. When VAT passed on from purchases of goods or services (input VAT) exceeds VAT from sales of services (output VAT), the excess is recognized as an asset in the consolidated statement of financial position to the extent of the recoverable amount.

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. The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company 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 at the end of the lease term, the recognized right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term as follow.

	Number of Years
Office space	1-5
Plant and equipment	5

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

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

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

Short-term Leases and Leases of Low-value Assets. The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the leases of low-value assets recognition exemption to leases of office equipment that are considered of low value (i.e., below ₱0.25 million). 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.

Foreign-currency-denominated Transactions

Transactions in foreign currencies are recorded using the exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are restated using the rate of exchange at reporting date. Exchange gains and losses arising from foreign currency transactions and translations of foreign-currency-denominated monetary assets and liabilities are credited or charged to current operations.

Contingencies

Contingent liabilities are not recognized in the consolidated financial statements. They 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 Reporting Period

Post year-end events 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 when material.

Earnings Per Share

Basic earnings per common share is calculated by dividing net income for the year attributable to the common stockholders of the Group by the weighted average number of common shares issued and outstanding during the year, after retroactive adjustments for any stock dividends declared.

Diluted earnings per share is calculated by dividing the net income for the year attributable to the common stockholders of the Group by the weighted average number of common shares outstanding during the year plus the weighted average number of common shares that would be issued for outstanding common stock equivalents.

As at December 31, 2020 and 2019, the Group does not have dilutive common stock equivalents.



5. Significant Accounting Judgments, Estimates and Assumptions

The preparation of the consolidated financial statements in compliance with PFRSs requires the Group to make judgments, estimates and assumptions that affect the amounts reported in the consolidated financial statements and related notes. In preparing these consolidated financial statements, the Group made its best judgments and estimates of certain amounts, giving due consideration to materiality. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

The Group believes that the following represent a summary of these significant accounting judgments and estimates and the related impact and associated risks in the consolidated financial statements.

Judgments

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

Determination of Lease Contract and Lease Payments under PFRS 16. 1590 EC entered into lease contract with Provincial Government of La Union (PGLU) for the right to preserve, maintain and operate the Buang Diesel Power Plant (BDPP) for its sole account and expense for a term of five years commencing January 1, 2019. Under the contract, 1590 EC will pay PGLU for a fixed monthly rent with annual escalation and annual capital investment to cover for upgrading, maintenance, rehabilitation and repair of BDPP. The Group has determined that the lease contract with PGLU meets the definition of the lease under PFRS 16 since the leased asset is explicitly identified and defined in the contract and 1590 EC has the right to control over the identified asset. Further, the payments for capital investments are considered in-substance lease payments as 1590 EC has no other option but to incur this amount whether it be in the form of leasehold improvement or cash. Accordingly, such in-substance lease payments are included in the measurement of right-of-use asset and lease liability upon commencement date.

The carrying amount of the right-of-use asset and the lease liability amounted to ₱672.2 million and ₱663.2 million, respectively, as at December 31, 2020, and ₱925.3 million and ₱876.4 million, respectively, as of December 31, 2019 (see Note 24).

Estimates and Assumptions

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

Determining Fair Value of Investment Properties. The Group carries its investment properties at fair value, with changes in fair value being recognized in the consolidated statements of comprehensive income. While the Group has opted to rely on independent appraisers to determine the fair value of its investment properties, such fair value was determined based on recent prices of similar properties with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices. The amounts and timing of recorded changes in fair value for any period would differ if the Group made different judgments and estimates or utilized different basis in determining fair value.

The key assumptions used to determine the fair value of the properties and sensitivity analyses are provided in Note 25.

Any gain or loss from a change in the fair value of each investment property is included in the consolidated statement of comprehensive income in the year in which the change arises.

As of December 31, 2020, and 2019, the carrying value of the Group's investment properties amounted to ₱757.3 million (see Note 12).

Determining Non-Controlling Interest (NCI) that is Material to the Group. The Group assesses whether an NCI is material by considering factors such as the carrying amount of the NCI relative to the net equity of the Group, the profit or loss or OCI of the subsidiary attributable to the NCI, the assets and liabilities of the related subsidiary, or the amount of dividends paid by the subsidiary to the NCI, and the proportion that these amounts bear to the Group's financial position or results of operations. The Group also considers the nature of activities of the subsidiary and its relative importance or risk compared to other operations of the Group. Based on management's assessment, it has determined that the NCI in 1590 EC is material to the Group. Information about this subsidiary with material NCI are disclosed in Notes 1 and 21.

Estimating Useful Lives of Property, Plant and Equipment and Intangible Assets. The Group reviews annually the estimated useful lives of property, plant and equipment and intangible assets and updates the estimates based on expected asset utilization, market demands and future technological developments consistent with the Group's pursuit of constant modernization of its machineries, equipment and software. However, it is possible that the factors mentioned above may change in the future which could change the estimated useful lives of the property, plant and equipment and intangible assets. The estimated useful lives are also updated if expectations differ from previous estimates due to physical wear and tear, technical obsolescence and legal or other limits on the use of the assets. A reduction in the estimated useful lives could result in a significant increase in depreciation and amortization of property, plant and equipment and intangible assets.

The carrying value of the property, plant and equipment amounted to ₱2,260.5 million and ₱1,321.4 million as of December 31, 2020 and 2019, respectively (see Note 11). The carrying value of intangible assets (relating to software costs under "Other noncurrent assets") amounted ₱0.9 million and ₱38,938 as of December 31, 2020 and 2019, respectively (see Note 13).

Estimating Impairment of Nonfinancial Assets. Internal and external sources of information are reviewed at each reporting date to identify indications that the following assets may be impaired or an impairment loss previously recognized no longer exists or may be decreased:

- Investments in associates and joint ventures
- Property, plant and equipment
- Right-of-use assets

PFRSs requires that an impairment review be performed when certain impairment indicators are present. Determining the recoverable amount, which require the determination of future cash flows expected to be generated from the continued use and ultimate disposition of such assets, requires the Group to make estimates and assumptions that can materially affect its consolidated financial statements. Future events could cause the Group to conclude that the investments in associates and joint ventures and property, plant and equipment are impaired. Any resulting impairment loss could have a material adverse impact on the financial condition and results of operations.



Assets that are subject to impairment testing when impairment indicators are present (such as obsolescence, physical damage, significant changes to the manner in which the asset is used, worse than expected economic performance, a drop in revenues or other external indicators) are as follows:

	2020	2019
Investments in associates and joint ventures (see Note 10)	**₱11,247,606,324**	₱11,236,867,087
Property, plant and equipment (see Note 11)	**2,260,461,407**	1,321,444,974
Right-of-use assets (see Note 24)	**672,222,914**	925,279,293

In 2020, the Group has determined that an impairment test has to be performed on certain items of its property, plant and equipment and right-of-use assets amounting to ₱1,071.2 million and ₱628.9 million, respectively (see Notes 11 and 24). The impairment test calculation has not resulted to any recognition of an impairment loss in 2020. There were no impairment indicators on the Group's nonfinancial assets in 2019 and 2018.

Estimating Impairment of Goodwill. The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. In estimating the value in use, the Group estimated revenue based on WMP's existing customer contracts and anticipated projects and assumed a gross margin ranging from 19% to 20% during the three-year horizon which is based on the mix of business model arrangements with current and expected customers. The interest rate used to discount the net cash flows from operations is the weighted average cost of capital (WACC) of 9.51% for WMP as of December 31, 2020 and 2019.

As at December 31, 2020 and 2019, the carrying amount of goodwill amounted to ₱82.4 million (see Note 13).

Estimating Realizability of Deferred Income Tax Assets. The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of such deferred income tax assets to be utilized. The Group's assessment on the recognition of deferred income tax assets on deductible temporary differences is based upon the likely timing and level of future taxable profits determined from the tax planning strategies of the Group.

Deferred income tax assets amounted to ₱34.0 million and ₱30.9 million as of December 31, 2020 and 2019, respectively (see Note 20).

Deferred income tax assets have not been recognized on net operating loss carry-over (NOLCO) of ₱409.1 million and ₱682.9 million as of December 31, 2020 and 2019, respectively, and minimum corporate income tax (MCIT) of ₱0.8 million and ₱4.4 million as of December 31, 2020 and 2019, respectively (see Note 20).

Estimating the Incremental Borrowing Rate for Lease Liabilities. The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Group estimates the IBR using observable inputs when available and is required to make certain entity-specific estimates.

The Group's lease liabilities amounted to ₱663.2 million and ₱876.4 million as of December 31, 2020 and 2019, respectively (see Note 24).

Estimating Legal Contingencies. The estimate of probable costs for the resolution of possible claims has been developed in consultation with outside counsel handling the Group's defense in these matters and is based upon an analysis of potential results. Management, in consultation with its legal counsel, believes that the likely outcome of these proceedings will not have a material adverse effect on the Group's financial position and operating results.

Management also believes that the current provisions in the accounts are adequate to cover the possible claims that may arise under the current circumstances. Existing circumstances and assumptions about future developments related to these proceedings may still change. Such changes are reflected in the assumptions when they occur.

6. Cash and Cash Equivalents

	2020	2019
Cash on hand and in banks	**₱513,649,511**	₱351,265,532
Short-term investments	**4,358,681,953**	4,053,979,117
	₱4,872,331,464	₱4,405,244,649

Cash in banks earn interest at the respective bank deposit rates.

Short-term investments are cash equivalents and are made for varying periods of up to three months depending on the immediate cash requirements of the Group, and earn interest at the respective short-term investment rates.

Interest income earned from cash in banks and short-term investments amounted to ₱62.2 million, ₱153.4 million and ₱117.1 million in 2020, 2019 and 2018, respectively. Accrued interest receivable amounted to ₱3.6 million and ₱8.3 million as of December 31, 2020 and 2019, respectively (see Note 7).

7. Trade and Other Receivables

	2020	2019
Trade receivables:		
Third parties	**₱507,201,863**	₱609,233,367
Related parties (see Notes 16 and 23)	**32,973,639**	119,234,947
Dividends receivable (see Notes 10 and 16)	**257,600,000**	42,800,000
Accounts receivable (see Note 16)	**7,654,602**	19,291,233
Advances to officers and employees	**4,321,890**	3,143,698
Accrued interest (see Note 6)	**3,582,634**	8,294,408
Others	**55,041,239**	40,870,513
	868,375,867	842,868,166
Less allowance for impairment losses	**54,272,035**	54,026,037
	₱814,103,832	₱788,842,129

Trade receivables represent receivables from Independent Electricity Market Operator of the Philippines (IEMOP) for sales to the Wholesale Electricity Spot Market (WESM), Ancillary Services Procurement Agreement (ASPA) with NGCP and bilateral sales contracts with other parties, Power Supply Agreement (PSA), Distribution Wheeling Service (DWS), and Retail Supply Contracts (see Note 23). Trade receivables are noninterest-bearing and generally have credit terms of 30 days (see Note 23).

Other receivables are mainly composed of project costs and receivables from former related parties.

The following table shows the movement in the allowance for impairment losses of receivables:

	2020	2019
At January 1	**₱54,026,037**	₱54,400,608
Provision (reversal)	**245,998**	(374,571)
At December 31	**₱54,272,035**	₱54,026,037

Significant portion of the impairment losses pertains to individually impaired accounts.

8. Inventories - at Cost

	2020	2019
Heavy fuel oil	**₱158,445,555**	₱35,102,026
Spare parts	**47,993,480**	59,729,442
Lube oil	**10,401,563**	3,629,793
Light fuel oil	**3,658,160**	2,846,640
	₱220,498,758	₱101,307,901

The total cost of inventories recognized under "Generation costs" in the consolidated statements of comprehensive income amounted to ₱363.3 million, ₱853.7 million and ₱388.8 million in 2020, 2019 and 2018, respectively (see Note 17).

9. Prepayments and Other Current Assets

	2020	2019
Advances to suppliers and other parties	**₱126,752,274**	₱25,108,243
Input VAT - current	**75,782,374**	74,770,733
Prepaid expenses	**41,650,277**	47,180,471
Creditable withholding taxes - current	**9,082,487**	6,489,220
Others	**28,625,258**	6,363,943
	₱281,892,670	₱159,912,610

Advances to suppliers and other parties include down payment for service contractors and advance payments to suppliers for purchases of goods and services for the succeeding year.

Input VAT represents the VAT imposed by the Group's suppliers of goods and services as required by Philippine taxation laws and regulations. The non-current portion of these input VAT are presented as part of "Other noncurrent assets" (see Note 13).

Prepaid expenses include payments for the Group's health insurance coverage and for all risks of direct physical loss or damage, including boiler explosion and machinery break down.

Creditable withholding taxes pertain to taxes withheld by the customers on income payments to the companies in the Group from sales of services that can be applied against the companies' income tax liabilities. The non-current portion of these creditable withholding taxes are presented as part of "Other noncurrent assets" (see Note 13).

"Others" include cash restricted amounting to ₱2.0 million and ₱0.7 million as of December 31, 2020 and 2019 for implementing environmental and community projects pursuant to the agreement entered with the Department of Environment and Natural Resources and PGLU.

10. Investments in Associates and Joint Ventures

The Group's associates and joint ventures, which are all incorporated in the Philippines, and the corresponding equity ownership as of December 31 follow:

		Percentage of Ownership		
	Nature of Business	2020	2019	2018
Associates:				
VECO	Power distribution	**34.81**	34.81	34.81
LPCI	Power generation	**42.50**	42.50	42.50
GLEDC	Power generation	**42.50**	42.50	42.50
CPPC	Power generation	**40.00**	40.00	40.00
PEI	Power generation	**40.00**	40.00	40.00
AHI	Holding company	**40.00**	40.00	40.00
MPC	Power generation	**40.00**	40.00	40.00
TVI	Power generation	**20.00**	20.00	20.00
SREC	Power generation	**30.00**	30.00	30.00
CREC	Power generation	**35.00**	35.00	35.00
LWEC	Power generation	**40.00**	40.00	–
FLOWS	Holding company	**45.00**	–	–
Joint ventures:				
CIPC	Power generation	**50.00**	50.00	50.00
Delta P	Power generation	**50.00**	50.00	50.00

	2020	2019
Acquisition cost:		
At January 1	**₱7,606,352,015**	₱7,597,952,015
Additions	**102,381,502**	8,400,000
Redemption of preferred shares	**(40,000,000)**	–
Advances converted to equity	**1,532,400**	–
At December 31	**7,670,265,917**	7,606,352,015
Accumulated share in net earnings:		
At January 1	**2,387,247,956**	1,442,196,133
Equity in net earnings of associates and joint ventures	**1,530,892,007**	2,183,383,722
Cash dividends received and receivable	**(1,975,311,195)**	(1,312,691,449)
Share in the amount transferred from revaluation surplus representing depreciation on revaluation increment	**72,094,079**	74,359,550
At December 31	**2,014,922,847**	2,387,247,956
Share in revaluation increment:		
At January 1	**1,323,680,397**	1,398,039,947
Share in revaluation increment	**407,012,356**	–
Share in the amount transferred to equity representing depreciation on revaluation increment of an associate	**(72,094,079)**	(74,359,550)
At December 31	**1,658,598,674**	1,323,680,397
Share in remeasurement losses on employee benefits of associates and a joint venture:		
At January 1	**(80,413,281)**	(78,172,323)
Share in the remeasurement losses on employee benefits	**(15,767,833)**	(2,240,958)
At December 31	**(96,181,114)**	(80,413,281)
	1,562,417,560	1,243,267,116
	₱11,247,606,324	₱11,236,867,087

As of December 31, 2020 and 2019, the undistributed earnings of the associates and joint ventures included in the Group's retained earnings amounting to ₱1,870.7 million and ₱2,387.2 million, respectively, are not available for distribution to the stockholders unless declared as dividends by the associates and joint ventures.

VECO
In 2020, an appraisal was performed on VECO's utility plant, property and equipment which resulted to a revaluation increment, for which the Group's share amounted to ₱407.0 million.

LPCI
On May 21, 2018, LPCI's application for the increase in authorized capital stock was approved by the SEC and ₱72.6 million of the advances for future stock subscription was subsequently converted to investment in LPCI.

LWEC
In 2020, VEC made additional investments to LWEC amounting to ₱12.7 million.

PEI
In 2020, the Parent Company assigned its 8,432,400 common shares in PEI to VEC, including its advances amounting to ₱1.5 million, in exchange for VEC's preferred shares amounting to ₱47.5 million.

TVI
In 2018, VIGC made additional investments in TVI which consists of 1,440,771 common stock with a par value of ₱100 per share amounting to ₱144.1 million.

SREC
In 2018, VEC and VREC made additional infusions to SREC amounting to ₱26.3 million and ₱8.8 million, respectively. VREC also assigned its preferred shares to VEC amounting to ₱3.8 million.

In 2020, VREC made additional infusions to SREC amounting to ₱4.8 million.

CREC
In April 2019, a reclassification was made from advances into an equity account amounting to ₱0.3 million. On October 11, 2019, the Group made an additional capital infusion amounting to ₱8.4 million.

In 2020, VEC made an additional investment in CREC amounting to ₱1,000.

The carrying amount of the Group's investment in CREC amounted to ₱9.8 million and ₱9.9 million as of December 31, 2020 and 2019, respectively.

VSNRGC
In October 2018, VEC and VREC sold their shareholdings in VSNRGC consisting of 272,842,751 preferred shares and 61,982,247 common shares with a carrying value of nil, respectively, for a total consideration of ₱172.8 million. VREC's advances from VSNRGC were also settled upon the disposal of the investment in VSNRGC. The Group recognized a net gain amounting to ₱120.0 million as a result of the sale.

Delta P
In 2018, Delta P redeemed 50,000,00 preferred shares at ₱1.00 per share amounting to ₱50.0 million.

On February 12, 2020, VEC paid GPI ₱19.8 million as an additional consideration for the purchase of shares that brought VEC's stake in Delta P to 50% in 2015.

On October 16, 2020, Delta P redeemed 40,000,000 preferred shares issued to VEC at ₱1.00 per share amounting to ₱40.0 million. The redemption did not change the Company's ownership interest in Delta P as of December 31, 2020.

FLOWS
In 2020, VHHI made an investment to FLOWS amounting to ₱65.0 million which represents 96,750,000 common shares with par value of ₱1.00 per share.

The following are selected financial information of the material associates of the Group as of and for the years ended December 31, 2020, 2019 and 2018:

VECO

	2020	2019	2018
Total current assets	₱4,091,285,412	₱5,138,140,960	₱5,516,842,215
Total noncurrent assets	18,103,795,515	17,078,859,810	15,377,842,395
Total current liabilities	7,535,333,182	7,778,509,722	8,653,918,654
Total noncurrent liabilities	5,562,123,094	6,025,641,366	4,849,374,355
Total equity	9,097,624,651	8,412,849,682	7,391,391,601
Gross revenue	20,832,306,757	23,891,280,367	22,872,102,010
Operating profit	2,186,235,346	2,876,528,392	2,610,553,829
Net income	1,663,383,286	2,255,327,366	2,069,010,466
Other comprehensive income (loss)	(34,712,999)	13,201,610	(13,695,488)
Total comprehensive income	1,628,670,287	2,268,528,976	2,055,314,978
Group's share in net income	579,023,722	785,079,456	720,222,543
Proportion of Group's ownership	34.81%	34.81%	34.81%
Group's share in equity of associate	3,166,883,141	2,928,512,974	2,572,943,416
Other adjustments	(10,240,510)	(4,511,626)	(6,297,551)
Carrying amount of the investment	3,156,642,631	2,924,001,348	2,566,645,865
Dividends received from VECO	741,311,200	432,319,454	761,827,180

MPC

	2020	2019	2018
Total current assets	₱3,892,451,407	₱4,396,943,242	₱3,666,644,777
Total noncurrent assets	18,114,484,121	18,880,730,275	17,227,716,698
Total current liabilities	2,315,901,267	2,157,966,265	6,803,721,218
Total noncurrent liabilities	11,255,788,071	12,382,086,896	6,699,248,656
Total equity	8,435,246,190	8,737,620,356	8,383,946,261
Gross revenue	5,612,964,499	6,391,880,815	6,460,257,152
Operating profit	1,031,467,510	1,455,751,305	2,364,087,068
Net income	1,031,282,086	1,454,726,804	1,290,163,571
Total comprehensive income	1,031,282,086	1,454,726,804	1,249,885,979
Group's share in net income	412,512,834	581,890,722	499,954,392
Proportion of Group's ownership	40.00%	40.00%	40.00%
Group's share in equity of associate	3,374,098,476	3,495,048,142	3,353,578,504
Goodwill and other adjustments	20,286,763	20,424,257	20,003,167
Carrying amount of investment	3,394,385,239	3,515,472,399	3,373,581,671
Dividends received from MPC	399,999,995	440,000,000	–

TVI

	2020	2019	2018
Total current assets	₱8,952,688,187	₱10,559,035,456	₱9,070,767,989
Total noncurrent assets	35,790,157,665	40,246,422,256	33,964,848,628
Total current liabilities	5,069,625,547	5,359,640,905	997,639,695
Total noncurrent liabilities	27,244,241,562	33,859,988,898	31,257,472,322
Total equity	12,428,978,743	11,585,827,909	10,780,504,600
Gross revenue	8,490,212,480	6,254,275,652	701,944,853
Operating income (loss)	1,687,420,404	1,825,528,655	(116,908,071)
Net income (loss)	466,214,728	810,948,128	(46,961,311)
Other comprehensive income (loss)	376,936,106	(5,064,658)	(1,485,679)
Total comprehensive income (loss)	843,150,834	805,883,470	(48,446,990)
Group's share in net income (loss)	93,242,946	162,189,626	(9,392,262)
Proportion of Group's ownership	20.00%	20.00%	20.00%
Group's share in equity of associate	2,485,795,749	2,317,165,582	2,156,100,920
Goodwill and other adjustments	(43,709,872)	33,926,358	33,926,358
Carrying amount of the investment	2,442,085,877	2,351,091,940	2,190,027,278

AHI

	2020	2019	2018
Total current assets	**₱751,455,452**	₱751,133,134	₱663,293,192
Total noncurrent assets	**3,389,233,698**	3,443,509,934	3,192,609,002
Total current liabilities	**6,763**	16,883	–
Total equity	**4,140,682,387**	4,194,626,185	3,855,902,194
Gross revenue	**694,273,269**	1,019,465,880	827,694,289
Operating profit	**694,170,061**	1,019,213,533	827,280,645
Net income	**694,056,202**	1,019,288,938	827,276,646
Other comprehensive income (loss)	**–**	(20,564,947)	5,841,826
Total comprehensive income	**694,056,202**	998,723,991	833,118,472
Group's share in net income	**277,622,481**	407,715,575	330,910,658
Proportion of Group's ownership	**40.00%**	40.00%	40.00%
Group's share in equity of associate	**1,656,272,955**	1,677,850,474	1,542,360,878
Goodwill and other adjustments	**165,628**	165,628	165,628
Carrying amount of the investment	**1,656,438,583**	1,678,016,102	1,542,526,506
Dividends received from AHI	**299,200,000**	264,000,000	316,800,000

Individually Immaterial Associates and Joint Ventures

The carrying amounts of the Group's interest in all individually immaterial associates and joint ventures that are accounted for using the equity method as of and for the year ended December 31 follows:

	2020	2019	2018
Income from continuing operations	**₱263,944,402**	₱270,239,602	₱229,876,533
Net income	**168,490,025**	246,620,376	254,456,164
Other comprehensive income (loss)	**(1,435,229)**	2,402,472	(880,037)
Total comprehensive income	**167,054,796**	249,022,848	253,576,127
Aggregate carrying amounts	**598,053,994**	768,285,298	687,234,452

The associates and joint ventures had no contingent liabilities or capital commitments as of December 31, 2020 and 2019.

11. Property, Plant and Equipment

	2020								
	Land	Plant Machineries and Equipment	Condominium Units, Building and Improvements	Transportation Equipment	Office Furniture, Fixtures and Equipment	Tools and Other Assets	Leasehold and Land Improvements	Construction in Progress	Total
Cost									
At January 1	₱30,731,600	₱369,568,177	₱36,421,603	₱61,933,130	₱68,361,383	₱82,290,699	₱50,439,728	₱1,003,959,166	₱1,703,705,486
Additions	7,742,155	77,012,702	–	10,900,560	9,733,096	645,741	472,091	904,213,570	1,010,719,915
Reclassification	(100,000)	(115,865)	–	–	4,372,978	25,684,018	34,230,000	(64,362,131)	(291,000)
Disposal (see Note 17)	–	–	–	(1,238,204)	(74,022)	–	–	–	(1,312,226)
At December 31	38,373,755	446,465,014	36,421,603	71,595,486	82,393,435	108,620,458	85,141,819	1,843,810,605	2,712,822,175
Accumulated Depreciation and Amortization									
At January 1	–	242,497,577	23,681,714	36,273,281	50,444,337	13,359,106	16,004,497	–	382,260,512
Depreciation and amortization	–	31,823,545	487,126	9,351,081	10,684,330	6,224,605	12,878,401	–	71,449,088
Reclassification	–	(23,900)	–	–	–	23,900	(36,606)	–	(36,606)
Disposal	–	–	–	(1,238,204)	(74,022)	–	–	–	(1,312,226)
At December 31	–	274,297,222	24,168,840	44,386,158	61,054,645	19,607,611	28,846,292	–	452,360,768
Net Book Value	₱38,373,755	₱172,167,792	₱12,252,763	₱27,209,328	₱21,338,790	₱89,012,847	₱56,295,527	₱1,843,810,605	₱2,260,461,407

	2019								
	Land	Plant Machineries and Equipment	Condominium Units, Building and Improvements	Transportation Equipment	Office Furniture, Fixtures and Equipment	Tools and Other Assets	Leasehold and Land Improvements	Construction in Progress	Total
Cost									
At January 1	₱30,631,600	₱369,505,885	₱36,421,603	₱52,331,592	₱59,851,063	₱10,983,896	₱50,041,256	₱317,771,619	₱927,538,514
Additions	100,000	62,292	–	12,772,406	8,586,124	9,212,338	398,472	748,282,012	779,413,644
Reclassification	–	–	–	–	–	62,094,465	–	(62,094,465)	–
Disposal (see Note 17)	–	–	–	(3,170,868)	(75,804)	–	–	–	(3,246,672)
At December 31	30,731,600	369,568,177	36,421,603	61,933,130	68,361,383	82,290,699	50,439,728	1,003,959,166	1,703,705,486
Accumulated Depreciation and Amortization									
At January 1	–	216,219,412	22,638,372	30,591,637	41,011,040	7,298,835	8,888,319	–	326,647,615
Depreciation and amortization	–	26,278,165	1,043,342	8,455,906	9,509,100	6,060,271	7,116,178	–	58,462,962
Disposal	–	–	–	(2,774,262)	(75,803)	–	–	–	(2,850,065)
At December 31	–	242,497,577	23,681,714	36,273,281	50,444,337	13,359,106	16,004,497	–	382,260,512
Net Book Value	₱30,731,600	₱127,070,600	₱12,739,889	₱25,659,849	₱17,917,046	₱68,931,593	₱34,435,231	₱1,003,959,166	₱1,321,444,974

Construction in progress mainly includes costs for the construction of a 23 MW bunker-fired power plant of INEC. These also include costs for the construction of the Group's new office in 2019 which was subsequently completed in March 2020. The account also includes mobilization fee and engineering detailed design fees paid to a third-party contractor for the construction of a subsidiary's run-of-river hydropower facility in Negros Occidental. The latter project's implementation is intended to approximately coincide with the government's 230 kV backbone project but the government has not yet started the construction as of April 5, 2021.

Depreciation and amortization are recognized in the consolidated statements of comprehensive income as follows:

	2020	2019	2018
Generation costs (see Note 17)	**₱41,989,939**	₱36,800,034	₱11,892,908
Operating expenses	**29,459,149**	21,662,928	19,218,688
	₱71,449,088	₱58,462,962	₱31,111,596

In 2020, the Group has determined that an impairment test has to be performed on certain items of its property, plant and equipment and right-of-use assets amounting to ₱1,071.2 million and ₱628.9 million, respectively. In performing an impairment test calculation, the Group determined the recoverable amount of the relevant property, plant and equipment and right-of-use assets through value in use (VIU). VIU is derived based on financial budgets prepared by senior management covering the project's entire life. After-tax discount rate of 9.4% was used.

The calculation of value in use of these property, plant and equipment and right-of-use assets are most sensitive to the following assumptions:

- Revenue - Revenue forecasts are management's best estimates considering factors such as industry compound annual growth rate, existing customer contract and projection, market participation forecast, historical experiences and other economic factors.
- Fuel price inflation - In accordance with its exclusive supply agreement with a third party, the price estimates are based on published product price assessment. Forecast figures are used if data is publicly available, otherwise past actual material price movements are used as an indicator of future price movement.
- Discount rate - Discount rate reflects the management's estimate of risks specific to the CGU. The benchmark used by the management to assess operating performance and to evaluate future investment proposals. In determining appropriate discount rates, consideration has been given to various market information, including, but not limited to, government bond yield, bank lending rates and market risk premium.

Management have reflected future economic uncertainty in the risk-adjusted cash flows, giving a more accurate representation of the risks specific to the CGU.

The impairment test calculation has not resulted to any recognition of an impairment loss in 2020.

12. Investment Properties

	2020		
	Land	Condominium Units	Total
At January 1 and December 31	**₱733,195,868**	**₱24,084,733**	**₱757,280,601**

	2019		
	Land	Condominium Units	Total
At January 1	₱502,711,090	₱8,742,802	₱511,453,892
Unrealized gain on fair value remeasurement	230,484,778	4,841,931	235,326,709
Additions during the year	–	10,500,000	10,500,000
At December 31	₱733,195,868	₱24,084,733	₱757,280,601

Some of the Group's properties are leased out to outside parties to earn rental income, for a lease period of three years. Total rental income amounting to ₱1.7 million, ₱2.2 million, ₱0.8 million in 2020, 2019 and 2018, respectively, were recorded as part of "Other income" in the consolidated statements of comprehensive income.

In 2019, an appraisal was performed on the Group's investment properties which resulted to an increase in the fair value amounting to ₱235.3 million. Net unrealized gain and loss on fair value remeasurement of investment properties, recognized under "Other income (charges)" in the consolidated statements of comprehensive income, amounted to nil, ₱235.3 million and nil in 2020, 2019 and 2018, respectively.

Direct costs pertain to real property taxes amounting to ₱0.7 million in 2020, and ₱0.6 million in 2019 and 2018, are included under "Taxes and licenses" account in the consolidated statements of comprehensive income. No other direct operating costs were incurred relating to investment properties in 2020, 2019, and 2018.

The Group has no restrictions on the realizability of its investment properties and no contractual obligations to purchase, construct, or develop investment properties.

Fair value hierarchy disclosures and description of the valuation techniques used and key inputs to valuation for investment properties have been provided in Note 25.

13. Other Noncurrent Assets

	2020	2019 (As Restated)
Advances to suppliers and other parties	**₱718,694,310**	₱703,774,874
Creditable withholding taxes - noncurrent (see Note 9)	**214,245,466**	208,704,118
Input VAT - noncurrent (see Note 9)	**124,343,584**	17,896,338
Goodwill	**82,381,116**	82,381,116
Financial assets at FVOCI	**7,400,000**	7,370,000
Software costs -net	**902,260**	38,938
Others - net of allowance for impairment loss of ₱46.01 million	**19,523,045**	25,022,288
	₱1,167,489,781	₱1,045,187,672

Advances to Suppliers and Other Parties
Advances to suppliers pertain to cash advances given to contractors and project partners that are to be used to finance the cost of project study, site development, plant rehabilitation, among others and to certain parties to comply with certain contractual obligations.

Goodwill
Goodwill was recognized on the acquisition of WMP.

Acquisition of Watermatic Philippines Corporation (WMP). On June 12, 2019, VHHI and WaterMatic International Ltd. (WMI), a subsidiary of an Israel-based company, WaterMatic Treatment Ltd., with an extensive experience and expertise in water treatment and waste water treatment, entered into a Memorandum of Agreement (MOA) to form WMP with both 50% interest in WMP with the purpose of transferring WMI's existing operations to WMP. In November 2019, the Group through VHHI, acquired additional 10% equity interest in WMP, increasing its ownership interest to 60%.

The Group elected to measure the non-controlling interest in the acquiree at the proportionate share of its interest in the acquiree's identifiable net assets.

The following are the final fair values of the identifiable assets acquired on acquisition date:

Total assets:	
Cash in bank	₱42,500,000
Non-controlling interest	(₱21,249,999)
Goodwill arising on acquisition	82,381,116
Purchase consideration transferred	₱103,631,114
Cash flow on acquisition:	
Cash acquired with the subsidiary	₱42,500,000
Purchase consideration transferred	(103,631,114)
Net cash outflow	(₱61,131,114)

The accounting for this business combination was determined provisionally in 2019 as allowed by PFRS 3. In July 2020, the valuation was completed and several adjustments were made on the provisional values. Accordingly, the 2019 comparative information was restated to reflect the adjustments to the provisional amounts. In the Group's consolidated financial statements as of December 31, 2019, customer contracts amounting to ₱5.9 million was derecognized and thereby increased the goodwill. The non-controlling interests also decreased by ₱2.9 million as at December 31, 2019 (see Note 21).

In 2019, WMP contributed ₱0.2 million to the consolidated revenue and ₱21.7 million loss to the consolidated net income of the Group from date of acquisition. There is no difference in the revenue and net income contribution had the combination taken place at the beginning of 2019, since WMP was incorporated only in July 2019 (see Note 1).

As of December 31, 2020, the recoverable amount of WMP, the cash generating unit, has been determined based on a value-in-use calculation using cash flow projections based on financial budgets approved by senior management covering a three-year period.

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

- Interest rate used to discount the net cash flows from operations is WMP's WACC of 9.51% as of December 31, 2020 using the capital asset pricing model.
- Revenue forecasts are based on existing contracts and anticipated projects and other economic factors.
- Forecasted gross margins which ranges from 19% to 20% are based on the mix of business model arrangements with current and expected customers.
- The computation of terminal value assumes no growth in projected cash flows beyond three years.

Based on the impairment testing, management believes there is no impairment on goodwill in 2020.

The goodwill arising from this acquisition is attributed to the business synergies from combining the operations of WMP with the Group.

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

Financial Assets at FVOCI
These pertain to investments in club shares and are irrevocably designated at FVOCI as the Group intends to hold these investments in the foreseeable future.

As of December 31, 2020 and 2019, the carrying values of the financial assets at FVOCI are as follows:

	2020	2019
Cost:		
Cebu Country Club, Inc.	₱3,400,000	₱3,400,000
Tower Club, Inc.	300,000	300,000
	3,700,000	3,700,000
Fair value remeasurement gain (loss):		
Cebu Country Club, Inc.	4,000,000	3,900,000
Tower Club, Inc.	(300,000)	(230,000)
	3,700,000	3,670,000
	₱7,400,000	₱7,370,000

Cebu Country Club, Inc. In 2012, the Group acquired proprietary ownership shares in the Cebu Country Club, Inc. The non-listed equity security is stated at fair value based on the published buying and selling prices of these shares.

Tower Club, Inc. In 2014, the Group acquired proprietary ownership shares in the Tower Club, Inc. The non-listed equity security is stated at fair value based on the published buying and selling prices of these shares. On September 25, 2020, the shareholders of Tower Club agreed to shorten its corporate life and permanently close by January 2022.

Fair value hierarchy disclosures for the Group's financial assets at FVOCI are provided in Note 25.

Software Costs
Software costs pertain to a subsidiary's accounting software, Human Resources Information System, trading software and documents monitoring system. The movement of software costs is as follows:

	2020	2019
Cost		
At January 1	**₱7,513,867**	₱7,473,524
Additions during the year	**1,021,085**	40,343
At December 31	**8,534,952**	7,513,867
Accumulated Amortization		
At January 1	**7,474,929**	7,461,004
Amortization for the year	**157,763**	13,925
At December 31	**7,632,692**	7,474,929
Net Book Value	**₱902,260**	₱38,938

Others
Others include receivable from RFM Corporation, the Group's previous owner, which has been fully provided with allowance for impairment losses as of December 31, 2020 and 2019. Also included in this account are deposits for future subscription of an entity that is yet to be incorporated and security deposits with various tenants and other parties in the conduct of the Group's operations.

14. Trade and Other Payables

	2020	2019
Trade payables	**₱1,154,207,459**	₱1,559,160,562
Deferred output VAT	**297,988,047**	284,031,956
Accrued expenses	**121,490,363**	14,992,246
Accounts payable	**69,474,626**	19,051,900
Accrued interest (see Note 15)	**25,351,040**	23,540,892
Dividends payable	**6,062,495**	87,464,385
Output VAT	**4,802,330**	1,404,401
Accrued taxes payable	**3,243,604**	6,145,960
Provision for estimated liability	**–**	32,577,442
Others	**30,852,598**	11,472,385
	1,713,472,562	2,039,842,129
Less noncurrent portion	**837,635,182**	836,662,924
	₱875,837,380	₱1,203,179,205

Trade payables significantly consist of liabilities for a subsidiary's purchases of inventories from its suppliers and advances from a supplier. Trade payables for purchases of inventories are noninterest-bearing and are normally settled on a 30 to 45-day term.

Deferred output VAT is related to the recognition of the Group's revenue from bilateral contracts, and its corresponding receivable. The deferred output VAT is eventually closed to output VAT upon collection of the related receivable.

Accounts payable consist mainly of liabilities for payroll, professional fees and other expenses.

Dividends payable consists of dividends to the non-controlling interests of the Group arising from dividend declaration made by 1590 EC. Dividends declared relating to non-controlling interests amounted to ₱196.7 million, ₱80.6 million and ₱196.6 million in 2020, 2019 and 2018, respectively (see Note 21).

Provision for estimated liability as of December 31, 2019 includes regulatory charges which payment is probable and the amount is estimable as at that date with uncertain amount or timing of actual disbursement. Disclosure of information usually required by PAS 37, *Provisions, Contingent Liabilities and Contingent Assets* is not provided because of reasons permitted under paragraph 92 of PAS 37. Accordingly, general description is provided. In 2020, such provision was settled.

Accrued expenses mainly consist of accruals for fuel, audit fees, contracted services, legal fees, securities and transfer fees, benefits, and other expenses.

15. Notes Payable

Short-term Notes Payable

On May 28, 2020 and June 29, 2020, 1590 EC obtained 90-day and 91-day loans from a local bank amounting to ₱95.0 million and ₱40.0 million which bear interest rates of 5.1% and 4.95% per annum, respectively. On October 26, 2020, 1590 EC made a partial payment in the amount of ₱30.0 million. Both loans totalling ₱105.0 million were extended to January 8, 2021. In February 2021, 1590 EC made another partial payment in the amount of ₱14.0 million. The balance of the two loans were extended up to April 12, 2021.

On various dates in 2020, INEC obtained loans from a local bank totalling to ₱644.3 million. The loans bear interest rates of 4.5% and 5% per annum. All loans matured on December 3, 2020 and were subjected to monthly extensions until April 26, 2021.

Interest expense recognized in the consolidated statements of comprehensive income on these loans in 2020, 2019 and 2018, amounted to ₱3.4 million, nil and ₱0.7 million, respectively. Accrued interest on these loans as of December 31, 2020 and 2019 amounted to ₱2.1 million and nil, respectively (see Note 14).

Long-term Notes Payable

	2020	2019
Fixed Rate Corporate Notes (FRCN):		
₱1.0 billion at 5.7271% interest per annum	**₱940,000,000**	₱950,000,000
₱2.0 billion at 5.4450% interest per annum	**1,880,000,000**	1,900,000,000
	2,820,000,000	2,850,000,000
Less unamortized debt issue costs	**491,880**	5,273,030
	2,819,508,120	2,844,726,970
Less current portion - net of unamortized debt issue costs of ₱0.5 million in 2020 and ₱4.8 million in 2019	**2,819,508,120**	25,218,850
	₱–	₱2,819,508,120

The Parent Company entered into a Notes Facility Agreement (Agreement) to issue ₱3.0 billion in Fixed Rate Corporate Notes (FRCN or the Notes) on January 29, 2014 to fund its equity investments in power generation projects, to include, but not limited to MPC and TVI. The FRCN was fully subscribed by a consortium of local banks and was issued in two tranches and has a maturity of seven (7) years from the drawdown date. The Notes are unsecured.

The first drawdown amounting to ₱1.0 billion was made on February 3, 2014. The second drawdown amounting to ₱2.0 billion was made on March 31, 2014. The Notes are payable at 1% based on the principal amount of the notes in the first six (6) years and 94% at maturity on February 3, 2021. The Notes were settled on said date.

Repayments of outstanding principal amounts are scheduled as follows:

	2020	2019
Within one year	**₱2,820,000,000**	₱30,000,000
More than one year but not more than five years	–	2,820,000,000
	₱2,820,000,000	₱2,850,000,000

The Agreement requires that the Parent Company shall not permit its debt-to-equity ratio to exceed 2.5:1. The debt-to-equity ratio is based on the parent company debt and consolidated equity. In addition, the Agreement requires the current ratio to not fall below 1.25:1 and is based on the consolidated current assets and current liabilities. The Parent Company has complied with these ratio requirements as of December 31, 2020 and 2019.

Interest expense recognized in the consolidated statements of comprehensive income related to these notes payable amounted to ₱169.3 million, ₱170.9 million and ₱173.2 million in 2020, 2019 and 2018, respectively, and the related accrued interest expense as of December 31, 2020 and 2019 amounted to ₱25.4 million and ₱23.5 million, respectively (see Note 14).

Debt issue costs were incurred in connection with the financing arrangements. These costs are amortized, using the effective interest rate method, over the term of the related loans.

On December 4, 2020, the Company signed an Agreement to issue ₱3.0 billion worth of FRCN with tenors of two (2) years and five (5) years. The proceeds from the issuance of the Notes will be used to finance capital expenditures for existing assets and investments in power generation and/or water infrastructure projects and partly to refinance the existing 7-year FRCN which matured in February 2021.

16. Related Party Transactions

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

In the normal course of business, the Group enters into transactions with related parties principally consisting of the following:

		2020			
		Outstanding Balance			
Category	Volume	Receivables	Payables	Terms	Conditions
Associates					
Sale of power:					
VECO (see Note 16g)	₱-	₱7,960,424	₱-	30 days; noninterest-bearing	Unsecured; no impairment
Service income (see Note 16d):					
CEDC	136,557,708	12,517,790	-	30 days; Noninterest-bearing	Unsecured; no impairment
CPPC	45,333,333	-	-	30-60 days; noninterest-bearing	Unsecured; no impairment
GLEDC	-	6,000,000	-	On-demand; Noninterest-bearing	Unsecured; no impairment
Advances to (see Note 16a):					
FLOWS	150,000,000	150,000,000	-	Interest-bearing; Payable on demand	Unsecured; no impairment
CREC	10,000,000	10,000,258	-	Payable on demand	Unsecured; no impairment
SREC	-	6,000,000		On-demand; Noninterest-bearing	Unsecured; no impairment
Advances to (see Note 16h):					
GLEDC	1,805,016	2,277,620	-	30-60 days; noninterest-bearing	Unsecured; no impairment
LPCI	-	80,937,914	-	30-60 days; noninterest-bearing	Unsecured; no impairment
Dividends (see Note 16f):					
VECO	741,311,200	-	-	noninterest-bearing	Unsecured
MPC	533,599,995	133,600,000	-	noninterest-bearing	Unsecured
CPPC	318,000,000	124,000,000	-	noninterest-bearing	Unsecured
AHI	299,200,000	-	-	noninterest-bearing	Unsecured
PEI	33,200,000	-	-	noninterest-bearing	Unsecured
Joint Ventures					
Management fees (see Note 16d):					
Delta P	18,536,831	-	-	30-60 days; noninterest-bearing	Unsecured; no impairment
CIPC	7,616,362	862,441	-	30-60 days; noninterest-bearing	Unsecured
Service income (see Note 16d):					
Delta P	398,644	5,632,984	-	30-60 days; noninterest-bearing	Unsecured; no impairment
CIPC	89,491	-	-	30-60 days; noninterest-bearing	Unsecured; no impairment
Advances to (see Note 16a):					
Delta P	226,642	1,352,330	-	noninterest-bearing	Unsecured; no impairment
CIPC	37,027	392,187	-	noninterest-bearing	Unsecured; no impairment
Dividends (see Note 16f):					
CIPC	30,000,000	-	-	noninterest-bearing	Unsecured; no impairment
Delta P	20,000,000	-	-	noninterest-bearing	Unsecured; no impairment
Advances from (see Note 16b):					
Delta P	-	-	326	payable on demand; noninterest-bearing	Unsecured

(Foward)

Category	Volume	2020 Outstanding Balance Receivables	Payables	Terms	Conditions
Stockholders with Significant Influence					
Management fees expense (see Note 16e)					
JDC	₱4,389,486	₱-	₱-	30-60 days; noninterest-bearing	Unsecured
MRC	6,584,229	-	-	30-60 days; noninterest-bearing	Unsecured
Stockholders with Significant Influence					
Management fees expense (see Note 16e)					
GPI	44,280,000	-	-	Payable on demand; Noninterest-bearing	Unsecured
Advances to/from (see Notes 16a and 16b)					
GPI	6,000,955	-	5,688,786	30-60 days; noninterest-bearing	Unsecured
WMI	2,100,073	2,100,073	-	payable on demand; noninterest-bearing	Unsecured
Stockholders with No Significant Influence					
Advances to (see Note 16c):					
JGS	-	42,676	-	payable on demand; noninterest-bearing	Unsecured; no impairment

Category	Volume	2019 Outstanding Balance Receivables	Payables	Terms	Conditions
Associates					
Sale of power (see Note 16g):					
VECO	₱730,808,648	₱8,411,306	₱-	30 days; noninterest-bearing	Unsecured; no impairment
PEI	283,768,208	-	50	30 days; Noninterest-bearing	Unsecured; no impairment
Service income (see Note 16d):					
CEDC	50,215,012	1,364,750	-	30 days; Noninterest-bearing	Unsecured; no impairment
CPPC	11,785,714	13,200,000	-	30-60 days; noninterest-bearing	Unsecured; no impairment
GLEDC	5,357,143	6,000,000	-	On-demand; Noninterest-bearing	Unsecured; no impairment
AESI	6,754,027	7,564,510	-	30-60 days; noninterest-bearing	Unsecured; no impairment
Advances to (see Note 16a):					
PEI	-	1,532,400	-	30-60 days; noninterest-bearing	Unsecured; no impairment
CREC	-	339	-	30-60 days; noninterest-bearing	Unsecured; no impairment
SREC	6,000,000	6,000,000		On-demand; Noninterest-bearing	Unsecured; no impairment
Advances to (see Note 16h):					
LPCI	5,748,419	80,937,914	-	30-60 days; noninterest-bearing	Unsecured; no impairment
GLEDC	577,645	33,065	-	30-60 days; noninterest-bearing	Unsecured; no impairment
Dividends (see Note 16f):					
VECO	432,319,454	-	-	noninterest-bearing	Unsecured
PEI	12,800,000	12,800,000	-	noninterest-bearing	Unsecured
AHI	264,000,000	-	-	noninterest-bearing	Unsecured
MPC	440,000,000	-	-	noninterest-bearing	Unsecured
CPPC	87,572,000	-	-	noninterest-bearing	Unsecured; no impairment
Joint Ventures					
Management fees (see Note 16d):					
Delta P	2,264,253	732,108	-	30-60 days; noninterest-bearing	Unsecured; no impairment
CIPC	930,330	-	-	30-60 days; noninterest-bearing	Unsecured

(Forward)

	2019				
		Outstanding Balance			
Category	Volume	Receivables	Payables	Terms	Conditions
Service income (see Note 16d)					
CIPC	₱2,988,222	₱-	₱-	30-60 days, noninterest-bearing	Unsecured, no impairment
Delta P	22,272,794	24,500,073	-	30-60 days, noninterest-bearing	Unsecured, no impairment
Advances to (see Note 16a):					
Delta P	7,870,044	1,813,454	-	noninterest-bearing	Unsecured; no impairment
CIPC	168,432	538,529	-	noninterest-bearing	Unsecured, no impairment
Dividends (see Note 16f):					
CIPC	10,000,000	10,000,000	-	noninterest-bearing	Unsecured, no impairment
Delta P	66,000,000	20,000,000	-	noninterest-bearing	Unsecured, no impairment
Advances from (see Note 16b):					
Delta P	326	-	326	payable on demand, noninterest-bearing	Unsecured
Stockholders with Significant Influence					
Management fees expense (see Note 16e)					
JDC	5,102,790	-	-	30-60 days, noninterest-bearing	Unsecured
MRC	7,654,184	-	-	30-60 days, noninterest-bearing	Unsecured
Stockholders with Significant Influence					
Management fees expense (see Note 16e)					
GPI	37,800,000	-	-	Payable on demand; Noninterest-bearing	Unsecured
Stockholders with No Significant Influence					
Advances to (from) (see Note 16c):					
JGS	-	42,676	-	payable on demand; noninterest-bearing	Unsecured; no impairment
ETPH	2,130	904,796	18,309,288	On demand; Noninterest-bearing	Unsecured

a. Advances to related parties are noninterest-bearing cash advances to associates, joint ventures and stockholders. The outstanding advances, presented as "Advances to associates, joint ventures and stockholders" account in the consolidated statements of financial position, are noninterest-bearing and are due on demand.

   On February 14, 2020, the Company entered into an Interim Financing Agreement (IFA) with FLOWS for the development of a combined sewerage and septage facility serving the City of Puerto Princesa. The IFA is for a term of four months or until June 13, 2020 at an interest rate of 5.7810% per annum. On June 13, 2020, the IFA was extended for three months or until September 13, 2020 at an interest of 6.2595%, 4.2578% and 4.3016% per annum on the first, second and third month, respectively. FLOWS is in the process of securing bank refinancing of the interim loan.

b. Advances from related parties are noninterest-bearing cash advances payable on demand, from the Group's joint ventures and stockholders.

c. Advances to a "stockholder with no significant influence" pertains to the life insurance plan advanced by the Parent Company for a member of its BOD.

d. Management and service fees represent the compensation for the services rendered by the Group to and for the use of its facilities by the associates and joint ventures. These are governed by management consultancy and service-level contracts executed by the Group and its associates. These are recognized as "Management and service fees" presented as part of the Group's revenue in the consolidated statements of comprehensive income amounting to ₱210.2 million, ₱97.5 million and ₱137.3 million in 2020, 2019, and 2018, respectively.

   Outstanding receivables for management fees and service fees presented as part of "Accounts receivable" under "Trade and other receivables" account in the consolidated statements of financial position as of December 31, 2020 and 2019 amounted to ₱25.0 million and ₱47.4 million, respectively (see Note 7).

e. The Group also entered into consultancy and management service agreements with its stockholders to avail of management consultancy services. Expenses incurred related to the consultancy and management service agreements are recognized as part of "Professional fees" under "Generation costs" (see Note 17) and "Operating expenses" in the consolidated statements of comprehensive income.

f. In 2020, VECO, MPC, CPPC, AHI, PEI, CIPC and DPI declared dividends amounting to ₱741.3 million, ₱533.6 million, ₱318.0 million, ₱299.2 million, ₱33.2 million, ₱30.0 million and ₱20.0 million, respectively. In 2019, VECO, PEI, AHI, MPC, CIPC, CPPC, and DPI declared additional dividends amounting to ₱432.3 million, ₱12.8 million, ₱264.0 million, ₱440.0 million, ₱10.0 million, ₱87.6 million, and ₱66.0 million, respectively. The outstanding amounts from these dividends declarations are currently lodged under "Dividends receivable" (see Note 7).

g. The Group had an Energy Supply Agreement (ESA) with VECO (see Note 23), whereby the Group supplied contract energy to VECO from the 17 MW of the contracted capacity of the Unified Leyte Geothermal Power Plant administered by the Group. The ESA was terminated in October 2019.

   Revenue from the ESA with VECO amounted to nil, ₱730.8 million and ₱908.7 million in 2020, 2019 and 2018, respectively. As of December 31, 2020 and 2019, the Group's trade receivables from VECO for the sale of power amounted to ₱8.0 million and ₱8.4 million, respectively (see Note 7).

   In 2017, the Group entered into a Power Supply Agreement (PSA) with PEI to supply contracted power (see Note 23). In 2019, the contract was terminated. Revenue from PSA with PEI amounted to nil, ₱283.8 million and ₱238.9 million in 2020, 2019 and 2018, respectively.

h. Working capital advances to LPCI and GLEDC are noninterest-bearing, collateral-free and are due on demand. As of December 31, 2020 and 2019, the Company recognized a receivable from LPCI amounting to ₱80.9 million and from GLEDC amounting to ₱2.3 million and ₱33,065, respectively.

The above transactions are generally settled through cash.

Compensation and Benefits of Key Management Personnel
The compensation of the Group's key management personnel by benefit type follows:

	2020	2019	2018
Short-term employee benefits	**₱159,714,310**	₱106,465,055	₱88,162,681
Post-employment pension benefits (see Note 19)	**8,747,182**	6,990,120	6,016,720
	₱168,461,492	₱113,455,175	₱94,179,401

17. Costs of Services and Other Operating Expenses

Costs of Services
The Group's cost of services pertains to the costs incurred in the operation of the BDPP and 17 MW of geothermal power from ULGPP:

	2020	2019	2018
Heavy fuel oil (see Notes 8 and 23)	**₱271,028,255**	₱806,131,649	₱327,518,653
Depreciation (see Notes 11 and 24)	**257,803,496**	237,460,737	11,892,908
Contractual and outside services	**136,199,626**	130,771,453	46,240,919
Purchased power (see Note 23)	**82,846,057**	934,778,346	1,117,734,415
Salaries, wages and employee benefits (see Note 18)	**77,111,285**	66,680,338	62,103,280
Materials and supplies (see Note 8)	**52,403,387**	–	33,818,940
Light fuel oil (see Note 8)	**29,793,383**	25,789,479	16,314,377
Insurance	**27,178,734**	28,525,355	29,351,305
Royalty fees (see Note 24)	**20,001,905**	24,465,978	10,255,790
Professional fees (see Note 16e)	**14,798,981**	30,146,029	28,350,000
Supply and metering charges	**14,222,742**	13,884,475	41,083,815
Rent (see Note 24)	**10,346,285**	–	171,358,716
Lube oil (see Note 8)	**10,108,628**	21,749,482	11,182,659
Taxes and licenses	**1,459,817**	1,093,043	979,468
Transportation	**1,166,851**	905,330	857,812
Repairs and maintenance	**1,017,463**	3,124,664	19,822,008
Market fees (see Note 23)	**496,226**	2,067,802	2,117,263
Light and power	**269,272**	1,152,199	1,044,646
Others	**5,617,201**	4,819,166	6,786,469
	₱1,013,869,594	₱2,333,545,525	₱1,938,813,443

Other Operating Expenses

	2020	2019	2018
Corporate social responsibility	**₱33,268,233**	₱14,565,162	₱16,385,988
Directors' per diem (see Note 18)	**10,076,666**	5,596,500	4,864,300
Stand-by letter of credit	**9,879,327**	4,119,043	6,577,791
Marketing expenses	**6,455,567**	5,633,320	7,332,293
Dues and subscriptions	**4,815,005**	4,508,335	2,372,296
Regulatory expenses	**4,187,940**	13,285,981	2,511,631
Repairs and maintenance	**3,799,176**	3,814,972	3,538,646
Office supplies	**2,885,516**	7,679,550	7,464,349
Insurance expense	**2,687,804**	4,089,108	1,862,508
Stockholders' meeting expenses	**181,689**	1,325,744	928,992
Others	**96,211**	6,339,269	5,417,107
	₱78,333,134	₱70,956,984	₱59,255,901

Regulatory expenses include payments of administrative fees charged by the PSE and SEC and other charges.

Others include sponsorships and contributions, brokerage fees, insurance expenses, medical and health expenses, outing expenses, and bank charges, among others.

Other Income - net

	2020	2019	2018
Insurance claims	**₱44,878,062**	₱-	₱-
Intercompany services	**4,062,808**	4,531,325	7,340,278
Rent income (see Note 12)	**1,667,566**	2,187,532	838,665
Other service income	**461,364**	6,509,021	7,468,990
Gain (loss) in disposal of property, plant and equipment (see Note 11)	**330,357**	(96,818)	508,480
Recovery of previously written-off receivables	-	28,800,000	-
Others	**5,011,837**	-	5,107,176
	₱56,411,994	₱41,931,060	₱21,263,589

Recovery of previously written-off receivables in 2019 pertains to recovery by VEC and VREC of its receivables from the sale of VSNRGC.

In 2020, insurance claims pertain to DPI's insurance claims for damages brought by the fire in 2019.

Others include reversal of allowance for impairment losses, reimbursements from third parties for equipment station use, and billings to related parties for the shared expenses initially paid by the Group on behalf of related parties (see Note 16).

18. Personnel Expenses

	2020	2019	2018
Salaries, wages and employee benefits	**₱345,155,222**	₱257,667,976	₱224,590,906
Pension expense (see Note 19)	**15,961,646**	11,987,522	12,271,812
Directors' compensation and benefits (see Note 17)	**10,076,666**	5,596,500	4,864,300
	₱371,193,534	₱275,251,998	₱241,727,018

19. Retirement Plans

The Group has a funded, noncontributory, defined benefit pension plan covering all regular, permanent employees of the Parent Company, 1590 EC and VEC. Both plans provide lump sum benefits upon a member's normal retirement. The benefits are based on the member's final monthly salary and length of service with the Group.

The Fund for the Group's employees is administered by a trust and investment entity in the Philippines under the supervision of a trustee. The trustee is responsible for the investment strategy of the plan.

The existing regulatory framework, Republic Act 7641, *The Retirement Pay Law*, requires a provision for retirement pay to qualified private sector employees in the absence of any retirement plan in the entity, provided however that the employee's retirement benefits under any collective bargaining and other agreements shall not be less than those provided under the law. The law does not require minimum funding of the plan.

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

The components of the pension expense recognized under "Generation costs" and "Operating expenses" in the consolidated statements of comprehensive income follow:

	2020	2019	2018
Current service cost	**₱12,703,706**	₱9,109,532	₱11,040,307
Past service cost	**–**	652,062	–
Net interest cost	**3,257,940**	2,225,928	1,231,505
Pension expense	**₱15,961,646**	₱11,987,522	₱12,271,812

Remeasurement effects recognized in the consolidated statements of comprehensive income follow:

	2020	2019	2018
Remeasurement gain (loss) on defined benefit plan	**(₱6,953,225)**	(₱26,653,847)	₱13,996,176
Return on assets excluding amount included in net interest cost	**(504,122)**	(302,515)	(1,128,897)
	(₱7,457,347)	(₱26,956,362)	₱12,867,279

The pension liability pertaining to the Parent Company's funded retirement plan and VEC's unfunded retirement plan as of December 31, 2020 and 2019 follows:

	2020	2019
Present value of defined benefit obligation	**₱130,239,046**	₱107,174,551
Fair value of plan assets	**(42,697,740)**	(39,952,118)
Pension liability	**₱87,541,306**	₱67,222,433

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

	2020	2019
At January 1	**₱107,174,551**	₱66,620,104
Current service cost	**12,703,706**	9,109,532
Remeasurement loss (gain) due to:		
Changes in financial assumptions	**7,234,442**	14,523,004
Experience adjustments	**(281,217)**	12,130,843
Changes in demographic assumptions	**–**	–
Interest cost on defined benefit obligation	**4,515,228**	4,139,006
Benefits paid	**(1,130,167)**	–
Net acquired obligation due to employees	**22,503**	
Past service cost	**–**	652,062
At December 31	**₱130,239,046**	₱107,174,551

Changes in the fair value of plan assets representing the funded retirement plan of the Group follow:

	2019	2019
At January 1	**₱39,952,118**	₱37,887,407
Contributions to the retirement fund	**3,122,623**	454,148
Interest income included in net interest cost	**1,257,288**	1,913,078
Benefits paid	**(1,130,167)**	–
Return on assets excluding amount included in net interest cost	**(504,122)**	(302,515)
At December 31	**₱42,697,740**	₱39,952,118

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

	2019	2019
At January 1	**₱67,222,433**	₱28,732,697
Pension expense for the year	**15,961,646**	11,987,522
Remeasurement loss (gain) recognized for the year	**7,457,347**	26,956,362
Net acquired obligation due to employee transfer	**22,503**	–
Contributions to retirement fund	**(3,122,623)**	(454,148)
At December 31	**₱87,541,306**	₱67,222,433

The major categories of the plan assets as a percentage of the fair value of the total plan assets are as follows:

	2020	2019
Fixed income securities:		
Unitized investment trust funds	**36.68%**	37.70%
Time certificate of deposit	**58.35%**	61.00%
Savings deposit	**0.03%**	0.03%
Investment in government securities	**4.94%**	1.27%
Total plan assets	**100.00%**	100.00%

All equity instruments held have quoted prices in active market. The remaining plan assets do not have quoted market prices in active market.

The control and administration of the fund vest on the trustee. The trustee shall have the full and complete power and authority to hold, manage, administer, convert, sell, assign, alter, divide, invest and reinvest the fund without distinction between principal and income, to the same extent and with the same effect as might be lawfully done by persons who own and control property and may thus exercise every power and right with respect to each item of property in this trust authority specified in the agreement and expressly conferred upon it by law.

The overall investment policy and strategy of the Group's defined benefit plan is guided by the objective of providing the necessary funding for the benefits payable under the plan and achieving such liquidity as the trustee shall, in its discretion, deem appropriate in the circumstances. The Group's current investment strategy consists substantially of fixed income securities.

The principal assumptions used in determining pension obligation for the Group's pension plan as of December 31 follow:

	2020	2019
Discount rate	**3.85%-5.00%**	4.92%-5.00%
Future salary increase rate	**7.00%**	7.00%

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the present value of the defined benefit obligation of the most recent actuarial valuation report, as of December 31, 2020 and 2019, assuming all other assumptions were held constant:

	Increase (Decrease)	Present Value Change of Defined Benefit Obligation	
		2020	2019
Discount rate	+100 basis points	**(₱11,007,027)**	(₱9,707,309)
	−100 basis points	**14,218,112**	11,535,089
Future salary increase rate	+100 basis points	**15,156,411**	11,655,598
	−100 basis points	**(12,042,473)**	(10,011,666)

Each sensitivity analysis on the significant actuarial assumptions was prepared by remeasuring the defined benefit obligation at the reporting date after first adjusting one of the current assumptions according to the applicable sensitivity increment or decrement (based on changes in the relevant assumption that were reasonably possible at the valuation date), while all other assumptions remained unchanged.

The average duration of the defined benefit obligation as of December 31, 2020 and 2019 is 17.0 - 20.0 years.

The Group does not expect to contribute to the defined benefit plan in 2020.

The expected benefit payment assumes that all actuarial assumptions will materialize. Shown below is the maturity analysis of the undiscounted benefit payments as of December 31, 2020 and 2019:

	2020	2019
Less than one year	**₱40,718,367**	₱32,402,994
More than one year to five years	**13,551,581**	12,384,756
More than five years to 10 years	**56,472,092**	34,213,899
More than 10 years to 15 years	**150,868,432**	87,017,590
More than 15 years to 20 years	**152,888,581**	186,393,920
More than 20 years	**245,369,079**	242,046,866
Total	**₱659,868,132**	₱594,460,025

20. Income Taxes

	2020	2019	2018
Current	₱160,916,114	₱180,657,456	₱39,679,470
Final	7,976,966	–	12,571,882
	168,893,080	180,657,456	52,251,352
Deferred	(14,480,460)	91,005,719	(7,148,570)
	₱154,412,620	₱271,663,175	₱45,102,782

The reconciliation of income tax expense computed at the applicable statutory rates to income tax expense follows:

	2020	2019	2018
Income before income tax	₱1,861,233,256	₱2,943,413,925	₱1,813,567,721
Tax calculated at statutory rate	₱558,369,974	₱883,024,178	₱544,070,316
Adjustments for the tax effects of:			
Equity in net earnings of associates and joint ventures	(459,267,602)	(650,195,246)	(538,845,449)
Unrecognized deferred income tax assets on NOLCO and MCIT	124,818,148	125,381,714	89,271,807
Difference of OSD over deductible expenses	(77,900,467)	(80,866,487)	–
Non-deductible expenses	7,263,629	48,202,025	7,846,227
Interest income subject to final tax	(17,976,977)	(46,023,589)	(32,379,988)
Non-deductible impairment loss	–	(66,899)	–
Gain on sale of an associate subjected to capital gains tax	–	–	(35,988,510)
Others	19,105,915	(7,792,521)	11,128,379
	₱154,412,620	₱271,663,175	₱45,102,782

The components of the Group's net deferred income tax assets as of December 31 are as follows:

	2020	2019
Deferred income tax assets on:		
Allowance for impairment losses	₱13,923,328	₱13,923,328
Net pension liability	17,892,846	19,344,112
Unrealized foreign exchange loss	72,837	72,078
	31,889,011	33,339,518
Deferred income tax liabilities on:		
Unamortized debt issue costs	147,564	1,581,909
Unrealized UITF gain	671,908	–
Unrealized foreign exchange gain	37,916	37,916
	857,388	1,619,825
Deferred income tax asset (liability) at FVOCI recognized in other comprehensive income:		
Remeasurement loss on employee benefits	3,814,351	–
Unrealized valuation gain of financial assets	(832,500)	(828,000)
	2,981,851	(828,000)
Net deferred income tax assets	₱34,013,474	₱30,891,693

The components of the Group's net deferred income tax liabilities are as follows:

	2020	2019
Deferred income tax liabilities on:		
Unrealized fair value gain on investment property	**₱177,278,532**	₱177,278,532
Finance lease	**15,517,582**	24,284,221
Unrealized foreign exchange gain/loss- net	**210,360**	1,351,084
Accrued rent	**70,396**	121,595
	193,076,870	203,035,432
Deferred income tax asset on net pension liability	**(639,210)**	388,377
Deferred income tax asset on pension recognized in other comprehensive income	**(2,605,236)**	–
	₱189,832,424	₱203,423,809

Net deferred income tax asset on pension liability recognized in other comprehensive income amounted to ₱2.4 million and ₱3.4 million as of December 31, 2020 and 2019, respectively.

In 2020 and 2019, the Group has deductible temporary differences and tax credits for which deferred tax assets have not been recognized since management believes that no sufficient taxable income will be available in the year these are expected to be reversed, settled or realized. These unrecognized deductible temporary differences and tax credits follow:

	2020	2019
NOLCO	**₱409,112,926**	₱682,894,582
MCIT	**765,524**	4,445,012

On September 30, 2020, BIR issued the RR No. 25-2020 to implement Section 4(bbbb) of Republic Act No. 11494, otherwise known as "Bayanihan to Recover as One Act". This RR provides that net operating loss of the business or enterprise for taxable years 2020 and 2021 to be carried over as a deduction from gross income for the next five (5) consecutive taxable years immediately following the year of such loss.

21. Equity

Capital Stock

There were no changes in the Parent Company's authorized, issued and outstanding common shares as of December 31, 2020 and 2019.

Authorized capital stock - ₱1 par value	2,000,000,000
Issued and outstanding shares	1,023,456,698
Unissued shares	976,543,302

The Parent Company's issued capital stock originally consists of 224,880,067 common shares and 600,000,000 preferred shares that were listed in the Philippine Stock Exchange (PSE) since 2003, and 198,576,631 preferred shares that were approved for listing by the PSE on June 29, 2004. In June 2005, the SEC approved the amendment to Article VII that relates to the conversion of the Parent Company's preferred shares to common shares. As of December 31, 2020 and 2019, the Parent Company's issued capital stock all consists of common shares.

The Parent Company has 1,425 stockholders as of December 31, 2020, 1,423 as of December 31, 2019, and 1,425 stockholders as of December 31, 2018, and has complied with the minimum public ownership requirement of the PSE for listed entities as of the same dates.

Dividends

The BOD declared cash dividends to its stockholders as follows:

	2020	2019	2018
Date of declaration	**May 13, 2020**	May 15, 2019	May 11, 2018
Date of record	**May 27, 2020**	May 29, 2019	June 6, 2018
Date of payment	**June 23, 2020**	June 24, 2019	July 3, 2018

	2020	2019	2018
Dividends declared:			
Regular dividends	**₱467,822,060**	₱346,133,060	₱285,749,110
Special dividends	–	–	–
	₱467,822,060	₱346,133,060	₱285,749,110
Dividends per share	**₱0.4571**	₱0.3382	₱0.2792

Appropriation of Retained Earnings for Business Expansion

Out of the 2016 retained earnings appropriation, the Parent Company made additional investment of ₱606.0 million in 2017 in two power plant projects in the Visayas and Mindanao, which amount was then reverted to unappropriated retained earnings in 2017.

In a BOD meeting held on December 21, 2017, the BOD has determined that the Parent Company's operation require to continue the existing appropriations amounting to ₱2.2 billion for the investment on the two ongoing power plants in Visayas and Mindanao and a rooftop solar installation project starting 2018. In the same BOD meeting, a resolution was approved allocating and restricting part of its retained earnings amounting to an additional ₱1.3 billion to be used for future investments in these projects which are expected to be completed starting 2018.

Out of the 2017 retained earnings appropriation, the Parent Company made additional investment of ₱1.2 billion in 2018 on the power plant projects in the Visayas and in the rooftop solar installation project, which amount was then reverted to unappropriated retained earnings in 2018.

In a BOD meeting held on December 12, 2018, the BOD has determined that the Parent Company's operation require to continue the existing appropriations amounting to ₱2.3 billion for the investments in the two on-going power plant projects in the Visayas, one on-going power plant project in Mindanao and a rooftop solar installation project. In the same BOD meeting, a resolution was approved allocating and restricting part of its retained earnings amounting to additional ₱1.7 billion to be used for the investment in one on-going power plant project in the Visayas estimated to start commercial operations in 2021, new power generation projects in Luzon and the Visayas, and for infrastructure projects in the Visayas starting 2019.

Out of the 2018 retained earnings appropriation, the Parent Company reverted its prior appropriations amounting to ₱2.1 billion on the power plant projects in the Visayas and Mindanao due to its completion in 2019 and made additional investment amounting ₱31.6 million in 2019 on the new power generation project in Luzon, rooftop solar installation project, and infrastructure projects in Visayas.

In a BOD meeting held on November 13, 2019, the BOD has determined that the Parent Company's operation require to continue the existing appropriations amounting to ₱1.8 billion to provide appropriations for the investment in the new power generation project in the Visayas, and the on-going solar installations projects and infrastructure projects in the Visayas. In the same BOD meeting, a resolution was approved allocating and restricting part of its retained earnings amounting to additional ₱2.6 billion to be used for the investment in the new power generation project in the Visayas estimated to start commercial operations in 2021, solar rooftop installations projects, on-going power plant project in Luzon, and on-going infrastructure projects in Visayas.

Out of the 2019 retained earnings appropriation, the Parent Company made additional investments of ₱1.5 billion in 2020 on the new power generation project in the Visayas, on-going solar installations projects, and infrastructure projects in the Visayas, which amount was then reverted to unappropriated retained earnings in 2020.

In a BOD meeting held on November 13, 2020, the BOD has determined that the Parent Company's operation require to continue the existing appropriations amounting to ₱3.0 billion to provide appropriations for the investment on the on-going power generation projects in the Visayas, solar installation projects, and infrastructure projects in Visayas. In the same BOD meeting, a resolution was approved allocating and restricting part of its retained earnings amounting to additional ₱2.3 billion to be used for the investment in the new power generation projects in Luzon and Mindanao, and on-going projects on power generation, solar rooftop installations, and infrastructure projects in Visayas.

Unappropriated Retained Earnings

The balance of retained earnings includes the accumulated equity in net earnings of subsidiaries, associates and joint ventures amounting to ₱6.6 billion and ₱6.4 billion as of December 31, 2020 and 2019, respectively. Such amounts are not available for dividend distribution until such time that the Parent Company receives the dividends from the respective subsidiaries, associates and joint ventures.

Non-controlling Interests

In 2018, VSC and ETEI received cash with a total amount of ₱9.5 million from its non-controlling interest for the issuance of capital stock.

In 2019, VSC received cash amounting to ₱0.4 million for its non-controlling interest for the issuance of capital stock. In the same year, VEC and VREC purchased shares of VSC's non-controlling interest in exchange for a cash consideration with a total amount of ₱8.0 million. As a result of this transaction, the balance of non-controlling interest in VSC was reduced by ₱7.2 million. The difference between the consideration transferred and book value of non-controlling interest acquired amounting to ₱0.8 million was accounted for under "Equity reserve".

In June 2019, the Group acquired WMP and recognized non-controlling interest amounting ₱24.2 million representing proportionate share of its interest in WMP's identifiable net assets (see Note 13).

In November 2019, Vivant paid cash consideration amounting ₱23.0 million to WMP's non-controlling interest in relation to WMP's issuance of capital stock. Above consideration was considered additional investments to VIHI and VHHI. The difference between the consideration transferred and book value of non-controlling interest acquired amounting to ₱24.3 million was accounted for under "Equity reserve". As a result of this transaction, the balance of non-controlling interest in WMP was increased by ₱1.3 million.

In 2019, INEC also received cash amounting to ₱12.3 million from its non-controlling stockholders for the issuance of capital stock.

In 2020, INEC and HDFE received cash amounting to ₱73.0 million and ₱16.0 million respectively, from its non-controlling stockholders for the issuance of capital stock.

Material Partly-Owned Subsidiary - 1590 EC

The following are selected financial information of the material partly-owned subsidiary of the Group as of and for the years ended December 31, 2020, 2019 and 2018:

	2020	2019	2018
Total current assets	**₱903,759,047**	₱1,146,026,096	₱729,554,489
Total noncurrent assets	**2,424,981,615**	2,600,678,162	1,135,187,658
Total current liabilities	**1,180,285,736**	1,548,547,457	637,246,205
Total noncurrent liabilities	**1,113,555,486**	1,326,054,025	888,126,741
Total equity	**1,034,899,440**	872,102,776	339,369,201
Sale of power	**1,702,132,252**	2,720,283,002	1,253,955,509
Operating profit	**809,866,283**	997,299,782	113,258,517
Net income	**595,917,766**	718,036,557	89,637,567
Total comprehensive income	**590,436,065**	712,733,575	94,235,026
Net income attributable to non-controlling interests	**328,946,606**	321,680,378	40,157,630
Total comprehensive income attributable to non-controlling interests	**266,971,159**	319,304,642	42,217,292
Dividends paid to non-controlling interests	**196,672,000**	80,640,000	134,400,000
Accumulated non-controlling interest	**463,634,949**	390,702,044	152,037,402

22. Earnings Per Share (EPS)

The amounts of EPS are computed as follows:

	2020	2019	2018
Net income attributable to shareholders of the parent	**₱1,442,131,978**	₱2,338,934,325	₱1,730,807,717
Weighted average number of outstanding common shares	**1,023,456,698**	1,023,456,698	1,023,456,698
Basic and diluted EPS	**₱1.409**	₱2.285	₱1.691

There are no potential dilutive shares as of December 31, 2020, 2019 and 2018.

23. Contracts, Commitments and Contingencies

Ancillary Services Procurement Agreement
In January 2017, a subsidiary of the Group entered into an ASPA with NGCP to be its service provider, whereby the Group will provide dispatchable reserve to NGCP to maintain power quality, reliability, and security of the nationwide grid. The term of agreement is in force for five (5) years. Actual transactions such as nominations and scheduling started in November 2017 when the access and technical requirements were finally fulfilled. Revenue from ASPA with NGCP amounted to ₱1,407.8 million, ₱1,009.8 million and ₱654.3 million in 2020, 2019 and 2018, respectively.

Participation in WESM
The revenue from sale of power recognized by the Group amounting to ₱294.4 million, ₱1,460.2 million and ₱360.8 million in 2020, 2019 and 2018, respectively, were generated from its participation in the trading of electricity at the WESM.

On March 6, 2014, the ERC rendered an Order voiding the WESM prices for the supply months of November and December 2013 and in lieu thereof, substituting regulated prices. The Order came after the ERC formed an Investigating Unit to investigate the unusual increase in WESM prices and the seemingly simultaneous withholding of capacity by electric power generators during the supply months of November and December 2013.

On March 28, 2014, the Group filed its Motion for Reconsideration (MR) to the Order. In an Order dated October 15, 2014, the ERC denied the MR.

On December 10, 2014, as a result of the denial of the MR by the ERC, the Group filed a Petition for Review with Application for Injunction and Temporary Restraining Order with the CA requesting for the (a) issuance of a Temporary Restraining Order and Writ of Preliminary Injunction enjoining ERC and PEMC from implementing all orders, decisions, and resolutions in ERC Case No. 2014-021 MC and (b) reversal of the Order of the ERC in ERC Case No. 2014-021 MC and (c) reinstating the November and December 2013 WESM market prices.

On November 7, 2017 the CA in the consolidated Petitions for Review, rendered a decision declaring the Orders of the ERC dated March 3, 2014, March 27, 2014, May 9, 2014 and October 15, 2014 (the "ERC Orders") for having been rendered without any factual and legal basis. Accordingly, the CA nullified the regulated prices imposed by the ERC in the ERC Orders that were to prevail in lieu of the WESM prices for the November and December 2013 supply months. Thereafter, the ERC and Intervenor, filed their respective MRs to which the Company duly filed its respective Oppositions thereto. Moreover, as of March 14, 2018, twelve (12) entities who are not original parties to the consolidated Petitions for Review but claim legal interest in the consolidated Petitions for Review filed their respective Motions for Leave to file intervention and admit the attached MRs. Both the third parties' Motions for Leave and the MRs of ERC and Meralco remain pending as of April 5, 2021.

Amounts recognized in the consolidated statements of comprehensive income related to the Group's participation in WESM trading, are presented as "Purchased power" and "Market fees" under "Costs of Services" aggregating to ₱15.3 million, ₱239.9 million and ₱212.1 million in 2020, 2019 and 2018, respectively (see Note 17).

Supply Agreement for Heavy Fuel
On April 1, 2012, the Group entered into a Supply Agreement (Consignment) with Pilipinas Shell Petroleum Corporation (PSPC) for the supply of the Group's petroleum product requirements. Under the agreement, PSPC shall sell and deliver, or procure to be delivered, and the Group shall purchase the petroleum products exclusively from PSPC. The agreement is in force for a period of two (2) years commencing April 1, 2012 to April 30, 2014. Upon expiration of the previous agreement, the contract was renewed starting May 1, 2014 to April 30, 2016 and was further renewed from May 1, 2016 to April 30, 2018. On May 1, 2018, the contract was renewed again until April 30, 2020. The contract was further renewed from May 1, 2020 to April 30, 2021.

Heavy fuel oil expense recognized in the consolidated statements of comprehensive income amounted to ₱271.0 million, ₱806.1 and ₱327.5 million in 2020, 2019 and 2018, respectively (see Note 17).

Light Fuel Oil Supply Agreement
On June 10, 2020, the Group entered into a three-year supply agreement with Pilipinas Shell Petroleum Corporation for the supply of the Company's petroleum product requirements. The agreement is effective on July 1, 2020 until May 31, 2023.

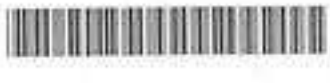
Light fuel oil recognized in the statements of comprehensive income amounted to ₱29.8 million, ₱25.8 million, and ₱16.3 million in 2020, 2019, and 2018, respectively.

Open Access Transmission Service
Pursuant to the provision on Credit Support under Section A8.1 of the Open Access Transmission Service Rules as well as the condition set under Billing and Payments of the Transmission Service Agreement, 1590 EC provided additional credit support in the form of a security deposit presented as "Other noncurrent assets" in the consolidated statements of financial position amounting to ₱2.3 million as of December 31, 2020 and 2019.

Independent Power Producer Administration Agreement
On October 20, 2014, PSALM awarded VEC to be the IPP administrator of 17 MW out of the total contracted capacity of the Unified Leyte Geothermal Power Plant following an auction of strips of energy of the power plant. The Unified Leyte Geothermal Power Plant has an installed capacity of 240 MW and is located in Malitbog, Southern Leyte. Under the IPP Administration Contract, VEC will pay PSALM monthly generation payments and fixed monthly fee to cover the administrative costs in the trading and settlement of the Strips in the WESM.

Amounts recognized in the consolidated statements of comprehensive income related to VEC's participation in WESM trading, are presented as "Purchased power" and "Market fees" under "Costs of Services" aggregating to nil, ₱702.1 million and ₱873.5 million in 2020, 2019 and 2018, respectively.

On October 25, 2019, the IPP Administration Agreement was pre-terminated and the Company paid pre-termination costs amounting to ₱53.1 million recognized under "Operating expenses" in the statement of comprehensive income. As a result, the Company's power supply agreements were also terminated.



Energy Supply Agreement (ESA) with VECO
In October 2014, VEC entered into an ESA with VECO to supply 17,000 kW contract energy per month coming from the 17 strips of energy of the Unified Leyte Geothermal Power Plant. The ESA became effective on December 26, 2014 and is valid until July 25, 2021. In 2019, the contract was terminated, hence, total revenue from the ESA with VECO amounted to ₱730.8 million, and ₱908.7 million in 2019 and 2018, respectively, which are presented under "Sale of power" in the consolidated statements of comprehensive income (see Note 16).

PSA with PEI
In April 2017, VEC entered into a PSA with PEI to supply contracted power. The PSA became effective on April 26, 2017 and is valid until December 25, 2020. In 2019, the contract was terminated. Revenue from PSA with PEI amounting to nil, ₱283.8 million and ₱238.9 million in 2020, 2019 and 2018, respectively, are presented under "Sale of power" in the consolidated statements of comprehensive income (see Note 16).

Power Supply Agreements
The Group entered PSA with Vivant Sta. Clara Northern Renewables Generation Corp. to purchase power for a fixed fee per MW per hour. The PSA is for a period of one year starting June 26, 2018 to June 25, 2019 with a maximum contract capacity of 1MW.

On June 26, 2019, the Group entered into an agreement with VEC to purchase power for a fixed fee per KW per hour. The PSA is from June 26, 2019 to December 25, 2019.

The Group entered into another PSA with KEPCO SPC Power Corporation to purchase power for a fixed fee per MW per hour. The PSA is for a period of one year starting January 13, 2020 to January 12, 2021 with a minimum and maximum contract capacity of 2MW and 5MW, respectively. In December 2020, the contract with KEPCO was extended for a period of one year from January 13, 2021 to January 12, 2022.

To avail of the opportunities in the competitive electricity market, the Group registered as a direct participant of the wholesale electricity spot market (WESM) effective December 23, 2016.

The total cost of power purchased during the year from the above power supply agreements amounted to ₱68.0 million and ₱48.4 million in December 2020 and 2019, respectively (see Note 17).

On February 10, 2020, the Group and Bantayan Electric Cooperative, Inc. (BANELCO), an electric cooperative engaged in the distribution of electricity, light, heat and power, entered into a PSA. The Group shall provide a portion of the entire requirements of BANELCO.

Sale of power to BANELCO amounted to ₱27.9 million and nil in 2020 and 2019, respectively.

Power Purchase Agreement
On September 2, 2019, the Group entered into a power purchase agreement with Chicumi Trading Inc for energy output for 20 years. Actual operations commenced on November 4, 2020.

Generation income amounted to ₱6.3 million and ₱5.5 million in 2020 and 2019.

On January 7, 2019, the Group entered into a Power Purchase Agreement with Elizabeth Seton Las Pinas to build a photovoltaic facility in the customer premise. In May 17, 2019, the parties execute a Lease Agreement wherein the customer will utilize the Power facility until the Group get the necessary permit and licenses to operate for a period of 12 months. Income from the lease agreement is ₱.3 million in 2020.

Distribution Wheeling Service Agreement
On March 28, 2017, the Group entered into a Distribution Wheeling Service Agreement (DWSA) with Manila Electric Company (MERALCO) to tap its distribution services for the conveyance of electricity, through its distribution system, to the Company's Contestable Customers (CC).

In 2020, the Company entered into another DWSA with Clark Electric Distribution Corporation (CEDC) to tap its distribution services for the conveyance of electricity, through its distribution system, to Amertron Inc.

Based on the DWSA, The Group shall pass on all applicable distribution wheeling services charges namely distribution, transmission, system loss, metering, ancillary, universal and other charges, including applicable taxes, as billed by the distribution utility to the CC. Total costs incurred for distribution wheeling services amounted to ₱39.2 million and ₱22.2 million in December 2020 and 2019, respectively (see Note 17).

A bill deposit equivalent to one month of the estimated billing was paid prior to the commencement of MERALCO and CEDC's wheeling services to the Company's customer.

On December 11, 2017, the Group deposited ₱1.7 million in anticipation for its Retail Supply Contract (RSC) with HOLCIM. On June 28, 2018, the Group deposited an additional bill deposit ₱0.6 million for its RSC with Tesoro Alegre, Inc. (TAI). In 2018, the recoverable deposits were classified under "Current assets" as both contracts will expire in 2019. On August 25, 2019, RSC with TAI ended, MERALCO deducted the RES deposit from the August 2019 billing which includes the interest earned for the year 2019 (see Note 13).

In 2020, the Group deposited to MERALCO and CEDC ₱2.0 million in anticipation for its RSC with EMS, Supercast and GGPC, and ₱1.7 million for Amertron, respectively. On January 28, 2020, MERALCO returned the excess security deposit of LHAI amounting to ₱106,000. The refund is due to the implementation of 2019 Annual Update Bill Deposit Program (2019 AUBD), which is part of the provisions of the DWSA made (any excess of deficiency in the amount of bill deposit after said adjustment shall be refunded).

As at December 31, 2020 and 2019, security deposit under this agreement amounted to ₱5.3 million and ₱1.7 million, respectively, and is presented as "Others" under "Prepayments and other current assets" (see Note 9).

Retail Supply Contract
On November 6, 2017, the Group entered into an RSC with HOLCIM for the supply of energy at an agreed price on a per kilowatt-hour basis. The RSC is for a period of two years from December 26, 2017 to December 25, 2019 with a maximum contract capacity of 2.1 MW. In 2020, the Group entered into an addendum to the RSC with HOLCIM whereas the parties extended the Contract Term ending March 25, 2021 with a maximum contracted capacity of 2.7 MW.

On June 11, 2018, the Group entered into an RSC with TAI for a supply of energy at an agreed price on a per kilowatt-hour basis. The RSC is for a period of one year from June 26, 2018 to June 25, 2019 with a maximum capacity of 1.0 MW. The Group entered into an addendum to the RSC extending the contract term until July 25, 2019 with a premium on the contract price. On August 8, 2019, the Group entered into a second addendum to the RSC for a period of one month and to include in the contract price the payment of VAT by the customer.

On December 10, 2019, the Group entered into RSC with EMS valid for a fixed period of two (2) years commencing on December 26, 2019 and ending on December 25, 2021 with a maximum contract capacity of 1.7 MW. On December 23, 2019, the Group received a security deposit from EMS amounting to ₱4.1 million, equivalent to at least one month of power bill.

In 2020, the Group entered into a new RSC with Amerton valid for a fixed period of two (2) years commencing on April 27, 2020 and ending on April 16, 2022 with a maximum contract capacity of 2 MW. On July 26, 2020, the Company entered into a new RSC with Supercast valid for a fixed period of one (1) year ending July 25, 2021 and the Group received a security deposit from Supercast amounting to ₱1.4 million, equivalent to at least one month of power bill. On August 26, 2020, the Group entered into another RSC with GGPC valid for a fixed period of one (1) year ending August 25, 2021.

Total retail electricity sales earned from the above contracts amounted to ₱120.2 million and ₱70.6 million in December 2020 and 2019, respectively.

Contingencies

The Group is a party to certain proceedings and assessments in the normal course of business. The ultimate outcome of these proceedings cannot be presently determined. The Group's position has been developed in consultation with outside counsel handling the Group's defense in these matters and is based upon an analysis of potential results. As allowed by PAS 37, no further disclosures were provided as this might prejudice the Group's position on this matter. Management believes, based on information currently available and professional legal advice, that the ultimate resolution of these proceedings would not likely have a material, adverse effect on the results of operations, financial position or liquidity of the Group. Existing circumstances and assumptions about future developments related to these proceedings may still change. Such changes are reflected in the assumptions when they occur.

24. Lease Agreements

The Group has lease contracts for various items of land and office space used in its operations. Leases of land has a lease term of 17 years, while office space generally have lease terms between 2 and 5 years. The Group's obligations under its leases are secured by the lessor's title to the leased assets. Generally, the Group is restricted from assigning and subleasing the leased assets There are several lease contracts that include extension and termination options.

On May 11, 2012, a MOA was entered into between the 1590 EC and the PGLU for the right to preserve, maintain and operate the BDPP, including the right to use and sell the power generated therefrom. The MOA commenced on May 26, 2012 until June 25, 2013, but subject to yearly renewal unless otherwise terminated by a mutual agreement, for a monthly consideration of ₱10.5 million.



On March 22, 2013, a new MOA was executed between 1590 EC and PGLU for a period of one year commencing immediately after the expiration of the first MOA or on June 26, 2013, for a monthly consideration of ₱12.5 million. On April 2, 2014, an amendment to the MOA was executed extending the agreement to December 31, 2015. In February 2015, the parties executed a Second Amendment to the MOA extending its term until December 31, 2018. The Second Amendment provides for a monthly consideration of ₱13.2 million. All other terms and conditions remained.

In addition, the MOA stipulates for the payment by the Company to PGLU of royalty fees equivalent to 1590EC's one and one-half percent (1.5%) of monthly gross profit, the latter computed as 1590 EC's monthly revenues less monthly costs related to heavy fuel, light fuel and lube oil.

On January 19, 2018, the Group entered into a lease contract with the PGLU over the BDPP after emerging as the winning Proponent during the bidding for the lease thereof. Under the lease contract, the Group can use, possess, man, operate, and maintain the BDPP for its sole account and expense, for a term of five (5) years commencing on January 1, 2019. The lease is in consideration for a monthly rental of ₱14.1 million, royalty payment at 1.5% of monthly net profit, and the infusion of total capital investment of at least ₱600.0 million over the five-year term. Total depreciation expense on the right-of-use asset recognized under "Costs of Services" amounted to ₱215.8 million and ₱200.7 million in 2020 and 2019, respectively, and total interest expense on the lease liability recognized as "Finance costs on lease liabilities" in the statement of comprehensive income amounted to ₱73.1 million and ₱83.6 million in 2020 and 2019, respectively. Total rent expense from this lease recognized under "Cost of Services" amounted to ₱171.4 million in 2018, and total royalty fees recognized under "Costs of Services" amounted to ₱20.0 million, ₱24.5 million and ₱10.3 million in 2020, 2019 and 2018, respectively (see Note 17).

The Group identified these as leases under PFRS 16, *Leases*, and applies the new accounting standard for leases.

Set out below, are the carrying amounts of the Group's right-of-use assets and lease liabilities and the movements during the year ended December 31, 2020 and December 31, 2019:

	Right-of-use Assets			
	Office Space	Plant and Equipment	Total	Lease Liabilities
As at January 1, 2020	₱62,025,063	₱863,254,230	₱925,279,293	₱876,440,288
Remeasurement of lease liability	(981,954)	(18,564,115)	(19,546,069)	(19,546,069)
Depreciation expense	(17,696,753)	(215,813,557)	(233,510,310)	–
Interest expense	–	–	–	75,347,137
Payments	–	–	–	(269,063,052)
As at December 31, 2020	₱43,346,356	₱628,876,558	₱672,222,914	₱663,178,304

	Right-of-use Assets			
	Office Space	Plant and Equipment	Total	Lease Liabilities
As at January 1, 2019	₱17,993,615	₱1,003,303,517	₱1,021,297,132	₱1,021,297,132
Additions and modifications	56,548,024	–	56,548,024	56,548,024
Termination	(2,331,600)	–	(2,331,600)	(2,485,332)
Depreciation expense	(10,184,976)	(200,660,703)	(210,845,679)	–
Remeasurement of lease liability	–	60,611,416	60,611,416	60,611,416
Interest expense	–	–	–	85,661,701
Payments	–	–	–	(345,192,653)
As at December 31, 2019	₱62,025,063	₱863,254,230	₱925,279,293	₱876,440,288

In 2020 and 2019, the Group remeasured its lease liabilities to consider the impact of change in the timing of incurrence of capital investments which are in-substance lease payments to PGLU. The remeasurement resulted to a decrease in right-of-use assets and lease liabilities by ₱19.5 million in 2020 and an increase in right-of-use assets and lease liabilities by ₱60.6 million in 2019.

Set out below are the amounts recognized in the consolidated statements of comprehensive income for the years ended December 31, 2020 and 2019:

	2020	2019
Depreciation expense of right-of-use assets		
Costs of services (see Note 17)	**₱215,813,557**	₱200,660,703
Operating expenses	**17,696,753**	10,184,976
Interest expense on lease liabilities	**75,347,137**	85,661,701
Variable lease payments (see Note 17)	**20,001,905**	24,465,978
Rent expense - short-term leases	**10,701,383**	3,613,177
Gain on pre-termination of lease	–	(153,732)
	₱339,560,735	₱324,432,803

Variable lease payments are presented as Royalty fees under "Costs of Services" in the consolidated statements of comprehensive income.

Shown below is the maturity analysis of the undiscounted lease payments as of December 31, 2020:

	2020	2019
Within one year	**₱403,668,508**	₱428,987,599
After one year but not more than five years	**331,436,958**	581,391,331
	₱735,105,466	₱1,010,378,930

In 2020, the Group has determined that, together with certain items of its property, plant and equipment, an impairment test has to be performed on its right-of-use assets amounting to ₱628.9 million. In performing an impairment test calculation, the Group determined the recoverable amount of the relevant property, plant and equipment and right-of-use assets through VIU. VIU is derived based on financial budgets prepared by senior management covering the project's entire life. After-tax discount rate of 9.4% was used (see Note 11).

25. Financial Risk Management Objectives and Policies

The Group's principal financial instruments consist of cash and cash equivalents, trade and other receivables, advances to associates and stockholders, financial assets at FVOCI or AFS investments, trade and other payables, notes payable and advances from related parties. The main purpose of these financial instruments is to raise funds for the Group's operations.

The main risks from the Group's financial instruments are credit risk, liquidity risk and foreign currency risk. The BOD reviews and agrees policies for managing each of these risks and these policies are summarized below.

Credit Risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily for trade receivables) and from its financing activities, including

deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

With respect to cash investments, the risk is mitigated by the short-term and/or liquid nature of its investments mainly in bank deposits and placements, which are placed with financial institutions of high credit standing. Receivable balances are actively monitored on an ongoing basis and acted upon regularly to avoid significant concentrations of credit risk.

Except for the trade receivables of 1590 EC from an electric cooperative and other receivables which were provided with allowance (see Note 7), management evaluated that the Group's consolidated financial assets as summarized below are of high grade and of good credit quality.

The maximum exposure to credit risk, net of allowance for impairment losses, amounted to ₱6,644.5 million and ₱5,986.7 million as of December 31, 2020 and 2019, respectively.

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

The Group writes-off a financial asset, in whole or in part, when the asset is considered uncollectible, it has exhausted all practical recovery efforts and has concluded that it has no reasonable expectations of recovering the financial asset in its entirety or a portion thereof. The Group writes off an account when all of the following conditions are met:

- the asset is in past due for over 90 days, or is already an item-for-forfeiture
- contract restructuring is no longer possible

The Group may also write-off financial assets that are still subject to enforcement activity. The Group has not written off outstanding loans and receivables that are still subject to enforcement activity as of December 31, 2020 and 2019.

The following are the details of the Group's assessment of credit quality and the related ECLs as at December 31, 2020 and 2019:

- *General Approach*
  - *Cash and Cash Equivalents.* As of December 31, 2020 and 2019, the ECL relating to the cash and cash equivalents of the Group is minimal as these are deposited in reputable banks which have good bank standing, and is considered to have low credit risk.
  - *Advances to Associates, Joint Ventures, and Stockholders, Receivables from Related Parties and Other Receivables and Security Deposits.* No ECL is recognized for related party receivables since there were no history of default payments. As of December 31, 2020 and 2019, allowance for impairment losses pertain to individually impaired accounts of other receivables. This assessment is undertaken each financial year through examining the financial position of the related parties and the markets in which the related parties operate.
- *Simplified Approach*
  - *Trade and Accounts Receivable* - The Group applied the simplified approach under PFRS 9, using a 'provision matrix'. As of December 31, 2020 and 2019, the allowance for impairment losses as a result from performing collective impairment test amounted to ₱0.7 million and ₱0.5 million, respectively. Management evaluated that the Group's trade receivables are of high grade and of good credit quality.

The tables below show the maximum exposure to credit risk based on the Group's year-end stage classification.

	2020				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Lifetime ECL Simplified Approach	Total
Gross carrying amount	₱5,830,429,996	₱-	₱99,617,163	₱814,836,767	₱6,744,883,926
Loss allowance	-	-	(99,617,163)	(732,935)	(100,350,098)
Carrying amount	₱5,830,429,996	₱-	₱-	₱814,103,832	₱6,644,533,828

	2019				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Lifetime ECL Simplified Approach	Total
Gross carrying amount	₱5,239,378,057	₱-	₱99,617,163	₱747,759,547	₱6,086,754,767
Loss allowance	-	-	(99,617,163)	(486,937)	(100,104,100)
Carrying amount	₱5,239,378,057	₱-	₱-	₱747,272,610	₱5,986,650,667

The following tables set out the aging analysis per class of financial assets, including those that were past due but not impaired, as of December 31, 2020 and 2019:

	2020						
	Neither Past Due nor Impaired	Past Due But not Impaired				Impaired	Total
		Less than 30 Days	31-60 Days	61-90 Days	Over 90 days		
Financial Assets at Amortized Cost							
Cash and cash equivalents (excluding cash on hand)	₱4,871,771,464	₱-	₱-	₱-	₱-	₱-	₱4,871,771,464
Trade and other receivables	610,651,931	188,070,522	195,899	573,134	14,612,346	54,272,035	868,375,867
Advances to associates, joint ventures and stockholders	237,833,625	261,974	193,342	55,541	14,715,900	-	253,060,382
Advances to a supplier (under "Other noncurrent assets")	698,308,703	-	-	-	-	-	698,308,703
Due from RFM Corporation (under "Other noncurrent assets")	-	-	-	-	-	46,078,063	46,078,063
Restricted cash (under "Other current assets")	2,002,202	-	-	-	-	-	2,002,202
Security deposits (under "Other noncurrent assets")	5,287,245	-	-	-	-	-	5,287,245
	₱6,425,855,170	₱188,332,496	₱389,241	₱628,675	₱29,328,246	₱100,350,098	₱6,745,443,927

	2019						
	Neither Past Due nor Impaired	Past Due But not Impaired				Impaired	Total
		Less than 30 Days	31-60 Days	61-90 Days	Over 90 days		
Financial Assets at Amortized Cost							
Cash and cash equivalents (excluding cash on hand)	₱4,404,754,649	₱-	₱-	₱-	₱-	₱-	₱4,404,754,649
Trade and other receivables	578,600,527	40,117,129	13,662,316	47,943,526	108,518,631	54,026,037	842,868,166
Advances to associates, joint ventures and stockholders	91,803,173	-	-	-	-	-	91,803,173
Advances to a supplier (under "Other noncurrent assets")	698,308,703	-	-	-	-	-	698,308,703
Due from RFM Corporation (under "Other noncurrent assets")	-	-	-	-	-	46,078,063	46,078,063
Restricted cash (under "Other current assets")	650,000	-	-	-	-	-	650,000
Security deposits (under "Other noncurrent assets")	2,292,013	-	-	-	-	-	2,292,013
	₱5,776,409,065	₱40,117,129	₱13,662,316	₱47,943,526	₱108,518,631	₱100,104,100	₱6,086,754,767

Liquidity Risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due.

The Group maintains sufficient cash and cash equivalents to finance its operations. Any excess cash is invested in short-term money market placements. These placements and the Group's trade receivables are maintained to meet maturing obligations. The Group, in general, matches the appropriate long-term funding instruments with the general nature of its equity instruments.

The following tables summarize the Group's financial assets that can be used to manage its liquidity risk and the maturity profile of the Group's financial liabilities based on contractual undiscounted payments as of December 31:

	2020				
	Contractual Undiscounted Payments				
	Total	On Demand	Less than 1 Year	1 to 5 Years	More than 5 Years
Financial Assets					
At amortized cost:					
Cash and cash equivalents	₱4,872,331,464	₱3,928,599,744	₱943,731,720	₱-	₱-
Trade and other receivables	814,100,832	692,949,209	221,098,611	49,119	-
Advances to associates, joint ventures, and stockholders	253,060,382	253,060,382	-	-	-
Advances to a supplier (under "Other noncurrent assets")	698,308,703	-	-	698,308,703	-
Restricted cash (under "Other current assets")	2,002,202	2,002,202	-	-	-
Security deposit (under "Other current assets")	5,287,245	5,287,245	-	-	-
At FVOCI	7,400,000	7,400,000	-	-	-
	6,652,490,828	4,789,318,881	1,164,830,331	698,351,816	-
Financial Liabilities					
Trade and other payables*	519,830,797	480,613,119	36,975,270	-	2,242,408
Short-term notes payable	749,300,741	-	749,300,741	-	-
Long-term notes payable**	5,834,318,401	-	2,834,318,401	1,200,000,000	1,800,000,000
Lease liabilities***	583,928,197	-	266,134,115	317,794,082	-
Advances from related parties	5,869,112	5,869,112	-	-	-
	7,693,247,248	486,482,231	3,886,728,527	1,517,794,082	1,802,242,408
Net Financial Assets (Liabilities)	(₱1,040,756,420)	₱4,302,836,650	(₱2,721,908,396)	(₱819,442,266)	(₱1,802,242,408)

Excluding nonfinancial liabilities
**Including contractual interest to maturity*
***Contractual undiscounted lease payments*

	2019				
	Contractual Undiscounted Payments				
	Total	On Demand	Less than 1 Year	1 to 5 Years	More than 5 Years
Financial Assets					
At amortized cost:					
Cash and cash equivalents	₱4,405,244,649	₱351,265,532	₱4,053,979,117	₱-	₱-
Trade and other receivables	788,842,129	578,600,527	210,241,602	-	-
Advances to associates, joint ventures, and stockholders	91,803,173	91,803,173	-	-	-
Advances to a supplier (under "Other noncurrent assets")	698,308,703	-	-	698,308,703	-
Restricted cash (under "Other current assets")	650,000	650,000	-	-	-
Security deposit (under "Other current assets")	2,292,013	-	-	2,292,013	-
At FVOCI	7,370,000	-	-	7,370,000	-
	5,994,510,667	1,022,319,232	4,264,220,719	707,970,716	-
Financial Liabilities					
Trade and other payables*	1,715,682,370	-	879,019,446	836,662,924	-
Long-term notes payable**	3,022,887,218	-	186,768,491	2,836,118,727	-
Lease liabilities***	1,010,378,930	-	428,987,599	581,391,331	-
Advances from related parties	18,309,614	18,309,614	-	-	-
	5,767,258,132	18,309,614	1,494,775,536	4,254,172,982	-
Net Financial Assets (Liabilities)	₱227,252,535	₱1,004,009,618	₱2,769,445,183	(₱3,546,202,266)	₱-

Excluding nonfinancial liabilities
**Including contractual interest to maturity*
***Contractual undiscounted lease payments*

Foreign Currency Risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities when revenue or expense is denominated in a different currency from the Group's functional currency.

The foreign-currency-denominated monetary assets and their Philippine Peso equivalents follow:

	2020		
	USD	**EUR**	**Php Equivalent**
Financial Asset			
Cash	**US$16,564**	**€1,521**	**₱885,002**
Financial Liability			
Trade and other payables	**US$5,500,000**	**–**	**264,220,000**
	(US$5,483,436)	**€1,521**	**(₱263,334,998)**

	2019		
	USD	EUR	Php Equivalent
Financial Asset			
Cash	US$67,710	€1,021	₱3,486,367
Financial Liability			
Trade and other payables	7,499,990	–	379,799,494
	(US$7,432,280)	€1,021	(₱376,313,127)

The December 31 exchange rates used follows:

	2020	2019
US Dollar	**₱48.04 to US$1**	₱50.64 to US$1
Euro Dollar	**₱58.69 to €1**	₱56.35 to €1

The Group recognized net foreign exchange gain of ₱4.3 million in 2020, net foreign exchange loss of ₱4.4 million in 2019 and net foreign exchange gain of ₱7.2 million in 2018.

The Group manages the timing of settlements or payments to ensure that the Group is not unfavourably exposed to fluctuations of foreign exchange rates. Likewise, the Group maintains adequate PHP, US, and EUR bank deposits to fund major expenditures or payments in foreign currencies.

The tables below demonstrate the sensitivity to a reasonably possible change in the Philippine Peso, with all other variables held constant, of the Group's income before income tax (due to changes in the fair value of monetary assets and liabilities) as of December 31, 2020 and 2019.

	Change in Philippine Peso to US Dollar	
	Appreciation	Depreciation
Effect in income before income tax:		
2020 (at 2.25% appreciation and 2.25% depreciation)	**(₱5,927,046)**	**₱5,927,046**
2019 (at 1.81% appreciation and 1.81% depreciation)	(₱6,812,309)	₱6,812,309

	Change in Philippine Peso to Euro	
	Appreciation	Depreciation
Effect in income before income tax:		
2020 (at 3.24% appreciation and 3.24% depreciation)	**₱2,893**	**₱2,893**
2019 (at 3.88% appreciation and 3.34% depreciation)	₱2,232	₱1,922

There is no other impact on the Group's equity other than those already affecting the consolidated income before income tax.

Interest Rate Risk

The Group is not exposed to interest rate risk since its loans are subject to fixed interest rates and are therefore not subject to interest rate risk. Accounts receivable and other significant liabilities are noninterest-bearing. The Group has achieved a balanced mix of cash balances with various deposit rates.

Fair Value Measurement

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

Fair Value Hierarchy

The Group uses the following hierarchy for determining the fair value of assets and liabilities:

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

As of December 31, 2020 and 2019, the carrying values of the Group's financial instruments, except for the long-term notes payable, approximate fair values due to their relatively short-term maturity.

The Group considers the notes payable with fair value of ₱3.0 billion as of December 31, 2020 and 2019 under Level 3 classification. The fair values were determined by discounting future cash flows using the applicable rates of similar types of instruments plus a certain spread. This spread is the unobservable input and the effect of changes to this is that the higher the spread, the lower the fair value.

The Group's financial assets at FVOCI and investment properties, which are classified under Level 2 and 3, respectively, are measured at fair value.

As of December 31, 2020 and 2019, there were no transfers into and out of Level 3 fair value measurements.

Changes in Valuation Techniques
There were no changes in the valuation techniques used by the Group in determining the fair value of its financial assets at FVOCI and investment properties during the year.

Highest and Best Use
As at December 31, 2020 and 2019, the current use of the Group's investment properties is considered its highest and best use.

Fair Value Hierarchy
The following tables show an analysis of the Group's assets measured at fair value recognized in the consolidated statements of financial position by level of the fair value hierarchy as of December 31, 2020 and 2019:

	2020			
		Fair Value Measurement Using		
	Total	Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets Measured at Fair Value				
Financial assets at FVOCI	**₱7,400,000**	**₱–**	**₱7,400,000**	**₱–**
Investment properties (see Note 12):				
Land	**733,195,868**	–	–	**733,195,868**
Condominium units	**24,084,733**	–	–	**24,084,733**

	2019			
		Fair Value Measurement Using		
	Total	Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets Measured at Fair Value				
Financial assets at FVOCI	₱7,370,000	₱–	₱7,370,000	₱–
Investment properties (see Note 12):				
Land	733,195,868	–	–	733,195,868
Condominium units	24,084,733	–	–	24,084,733

Valuation Techniques Used to Derive Level 3 Fair Values
The following tables show an analysis of the Group's long-term notes payable for which fair values are disclosed at Level 3 of the fair value hierarchy as at December 31:

Description	Carrying Value as of December 31, 2020	Fair Value as of December 31, 2020	Valuation Technique	Key Observable Inputs	Range (Weighted Average)
Long-term notes payable	**₱2,819,508,120**	**₱2,966,026,459**	**Discounted Cash Flow Approach**	**Risk-free interest rate**	**0.99%–3.95% (1.72%)**

Description	Carrying Value as of December 31, 2019	Fair Value as of December 31, 2019	Valuation Technique	Key Observable Inputs	Range (Weighted Average)
Long-term notes payable	₱2,844,726,970	₱2,983,602,555	Discounted Cash Flow Approach	Risk-free interest rate	3.11%–5.22% (3.70%)

The table below presents the following for each class of the Group's investment properties as of December 31, 2020 and 2019:

Class of Property	Fair Value	Valuation Technique	Key Unobservable Inputs	Range
Investment properties (see Note 12):				
Land	₱733,195,868	Sales Comparison Approach	Price per square meter	₱2,460-₱74,400
Condominium units	24,084,733	Sales Comparison Approach	Price per square meter	₱170,734-₱195,000

Unrealized gain on fair value remeasurement of investment properties, recognized in the consolidated statements of comprehensive income amounted to nil in 2020, ₱235.3 million in 2019, and nil in 2018 (see Note 12). All gains and losses recorded in the consolidated statements of comprehensive income for recurring fair value measurement categorized within Level 3 of the fair value hierarchy are attributable to changes in unrealized gain on fair value remeasurement of investment properties held at the end of the reporting period.

The fair values of financial assets at FVOCI is determined based on the available selling price in the market for identical assets under Level 2 as of December 31, 2020 and 2019. The Group recognized an unrealized gain on financial assets at FVOCI under "Other comprehensive income" in the consolidated statements of comprehensive income amounting to ₱0.03 million in 2020, ₱1.8 million in 2019, and ₱1.9 million in 2018.

There were no transfers between Levels 1 and 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

Descriptions and Definitions

The table above includes the following descriptions and definitions relating to valuation techniques and key unobservable inputs made in determining the fair values:

Sales Comparison Approach. This is a comparative approach to value that considers the sales of similar or substitute properties and related market data and establishes a value estimate by processes involving comparison.

The appraiser gathers data on actual sales and/or listings, offers, and renewal options, and identifies the similarities and differences in the data, ranks the data according to their relevance, adjusts the sales prices of the comparable to account for the dissimilarities with the unit being appraised, and forms a conclusion as to the most reasonable and probable market value of the subject property.

The elements of comparison include location, physical characteristics, available utilities, zoning, and highest and best use. The most variable elements of comparison are the site's physical characteristics, which include its size and shape, frontage, topography and location.

The fair value of the investment properties were based on valuations performed by an accredited independent appraiser, with a recognized and relevant professional qualification and with recent experience in the locations and categories of the investment properties being valued, conducted on various dates in 2017. The valuation models in accordance with those recommended by the International Valuation Standards Committee have been applied.

Significant increases (decreases) in price per square meter in isolation would result in a significantly higher (lower) fair value measurement.

Capital Management

Capital includes equity attributable to the equity holders of the parent. The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

No changes were made in the objectives, policies or processes during the years ended 2020, 2019 and 2018.

The Parent Company is required to maintain a minimum current ratio and maximum debt-to-equity ratio as part of its covenants on its notes payable. The Parent Company has complied with these ratio requirements as of December 31, 2020 and 2019 (see Note 15). The Parent Company is also subject to Minimum Public Ownership requirement of the PSE. As of December 31, 2020 and 2019, the Parent Company has complied with the requirement. The Parent Company is not subject to other externally imposed capital requirements.

The Group monitors capital using a gearing ratio, which is net debt divided by equity plus net debt. The Group determines net debt as the sum of short-term and long-term notes payable less cash and cash equivalents.

Gearing ratios of the Group as of December 31 are as follows:

	2020	2019
Notes payable	**₱3,568,808,861**	₱2,844,726,970
Less: Cash and cash equivalents	**4,872,331,464**	4,405,244,649
Net cash and cash equivalents (a)	**(1,303,522,603)**	(1,560,517,679)
Equity attributable to equity holders of the parent	**15,447,613,922**	14,084,798,321
Equity and net cash and cash equivalents (b)	**₱14,144,091,319**	₱12,524,280,642
Gearing ratio (a/b)	**(0.09):1.00**	(0.12):1.00

26. Notes to the Consolidated Statement of Cash Flows

Changes in Liabilities arising from Financing Activities (in thousands)

	2020						
	Long-term Notes Payable	Advances from Related Parties	Lease Liabilities	Dividends Payable	Short-term Notes Payable	Others	Total Liabilities from Financing Activities
January 1, 2020	₱2,844,727	₱18,310	₱876,440	₱87,464	₱-	(₱4,886)	₱3,822,055
Non-cash changes:							
Dividends declared	-	-	-	664,494	-	-	664,494
Amortization of debt issue cost	4,781	-	-	-	-	-	4,781
Additional advances to related parties	-	147,789	-	-	-	-	147,789
Additions and modifications	-	-	-	-	-	-	-
Remeasurement	-	-	(19,546)	-	-	-	(19,547)
Cash flows	(30,000)	(160,410)	(193,716)	(745,896)	749,300	89,009	(291,713)
December 31, 2020	₱2,819,508	₱5,689	₱663,178	₱6,062	₱749,300	₱84,123	₱4,327,860

	2019					
	Long-term Notes Payable	Advances from Related Parties	Lease Liabilities	Dividends Payable	Others	Total Liabilities from Financing Activities
January 1, 2019	₱2,870,155	₱18,412	₱1,021,297	₱140,876	₱13,368	₱4,064,108
Non-cash changes:						
Dividends declared	-	-	-	426,773	-	426,773
Amortization of debt issue cost	4,572	-	-	-	-	4,572
Pre-termination of lease	-	-	(2,485)	-	-	(2,485)
Additional advances to related parties	-	13,010	-	-	-	13,010
Additions and modifications	-	-	56,548	-	-	56,548
Remeasurement	-	-	60,611	-	-	60,611
Cash flows	(30,000)	(13,112)	(259,531)	(480,185)	(18,254)	(801,082)
December 31, 2019	₱2,844,727	₱18,310	₱876,440	₱87,464	(₱4,886)	₱3,822,055

	2018				
	Long-term Notes Payable	Advances from Related Parties	Dividends Payable	Others	Total Liabilities from Financing Activities
January 1, 2018	₱2,895,772	₱72,406	₱4,819	₱3,894	₱2,976,891
Non-cash changes:					
Dividends declared	-	-	482,378	-	482,378
Amortization of debt issue cost	4,383	-	-	-	4,383
Disposal of a subsidiary (Note 1)	-	(71,961)	-	-	(71,961)
Additional advances to related parties	-	(39,786)	-	-	(39,786)
Cash flows	(30,000)	57,753	(346,321)	9,474	(309,094)
December 31, 2018	₱2,870,155	₱18,412	₱140,876	₱13,368	₱3,042,811

Others include cash received from non-controlling interest for its share of investment.

Non-cash Changes in Investing Activities

- In 2020, advances to PEI amounting to ₱1.5 million was converted to equity.
- Additions to property, plant and equipment include unpaid portion purchased on account amounting to nil, ₱380.3 million, and nil in 2020, 2019 and 2018, respectively (see Note 11).
- In 2018, the Group made a reclassification of LPCI's deposit for future stock subscription from "Investment in and advances to associates and joint ventures" account to "Advances to associates and stockholders" amounting to ₱34.8 million (see Note 10).
- In 2018, VREC's advances from VSNRGC amounting to ₱72.0 million were settled upon the sale of its investment in the joint venture.

27. Operating Segment Information

The Group is currently organized into two operating segments: (1) power generation and distribution operations and (2) investing in shares of stock. These operating segments are consistent with those reported to the BOD, the Group's Chief Operating Decision Maker (CODM).

The operating segments and their corresponding principal activities are as follows:

Power Generation and Distribution

1590 EC operates a diesel power plant wherein power generated is primarily traded at WESM. Core also started its operation in 2018 as a retail electricity supplier with five customers. INEC entered into an Interim Power Supply Agreement with BANELCO. VMHI is on its pre-operating stage of building a hydro power plant in Silay, Negros Occidental (see Note 1). VII and VGPC were incorporated in 2014, and VIDC was incorporated in 2015, which companies are intended to undertake various power generation activities of the Group. ETEI started its commercial operations in January 2019 wherein ETEI will provide the entire energy output to a customer for 15 years.

VECO, an associate of the Group, is involved in the distribution and sale of electricity, while the other associates and joint ventures are engaged in the generation and supply of power to various entities and parties.

Investing in Shares of Stock

As disclosed in Note 1, except for 1590 EC, INEC, VMHI, Core, VII, VGPC, VIDC, ETEI, VEII, IMCC, and WMP, the Parent Company and all other subsidiaries are operating as holding and investing companies. Aside from operating as a power generation company, VEC also operates as a holding and investing company. Revenue from this segment principally comes from equity in net earnings and management fees from investee companies.

The segment results for the years ended December 31 follow:

	2020			
	Power Generation and Distribution	Investing in Shares of Stock	Eliminations	Consolidated
Revenues from external customers	₱1,856,892,272	₱–	₱–	₱1,856,892,272
Revenue from inter-segment, associates and affiliates	11,435,877	3,911,949,580	(3,602,127,660)	321,257,797
Equity in net earnings of associates and joint ventures	1,530,892,007	–	–	1,530,892,007
Interest income	2,038,942	60,203,249	–	62,242,191
Inter-segment revenues	(11,435,877)	(3,590,691,783)	3,602,127,660	–
	3,389,823,221	381,461,046	–	3,771,284,267
Income from operations	798,044,965	1,250,717,309	–	2,048,762,274
Finance costs on loans	(3,406,968)	(169,504,968)	–	(172,911,936)
Finance costs on lease liabilities	(72,106,738)	(3,235,399)	–	(75,342,137)
Foreign exchange gains	3,820,287	492,774	–	4,313,061
Other income	824,550	55,587,444	–	56,411,994
Income before income tax	727,176,096	1,134,057,160	–	1,861,233,256
Income tax expense	(145,585,904)	(8,826,716)	–	(154,412,620)
Net income	₱581,590,192	₱1,125,230,444	₱–	₱1,706,820,636

	2019			
	Power Generation and Distribution	Investing in Shares of Stock	Eliminations	Consolidated
Revenues from external customers	₱2,547,108,140	₱10,531,392	₱-	₱2,557,639,532
Revenue from inter-segment, associates and affiliates	2,647,857,345	1,860,001,244	(3,422,666,670)	1,085,191,919
Equity in net earnings of associates and joint ventures	2,183,383,722	-	-	2,183,383,722
Interest income	36,905,413	116,506,551	-	153,411,964
Inter-segment revenues	(2,726,055,473)	(696,611,197)	3,422,666,670	-
	4,689,199,147	1,290,427,990	-	5,979,627,137
Income from operations	2,181,889,826	745,238,110	-	2,927,127,936
Gain on fair value remeasurement of investment properties	-	235,326,709	-	235,326,709
Finance costs on loans	(502)	(170,921,599)	-	(170,922,101)
Finance costs on lease liabilities	(83,352,610)	(2,309,091)	-	(85,661,701)
Foreign exchange losses	(4,146,366)	(241,612)	-	(4,387,978)
Other income	36,308,556	5,622,504	-	41,931,060
Income before income tax	2,130,698,904	812,715,021	-	2,943,413,925
Income tax expense	(204,931,810)	(66,731,365)	-	(271,663,175)
Net income	₱1,925,767,094	₱745,983,656	₱	₱2,671,750,750

	2018			
	Power Generation and Distribution	Investing in Shares of Stock	Eliminations	Consolidated
Revenues from external customers	₱1,082,206,258	₱67,780,324	₱-	₱1,149,986,582
Revenue from inter-segment, associates and affiliates	1,395,067,529	2,031,327,923	(2,209,330,328)	1,217,065,124
Equity in net earnings of associates and joint ventures	1,796,151,495	-	-	1,796,151,495
Interest income	23,381,127	93,676,241	-	117,057,368
Inter-segment revenues	(240,015,662)	(1,969,314,666)	2,209,330,328	-
	4,056,790,747	223,469,822	-	4,280,260,569
Income from operations	635,949,207	1,202,402,826	-	1,838,352,033
Gain on disposal of an associate or subsidiary	119,961,701	-	-	119,961,701
Finance cost on loans	(724,755)	(172,451,944)	-	(173,176,699)
Foreign exchange gain	6,800,967	366,130	-	7,167,097
Other income	8,853,455	12,410,134	-	21,263,589
Income before income tax	770,840,575	1,042,727,146	-	1,813,567,721
Income tax expense	(39,606,471)	(5,496,311)	-	(45,102,782)
Net income	₱731,234,104	₱1,037,230,835	₱-	₱1,768,464,939

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

Of the Group's total revenues, about 78% and 0% pertains to energy fees in 2020, 46% and 17% in 2019, and 24% and 27% in 2018, of 1590 EC and VEC, respectively.

In 2020, revenue from sale of power to a major customer amounted to ₱1.4 billion representing 76% of the total revenue from the sale of power and 65% of total revenues.

In 2019, revenue from sale of power to two major customers amounted to ₱2.8 billion representing 79% of the total revenue from the sale of power and 77% of total revenues.

In 2018, revenue from sale of power to two major customers amounted to ₱1.8 billion representing 81% of the total revenue from the sale of power and 76% of total revenues.

Geographical business information is not required since the Group has only one geographical segment as all of its assets are located in the Philippines, and it operates or derives all of its revenue from domestic operations.

Inter-segment revenues are eliminated upon consolidation and reflected in the 'inter-segment revenues' row.

Other segment information included in the consolidated statements of financial position as of December 31 is as follows:

	2020		
	Power Generation	**Investing in Shares of Stock**	**Consolidated**
Assets	**₱4,741,993,259**	**₱17,838,968,348**	**₱22,580,961,607**
Liabilities	**3,354,775,130**	**2,910,703,058**	**6,265,478,188**
Capital expenditures	**928,731,613**	**81,988,302**	**1,010,719,915**

	2019		
	Power Generation	Investing in Shares of Stock	Consolidated
Assets	₱11,509,535,562	₱9,357,476,387	₱20,867,011,949
Liabilities	2,995,913,242	3,070,051,067	6,065,964,309
Capital expenditures	712,992,726	66,420,918	779,413,644

	2018		
	Power Generation	Investing in Shares of Stock	Consolidated
Assets	₱9,067,976,690	₱8,129,331,981	₱17,197,308,671
Liabilities	2,591,103,184	2,035,741,530	4,626,844,714
Capital expenditures	86,648,697	27,626,192	114,274,889

Other segment information included in the consolidated statements of comprehensive income for the years ended December 31, 2020, 2019 and 2018 is as follows:

	Power Generation	Investing in Shares of Stock	Consolidated
Depreciation and amortization:			
2020	**₱258,649,331**	**₱47,473,266**	**₱306,122,597**
2019	238,017,520	31,305,046	269,322,566
2018	13,082,878	18,302,218	31,385,096

The Management Committee monitors the operating results of each business unit separately for the purpose of determining resource allocation and assessing performance. Performance is evaluated based on (i) net income for the year, (ii) consolidated earnings before interest, taxes, and depreciation and amortization ("consolidated EBITDA"); and (iii) consolidated core net income

("CCNI"). Net income for the year is measured consistent with reported net income in the consolidated statement of comprehensive income.

Consolidated EBITDA is measured as total net income excluding interest, provision for income taxes, depreciation and amortization, finance costs, foreign exchange gains and losses, and other one-off gains and losses.

CCNI for the year is measured as consolidated net income attributable to equity holders of the parent adjusted for foreign exchange gain or loss, impairment or reversal of impairment of noncurrent assets and certain other non-recurring gain or loss, if any, net of tax effect of the foregoing adjustments.

The following table shows the reconciliation of the EBITDA to net income:

	2020	2019	2018
EBITDA	**₱2,415,609,926**	₱3,238,381,562	₱1,891,000,718
Add (deduct):			
Depreciation and amortization (see Notes 11 and 13)	**(306,122,597)**	(269,322,566)	(31,385,096)
Finance costs on loans (see Note 15)	**(172,911,936)**	(170,922,101)	(173,176,699)
Finance costs on lease liabilities (see Note 24)	**(75,342,137)**	(85,661,701)	
Gain on disposal of a joint venture and subsidiary	–	–	119,961,701
Gain on fair value remeasurement of investment properties (see Note 12)	–	235,326,709	–
Foreign exchange gains (losses) - net	–	(4,387,978)	7,167,097
Income before income tax	**1,861,233,256**	2,943,413,925	1,813,567,721
Provision for income tax (see Note 20)	**(154,412,620)**	(271,663,175)	(45,102,782)
Net income	**₱1,706,820,636**	₱2,671,750,750	₱1,768,464,939

28. Events after the Reporting Period

a) Acquisitions

On February 19, 2021, VEC and AHC signed Share Sale and Purchase Agreements (SSPAs) to acquire a combined equity stake of 90% each in Bukidnon Power Corporation (BPC) and North Bukidnon Power Corporation (NBPC). BPC is the owner of two bunker-diesel power plants that are both contracted to supply the energy requirements of First Bukidnon Electric Cooperative, Inc. NBPC supplies 5MW of the peaking power requirement in the franchise area of Bukidnon Second Electric Cooperative, Inc. through its bunker-diesel power plant in Lantapan, Bukidnon. The acquisition will contribute to the continued expansion of the business activities of the Group in the Mindanao region.

The acquisition will be consummated through Deeds of Assignment of Shares with the existing shareholders for a consideration of ₱205.5 million and ₱228.3 million, respectively, subject to the fulfilment of the agreed closing conditions. If the conditions precedent are not complied with, VEC and AHC may terminate the transaction.

The initial accounting for the business combination is incomplete since BPC and NBPC are in the process of fulfilling the conditions precedent to the closing of the transaction, including the financial information that will allow for the determination of the acquisition-date fair value of the net assets of BPC and NBPC, as of April 5, 2021.

b) CREATE Law

President Rodrigo Duterte signed into law on March 26, 2021 the Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act to attract more investments and maintain fiscal prudence and stability in the Philippines. Republic Act (RA) 11534 or the CREATE Act introduces reforms to the corporate income tax and incentives systems. It takes effect 15 days after its complete publication in the Official Gazette or in a newspaper of general circulation or April 11, 2021.

The following are the key changes to the Philippine tax law pursuant to the CREATE Act which have an impact on the Group:

- Effective July 1, 2020, regular corporate income tax (RCIT) rate is reduced from 30% to 25% for domestic and resident foreign corporations. For domestic corporations with net taxable income not exceeding Php5 million and with total assets not exceeding Php100 million (excluding land on which the business entity's office, plant and equipment are situated) during the taxable year, the RCIT rate is reduced to 20%.

- Minimum corporate income tax (MCIT) rate reduced from 2% to 1% of gross income effective July 1, 2020 to June 30, 2023.

- Imposition of improperly accumulated earnings tax (IAET) is repealed.

As clarified by the Philippine Financial Reporting Standards Council in its Philippine Interpretations Committee Q&A No. 2020-07, the CREATE Act was not considered substantively enacted as of December 31, 2020 even though some of the provisions have retroactive effect to July 1, 2020. The passage of the CREATE Act into law on March 26, 2011 is considered as a non-adjusting subsequent event. Accordingly, current and deferred taxes as of and for the year ended December 31, 2020 continued to be computed and measured using the applicable income tax rates as of December 31, 2020 (i.e., 30% RCIT / 2% MCIT) for financial reporting purposes.

Applying the provisions of the CREATE Act, the Group would have been subjected to lower regular corporate income tax rate of 20%-25% effective July 1, 2020.

- This will result in lower provision for current income tax for the year ended December 31, 2020 and lower income tax payable as of December 31, 2020, which will be reflected in the respective companies' 2020 annual income tax returns but will only be recognized for financial reporting purposes in its 2021 financial statements. Pending clarification from the tax authorities on how the taxable income for the period beginning July 1, 2020 will be computed, the Group has not quantified the impact of the lower corporate income tax rate on the 2020 current income tax.

- This will result in lower deferred income tax assets and deferred income tax liabilities as of December 31, 2020 by ₱5.5 million and ₱31.9 million, respectively. Provision for deferred income tax and other comprehensive income would decrease by ₱27.1 million and ₱0.8 million, respectively. These reductions will be recognized in the 2021 financial statements.

SGV
building a better working world

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BOA/PRC Reg. No. 0001,
October 4, 2018, valid until August 24, 2021
SEC Accreditation No. 0012-FR-5 (Group A),
November 6, 2018, valid until November 5, 2021

INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY SCHEDULES

The Board of Directors and the Stockholders
Vivant Corporation
9th Floor, Oakridge IT Center 3
Oakridge Business Park, A.S. Fortuna Street
Brgy. Banilad, Mandaue City
Cebu, Philippines 6014

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Vivant Corporation and its subsidiaries (the Group) as at December 31, 2020 and 2019 and for each of the three years in the period ended December 31, 2020, included in this Form 17-A, and have issued our report thereon dated April 5, 2021. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the Index to the Consolidated Financial Statements and Supplementary Schedules are the responsibility of the Group's management. These schedules are presented for purposes of complying with the Revised Securities Regulation Code Rule 68 and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state, in all material respects, the information required to be set forth therein in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Margem A. Tagalog

Margem A. Tagalog
Partner
CPA Certificate No. 0098098
SEC Accreditation No. 1741-A (Group A),
February 26, 2019, valid until February 25, 2022
Tax Identification No. 206-544-506
BIR Accreditation No. 08-001998-138-2018,
December 17, 2018, valid until December 16, 2021
PTR No. 8534368, January 4, 2021, Makati City

April 5, 2021

INDEX TO THE CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES

Schedule	Contents
A	Financial Assets
B	Amounts Receivable from Directors, Officers, Employees, Related Parties, and Principal Stockholders (Other than Related Parties)
C	Amounts Receivable from Related Parties which are Eliminated during the Consolidation of Financial Statements
D	Intangible Assets – Other Assets
E	Long-Term Debt
F	Indebtedness to Related Parties (Long-term Loans from Related Companies)
G	Guarantees of Securities of Other Issuers
H	Capital Stock
I	Reconciliation of Retained Earnings Available for Dividend Declaration
J	Map of Relationships of the Companies within the Group
K	Schedule for Financial Soundness Indicators

VIVANT CORPORATION AND SUBSIDIARIES

SCHEDULE A - FINANCIAL ASSETS

DECEMBER 31, 2020

Name of Issuing Entity and Description of Each Issue	Number of Shares or Principal Amount of Bonds and Notes	Amount Shown in the Balance Sheet/Notes	Value Based on Market Quotations at Balance Sheet Date	Income Received and Accrued
Financial assets at amortized cost				
Cash and cash equivalents	–	₱4,872,331,464	₱4,872,331,464	₱62,242,191
Trade and other receivables				
Trade receivables	–	485,903,467	485,903,467	2,178,150,069
Dividends receivable	–	257,600,000	257,600,000	–
Accounts receivable	–	7,654,602	7,654,602	–
Advances to officers and employees	–	4,321,890	4,321,890	–
Accrued interest	–	3,582,634	3,582,634	–
Others	–	55,041,239	55,041,239	–
		814,103,832	814,103,832	2,178,150,069
Advances to associates, joint ventures and stockholders	–	253,060,382	253,060,382	–
Advances to supplier and other parties	–	698,308,703	698,308,703	–
Restricted cash	–	2,002,202	2,002,202	–
Security deposits	–	5,287,245	5,287,245	–
		958,658,532	958,658,532	–
		6,645,093,828	6,579,146,550	2,240,392,260
Financial assets at fair value through other comprehensive income				
Cebu Country Club, Inc	–	7,400,000	7,400,000	–
	–	7,400,000	7,400,000	–
Total financial assets	–	₱6,652,493,828	₱6,586,546,550	₱2,240,392,260

See Notes 6, 7, 9, 13 and 16 of the Consolidated Financial Statements

VIVANT CORPORATION AND SUBSIDIARIES

SCHEDULE B - AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES, AND PRINCIPAL STOCKHOLDERS (OTHER THAN RELATED PARTIES)

DECEMBER 31, 2020

Name and Designation of Debtor	Balance at Beginning of Period	Additions	Collections	Reversals	Write Offs	Balance at End of Period		
						Current	Noncurrent	Total
Visayan Electric Company, Inc.	₱8,411,306	₱341,311,200	(₱341,762,082)	₱-	₱-	₱7,960,424	₱-	₱7,960,424
Meenergy Power Corporation	-	533,505,905	(389,999,905)	-	-	433,600,000	-	153,600,000
Cebu Private Power Corporation	13,200,000	363,333,333	(252,533,333)	-	-	124,000,000	-	124,000,000
Abscorp Holdings, Inc.	-	299,200,000	(299,200,000)	-	-	-	-	-
Faith Lived Out Visions 2 Ventures Holdings, Inc.	-	150,000,000	-	-	-	150,000,000	-	150,000,000
Cebu Energy Development Corp.	1,364,750	136,553,708	(125,404,668)	-	-	12,513,790	-	12,513,790
Delta P, Inc.	47,045,835	79,182,117	(79,222,438)	-	-	6,985,314	-	6,985,314
Calamian Islands Power Corp.	10,538,529	37,742,880	(47,026,781)	-	-	1,254,628	-	1,254,628
Prism Energy, Inc.	14,352,400	13,200,000	(47,552,400)	-	-	-	-	-
Cebu Renewable Energy Corp.	159	10,000,000	(81)	-	-	10,000,258	-	10,000,258
Global Luzon Energy Development Corporation	7,339,334	1,805,016	(906,730)	-	-	8,237,620	-	8,237,620
Luzur Power Corp Inc.	80,937,914	-	-	-	-	80,937,914	-	80,937,914
Sabang Renewable Energy Corp.	6,000,000	-	-	-	-	6,000,000	-	6,000,000
Advances to stockholders	947,472	2,100,073	(904,756)	-	-	2,142,789	-	2,142,789
	₱190,137,679	₱2,148,912,322	(₱1,954,493,304)	₱-	₱-	₱543,676,697	₱-	₱543,676,697

VIVANT CORPORATION AND SUBSIDIARIES

SCHEDULE C - AMOUNTS RECEIVABLE FROM RELATED PARTIES WHICH ARE ELIMINATED DURING THE CONSOLIDATION OF FINANCIAL STATEMENTS

DECEMBER 31, 2020

	Balance at Beginning of Period	Additions	Collections	Conversion to Equity	Write Offs	Balance at End of Period: Current	Noncurrent	Total
Vivant Energy Corporation	₱168,257,656	₱579,734,865	(₱1,075,726,020)	₱-	₱-	₱12,306,531	₱-	₱12,306,531
Isla Norte Energy Corp	2,180,360	360,026,314	(193,307,278)	-	-	169,469,776	-	169,469,776
1590 Energy Corp	63,538,969	62,992,118	(122,855,036)	-	-	3,676,047	-	3,676,047
EI Energy Island Corp	74,121,835	56,109,866	(2,339,550)	-	-	127,892,151	-	127,892,151
Isla Mactan Cordova Corporation	-	40,377,856	(32,900,863)	-	-	7,276,993	-	7,276,993
EI AVT Solar Corp	12,535	23,164,895	(7,655)	-	-	23,174,285	-	23,174,285
Coenergy Inc	10,151,943	19,931,162	(1,118,697)	-	-	28,964,408	-	28,964,408
Hijos de F. Escaño, Inc	93,265	18,407,831	(1,218,083)	(10,811,225)	-	471,786	-	471,786
Vivant Corporation	16,746,536	15,987,760	(32,301,674)	-	-	432,622	-	432,622
Vivant Renewable Energy Corporation	230,434	10,000,000	(230,434)	-	-	10,000,000	-	10,000,000
Vivant Visayas Integrated Inc	-	5,394,821	(2,490,244)	-	-	2,904,577	-	2,904,577
Vivant Integrated Generation Corporation	1,768	4,472,553	(2,267)	-	-	4,472,054	-	4,472,054
Vivant Hydrocrest Holdings Inc	9,926	3,039,152	(3,046,762)	-	-	2,320	-	2,320
Watermatic Philippines	2,291,995	1,971,378	(872,265)	-	-	1,991,108	-	1,991,108
Southern Grove Properties and Development Corp	9,923,435	285,838	(113,494)	-	-	10,095,779	-	10,095,779
Vivant Integrated Diesel Corporation	867,299	173,082	(847,285)	-	-	193,096	-	193,096
Vivant-Malogo Hydropower Inc	6,645	5,371	(11,910)	-	-	106	-	106
Vivant Infracore Holdings Inc	220	5,205	(220)	-	-	5,205	-	5,205
Vivant Realty Ventures Corp	280	209	(489)	-	-	-	-	-
Vivant Corporate Center Inc	90	30	(120)	-	-	-	-	-
Vivant Transcore Holdings Inc	33,722	-	(33,722)	-	-	-	-	-
Vivant Isla Inc	200	-	(200)	-	-	-	-	-
Vivant Geo Power Corp	-	-	-	-	-	-	-	-
Amberdust Holding Corp	-	-	-	-	-	-	-	-
Southern Powercrest Holding Corp	-	-	-	-	-	-	-	-
	₱287,452,535	₱1,692,280,083	(₱1,469,602,247)	(₱10,811,225)	₱-	₱403,325,046	₱-	₱403,325,046

VIVANT CORPORATION AND SUBSIDIARIES

SCHEDULE D - INTANGIBLE ASSETS - OTHER ASSETS

DECEMBER 31, 2020

Description	Beginning Balance	Additions at Cost	Charged to Cost and Expenses	Charged to Other Accounts	Other Changes	Ending Balance
Goodwill -As Restated	₱82,381,116	₱-	₱-	₱-	₱-	₱82,381,116
Software cost	38,938	1,021,085	(₱157,763)	-	-	902,260
	₱82,420,054	₱1,021,085	(₱157,763)	₱-	₱-	₱83,283,376

VIVANT CORPORATION AND SUBSIDIARIES

SCHEDULE E - LONG-TERM DEBT

DECEMBER 31, 2020

Title of Issue and Type of Obligation	Amount Authorized by Indenture	Current Portion of Long-term Debt	Long-term Debt
Fixed Rate Corporate Notes (FRCN)	₱2,820,000,000	₱2,820,000,000	₱ -
Unamortized debt issue cost	(491,880)	(491,880)	-
	₱2,819,508,120	₱2,819,508,120	₱ -

VIVANT CORPORATION AND SUBSIDIARIES

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

DECEMBER 31, 2020

Name of Related Party	Balance at Beginning of Period	Balance at End of Period
Faith Lived Out Visions 2 Ventures Holdings, Inc.	-	₱150,000,000

VIVANT CORPORATION AND SUBSIDIARIES

SCHEDULE G - GUARANTEES OF SECURITIES OF OTHER ISSUERS

DECEMBER 31, 2020

Name of Issuing Entity of Securities Guaranteed by the Company for which this Statement is Filed	Title of Issue of Each Class of Securities Guaranteed	Total Amount Guaranteed and Outstanding	Amount Owned by Person for which Statement is Filed	Nature of Guarantee
– Not applicable –		– Not applicable –		

VIVANT CORPORATION AND SUBSIDIARIES

SCHEDULE H - CAPITAL STOCK

DECEMBER 31, 2020

Title of Issue	Number of Shares Authorized	Number of Shares Issued and Outstanding as Shown under Related Consolidated Statement of Financial Position Caption	Number of Shares Reserved for Options, Warrants, Conversion and Other Rights	Number of Shares held by Related Parties	Directors, Officers and Employees	Others
Capital stock	2,000,000,000	1,023,456,098	-	892,911,763	-	130,544,335

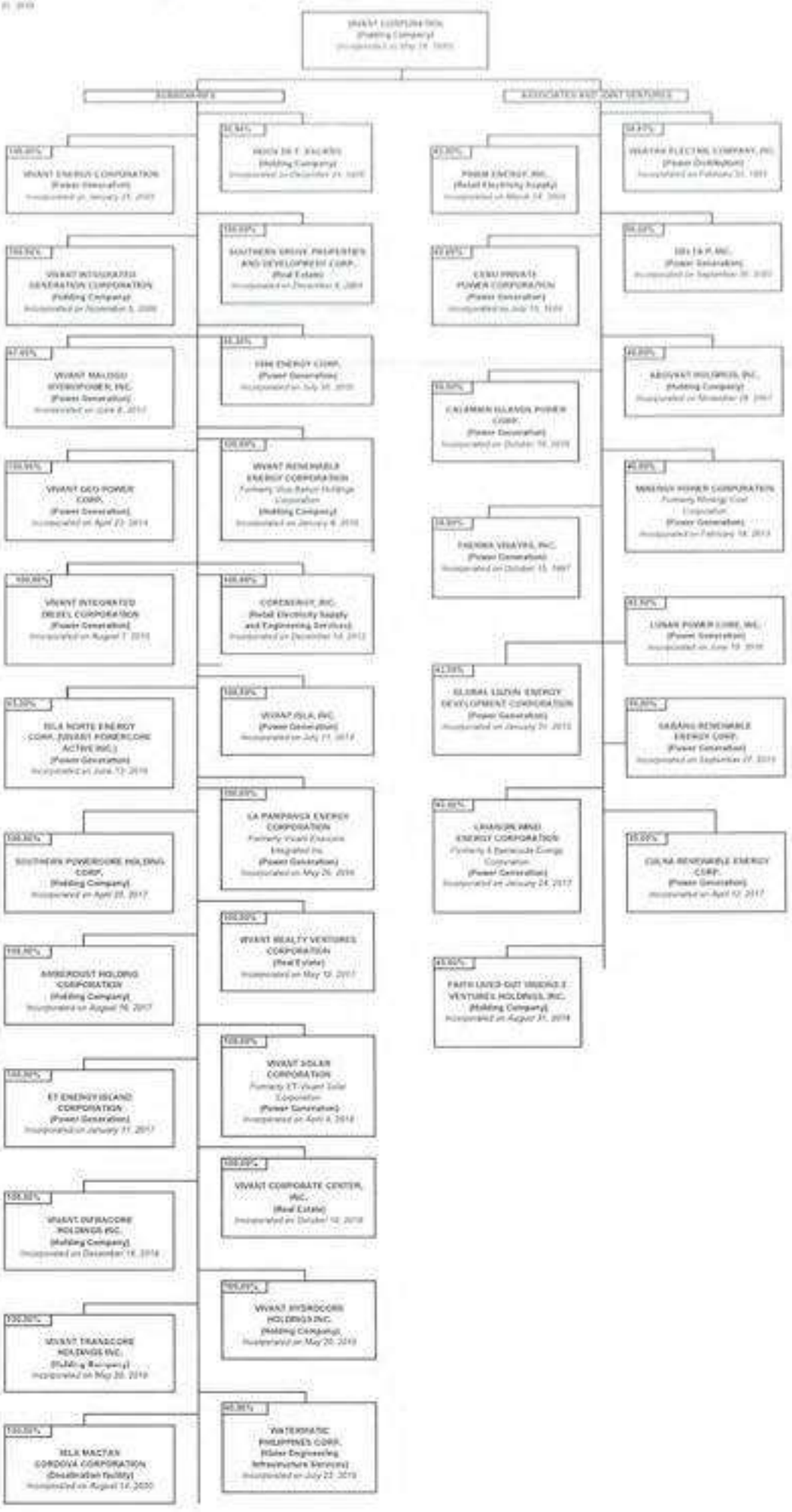
VIVANT CORPORATION

RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION

FOR THE YEAR ENDED DECEMBER 31, 2020

Items	Amount
Unappropriated Retained Earnings, Beginning	₱971,489,778
Adjustments:	
Deferred income tax assets that reduced the amount of provision for income tax	(29,413,071)
Deferred income tax liabilities that increased the amount of provision for income tax	1,619,825
Unappropriated Retained Earnings, as Adjusted, Beginning	943,696,532
Net Income Based on the Face of AFS	1,288,696,431
Less: Non-actual/Unrealized Income Net of Tax	
Equity in net income of an associate/joint venture	–
Unrealized foreign exchange gain - net (except those attributable to cash and cash equivalents)	–
Unrealized actuarial gain	–
Fair value adjustment (M2M gains)	–
Fair value adjustment of investment property resulting to gain	–
Adjustment due to deviation from PFRS/GAAP - gain	–
Gain on reversal of impairment loss	–
Gain on pre-termination of lease	–
Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS	–
Deferred income tax assets that reduced the amount of provision for income tax	(2,363,845)
Deferred income tax liability that reduced the amount of provision for income tax	(762,437)
Add: Non-actual Losses	
Unrealized foreign exchange loss - net (except those attributable to cash and cash equivalents)	–
Equity in net loss of an associate/joint venture	–
Depreciation on revaluation increment (after tax)	–
Adjustment due to deviation from PFRS/GAAP - loss	–
Loss on fair value adjustment of investment property (after tax)	–
Impairment loss on investment	–
Net Income Actual/Realized	1,285,570,149
Add (Less)	
Dividend declarations during the period	(467,822,060)
Appropriations of retained earnings during the period	(2,286,000,000)
Reversals of appropriations	1,521,583,131
Effects of prior period adjustments	–
Treasury shares	–
TOTAL RETAINED EARNINGS, END AVAILABLE FOR DIVIDEND DECLARATION	₱997,027,752

VIVANT CORPORATION AND SUBSIDIARIES
TOP OF THE RELATIONSHIPS OF THE COMPANIES WITHIN THE GROUP
DECEMBER 31, 2019



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November 6, 2018, valid until November 5, 2021

INDEPENDENT AUDITOR'S REPORT ON COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS

The Board of Directors and the Stockholders
Vivant Corporation
9th Floor, Oakridge IT Center 3
Oakridge Business Park, A.S. Fortuna Street
Brgy. Banilad, Mandaue City
Cebu, Philippines 6014

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Vivant Corporation and its subsidiaries (the Group) as at December 31, 2020 and 2019 and for each of the three years in the period ended December 31, 2020. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Supplementary Schedule on Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Group's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRSs) and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for the purpose of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the basic financial statements prepared in accordance with PFRSs. The components of these financial soundness indicators have been traced to the Group's financial statements as at December 31, 2020 and 2019 and for each of the three years in the period ended December 31, 2020.

SYCIP GORRES VELAYO & CO.

Margem A. Tagalog

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December 17, 2018, valid until December 16, 2021
PTR No. 8534368, January 4, 2021, Makati City

April 5, 2021

VIVANT CORPORATION

SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

Ratio	Formula		2020	2019
Current Ratio	Total Current Assets divided by Total Current Liabilities		**1.33**	3.42
	Total Current Assets	₱6,441,887,106		
	Divide by: Total Current Liabilities	4,847,354,297		
	Current Ratio	1.33		
Acid Test Ratio/Quick Ratio	Quick Assets (*Total Current Assets less Inventories and Other Current Assets*) divided by Total Current Liabilities		**1.23**	3.26
	Total Current Assets	₱6,441,887,106		
	Less: Inventories	220,498,758		
	Prepayments and other current assets	281,892,670		
	Quick Assets	₱5,939,495,678		
	Divide by: Total Current Liabilities	4,847,354,297		
	Acid Test Ratio	1.23		
Solvency Ratio/Debt-to-Equity Ratio	Total Liabilities divided by Total Equity		**0.38**	0.41
	Total Liabilities	₱6,265,478,188		
	Divide by: Total Equity	16,315,483,419		
	Debt-to-Equity Ratio	0.38		
Net Debt-to-Equity Ratio	Net Debt (*Total Debt less Cash and Cash Equivalents, Short-term investments and Financial Assets at FVTPL*) divided by Total Equity		**(0.08)**	(0.11)
	Total Notes Payable	₱3,568,808,861		
	Less: Cash and Cash Equivalents	513,649,511		
	Short-term Investments	4,358,681,953		
	Financial Assets at FVTPL	–		
	Net Debt	(₱1,303,522,603)		
	Divide by: Total Equity	16,315,483,419		
	Net Debt-to-Equity Ratio	(0.08)		
Asset-to-Equity Ratio	Total Assets divided by Total Equity		**1.38**	1.41
	Total Assets	₱22,580,961,607		
	Divide by: Total Equity	16,315,483,419		
	Asset-to-Equity Ratio	1.38		

Ratio	Formula	2020	2019
Interest Rate Coverage Ratio	Earnings before Income Tax, Depreciation and Amortization (*net Income plus provision for income tax, interest and other charges, depreciation and amortization*) divided by Interest and Other Financing Charges Net Income ₱1,706,820,636 Add: Provision for Income Tax 154,412,620 Interest and Other Financing Charges 248,254,073 EBIT 2,109,487,329 Add: Depreciation and Amortization 306,122,597 EBITDA ₱2,415,609,926 Interest and Other Financing Charges 248,254,073 Interest Expense Coverage Ratio 9.73	**9.73**	13.52
Return on Equity	Net Income divided by Average Total Equity (*Total Equity PY + Total Equity CY divided by 2)* Net Income ₱1,706,820,636 Total Equity CY ₱16,315,483,419 Total Equity PY 14,798,097,470 Average Total Equity ₱15,556,790,445 Return on Equity 10.97%	**10.97%**	19.52%
Return on Assets	Net Income divided by Average Total Assets (*Total Assets PY + Total Assets CY divided by 2)* Net Income ₱1,706,820,636 Total Assets CY ₱22,580,961,607 Total Assets PY 20,864,061,779 Average Total Assets ₱21,722,511,693 Return on Assets 7.86%	**7.86%**	14.04%
Net Income Margin	Net Income Attributable to Parent divided by Revenue Net Income Attributable to Parent ₱1,442,131,978 Revenue 3,771,284,267 Net Income Margin 38.24%	**38.24%**	39.12%

EXHIBIT "I"

COVER SHEET

			1	7	5	2	2	2			

S.E.C. Registration Number

P.S.E. Control Number

V	I	V	A	N	T		C	O	R	P	O	R	A	T	I	O	N												

(Company's Full Name)

9	T	H		F	L	R	.		O	A	K	R	I	D	G	E		I	T		C	E	N	T	E	R		3

O	A	K	R	I	D	G	E		B	U	S	I	N	E	S	S		P	A	R	K		A	.	S	.		

F	O	R	T	U	N	A		S	T		M	A	N	D	A	U	E		C	I	T	Y	,		C	E	B	U

(Business Address: No. Street City/Town Province)

Joan A. Giduquio-Baron	(032) 232-0283, 234-2256 and 234-2285
Contact Persons	Telephone Number of the Contact Person

1st Quarterly Report 2023

1	2		3	1		**SEC FORM 17-Q**		0	6		1	5
Month		Day				FORM TYPE		Month		Day		
Fiscal Year								Annual Meeting				

N/A
Secondary license Type, If Applicable

C	F	D

Dept. Requiring this Doc.

Amended Articles Number/Section

1,410	1,023,425,779	30,919
Total No. of Stockholders	Domestic	Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

Remarks = Pls. Use black ink for scanning purposes

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES REGULATION CODE AND SRC RULE 17(2)(b) THEREUNDER

1. For the quarterly period ended: **March 31, 2023**

2. Commission identification number: **175222** 3. BIR Tax Identification No.: **242-603-734-000**

Vivant Corporation
4. Exact name of issuer as specified in its charter

City of Mandaluyong
5. Province, country or other jurisdiction of incorporation or organization

6. Industry Classification Code: [ ] (SEC Use Only)

9th Floor, Oakridge IT Center 3, Oakridge Business Park, A.S. Fortuna Street, Brgy. Banilad, Mandaue City, Cebu **6014**
7. Address of issuer's principal office Postal Code

(032) 234-2256; (032) 234-2285
8. Issuer's telephone number, including area code

NA
9. Former name, former address and former fiscal year, if changed since last report

10. Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the SRC

Title of each Class	Number of shares of common stock outstanding and amount of debt outstanding
Common Shares at Php 1.00 per share	**Php 1,023,456,698**
Amount of debt outstanding	**Php 8,268,064,461**

11. Are any or all of the securities listed on a Stock Exchange?

Yes [✓] No [ ]

If yes, state the name of such Stock Exchange and the class/es of securities listed therein:

Philippine Stock Exchange	**Common Stock**

12. Indicate by check mark whether the registrant:

(a) has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder or Sections 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of the Company Code of the Philippines, during the preceding twelve (12) months (or for such shorter period the registrant was required to file such reports)

Yes [✓] No [ ]

(b) has been subject to such filing requirements for the past ninety (90) days.

Yes [✓] No [ ]

PART I--FINANCIAL INFORMATION

Item 1. Financial Statements.

Please refer to attached financial statements and schedules.

Item 2. Management's Discussion and Analysis of Consolidated Financial Condition and Results of Operations.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following is a discussion and analysis of the Company's consolidated financial condition and results of operations for the interim period ended March 31, 2023 compared with the interim period ended March 31, 2022. This report should be read in conjunction with the consolidated financial statements and the notes thereto.

KEY PERFORMANCE INDICATORS

Management uses the following key performance indicators to evaluate the performance of the Company and its investee companies:

1. **Equity in Net Earnings (or Loss) of Associates.** Equity in net earnings (or loss) of associates is the Company's share in the income or loss of associates, or investee companies accounted for under the equity method. It indicates the profitability of the associates and measures their contribution to the profitability of the parent.

2. **Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA).** EBITDA is calculated by taking operating income and adding back to it the interest, depreciation and amortization expenses. Since EBITDA eliminates the effects of financing and accounting decisions, it can provide a relatively good comparison of the performance of the Company with other players in the industry. It also provides a good measure of the Company's ability to generate cash from operations to cover financial charges and income taxes.

3. **Cash Flow Generated.** Cash flow generated indicates the ability of the Company to generate enough cash for operating, investing and financing activities.

4. **Debt-to-Equity Ratio (DER).** DER gives an indication of the Company's leverage position and is computed by dividing total liabilities with total stockholders' equity.

5. **Current Ratio.** Current ratio is computed by dividing current assets by current liabilities. This indicates the liquidity of the Company in the short term and measures the peso amount of current asset available to cover a peso amount of current liability.

Year-to-Date (YTD) March 31, 2023 versus YTD March 31, 2022

The financial statements as of and for the quarter ended March 31, 2022 are restated to consider the retrospective adjustments due to the following:

1. In 2022, the Company elected to change its policy for accounting its investment in an associate engaged in the power distribution business with respect to the associate's power distribution utility assets, i.e., from the revaluation model to the cost model. PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*, requires that the change in accounting policy is accounted for retrospectively, which impacts the investment in associate and joint ventures, retained earnings, equity in net earnings of associates and joint ventures, and share in revaluation increment of an associate, net of tax.

2. The Company, through wholly owned subsidiaries Vivant Energy Corporation (VEC) and Amberdust Holding Corporation (AHC), acquired two power generation subsidiaries in 2021 and completed the valuation required by the PFRS 3, *Business Combination*, by December 31, 2022. The revised purchase price allocation resulted in a fair value adjustment to Property, Plant and Equipment, and the recognition of intangible assets representing the acquirees' power supply agreements with customer electric cooperatives. As disclosed in the 2022 audited financial statements of the Company, the recognition of these adjustments started in 2021, which was the year of investment.

The table below shows the comparative figures of the key performance indicators for the quarters ended March 31, 2023 and March 31, 2022, as restated.

Key Performance Indicators *Amounts in Php '000, except for ratios*	**YTD March 2023**	**YTD March 2022 (As Restated)**	**YE 2022 Audited**
Equity in Net Earnings of Associates and Joint Ventures	624,973	90,542	
EBITDA	857,887	337,481	
Net increase (decrease) in cash and cash equivalents	(454,556)	(166,383)	
Net cash flows from (used in) operating activities	(164,007)	145,384	
Net cash flows from (used in) investing activities	(110,665)	(192,785)	
Net cash flows from (used in) financing activities	(179,884)	(118,982)	
Debt-to-Equity Ratio (x)	0.45	0.42	0.48
Current Ratio (x)	1.98	5.44	1.87

The Company's share in net earnings of associates and joint ventures as of end-March 31, 2023 amounted to Php 625.0 million (mn), representing a 590% year-on-year (YoY) increase from Php 90.5 mn. This was a result of the following:

1. Visayan Electric Company (VECO), the Company's electricity distribution utility, posted a Php 370.4 mn income contribution during the quarter in review from Php 8.6[1] mn as of end-March 31, 2022. This was mainly attributed to the 26% YoY increase in the volume of electricity sold. In the same period last year, the utility's electricity sales volume was severely affected by the prolonged power outage in Cebu that resulted from the devastation caused by Typhoon Odette in December 2021.

2. 40%-owned Abovant Holdings, Inc. (AHI) saw a 54% YoY increase in income contribution to Php 110.3 mn. This was driven by the increase in profitability of its associate, Cebu Energy Development Corporation (CEDC). CEDC's robust performance during the quarter in review was on the back of increased dispatch on its bilateral contract (up by 37% YoY). This was tempered by reduced profit on its sale to the Wholesale Electricity Spot Market (WESM) due to a 59% YoY drop in the volume of energy sold to the spot market and higher business taxes.

3. 20%-owned Therma Visayas, Inc. (TVI) recorded an income contribution of Php 46.0 mn as of end-March 2023, a reversal from Php 78.9 mn net loss contribution in the same period last year. This was mainly attributed to higher revenue from its WESM sales (up by 1,011% YoY) as volume of energy sold significantly increased by 276% YoY. Increased revenue from bilateral contracts (up by 43%) as volume sales rose by 19% YoY, reduced debt service and higher foreign exchange gains also contributed to the improved net income contribution during the quarter in review. However, this strong showing was offset by lower profit from Retail Electricity Supply (RES) contracts (down by 17% YoY) due to increased cost of power. In the same period last year, TVI experienced plant downtime related to Typhoon Odette.

4. 40%-owned Cebu Private Power Corporation (CPPC) brought in Php 5.3 mn in income contribution as of end-March 2023 vis-a-vis Php 2.9 mn in net loss contribution as of end-March 2022. CPPC booked a non-recurring revenue pertaining to the collection of additional compensation on its sale of energy to the WESM. In 2022, power generation companies, including CPPC, were entitled to the additional compensation upon implementation of the secondary price cap by the Electricity Market Operator of the Philippines (IEMOP).

5. 50%-owned Calamian Islands Power Corporation (CIPC) posted an income contribution of Php 13.2 mn, recording a growth of 92% YoY. This strong showing was on the back of a 39% YoY expansion in total energy sales volume as of end-March 2023.

[1] Reported as a net loss contribution of Php 7.8 mn in the SEC 17Q YTD March 2022 report, which accounted the share in the equity earnings from VECO using the revaluation model. In 2022, the Company elected to change its policy in applying the equity method with respect to VECO's power distribution utility assets, i.e., from the revaluation model to the cost model.

The above expansion in earnings contribution were tempered by the following:

1. Income contribution from 50%-owned Delta P, Inc. (DPI) went down by 67% YoY to Php 3.6 mn. The 42% YoY rise in volume of energy sold was not enough to cover for the 35% YoY increase in generation cost, and 191% YoY rise in operating expenses due to a non-recurring business tax payment.

2. 40%-owned Prism Energy, Inc. (Prism Energy), a RES company, saw a 13% YoY decline in its income contribution to Php 0.6 mn as of end-March 2023. This was on account of the 58% YoY decline in the volume of energy sold, coupled with the 27% YoY drop in average selling price per kilowatt hour (kwh).

3. 45%-owned Faith Lived Out Visions 2 Ventures Holdings, Inc. (FLOWS), through its 89.58%-owned subsidiary, Puerto Princesa Water Reclamation and Learning Center, Inc. (PPWRLC), saw a 23% YoY decline in income contribution to Php 0.4 mn as of end-March 31, 2023. The accrual of interest expense for a long-term loan drawn by FLOWS in January 2023 outweighed its equity share in PPWRLC's earnings from wastewater treatment operations (up by 326% YoY).

EBITDA was at Php 857.9 mn as of end-March 2023, 154% higher than Php 337.5[2] mn as of end-March 2022. This was mainly an outcome of the 244% YoY increase in operating income, which stemmed from:

1. Total revenue rose by 50% YoY to Php 1.6 billion (bn), which was attributed to:

    - The Company and 100%-owned VEC booked management and service fees of Php 24.8 mn as of end-March 31, 2023 vis-à-vis nil as of end-March 31, 2022. This was due to the timely finalization of the contracts with an associate and two joint ventures, and a new service level agreement with another associate starting January 2023.

    - 205% YoY increase in engineering service revenue. 60%-owned Watermatic Philippines Corporation (WMP) posted revenue from engineering service contract with non-related parties of Php 6.1 mn during the quarter in review vis-à-vis Php 0.5 mn in the same period last year.

      On the other hand, 100%-owned Corenergy, Inc. (Corenergy) showed a 61% YoY decline in the topline performance of its engineering service operation. Corenergy did not have billable charges as services for new contracts with customers are still on-going.

    - 590% YoY expansion in equity earnings resulting from the increase in the income contributions of four associates and one joint venture as of end-March 2023. These are VECO, AHI, TVI, CPPC and CIPC.

    - Interest income increased by 390% YoY, which was driven by higher interest rates for short-term money market placements.

[2] Includes the impact of the change in accounting for the equity share in the net earnings of VECO from revaluation method to cost method.

2. 7% YoY drop in total cost of services. This was mainly driven by the 8% YoY reduction in generation cost. The decreased dispatch of 55.2%-owned 1590 Energy Corporation (1590 EC) led to lower fuel cost. Further, 100%-owned Vivant Solar Corporation (VSC) posted a 29% YoY drop in direct cost due to the non-accrual of the current year's real property taxes (RPT). As of end-March 2022, VSC accrued the RPT for 2022 based on the computation received from the local government unit (LGU) at that time.

   However, the contraction in cost of services was offset by the following:

   - Higher plant repairs and maintenance, and depreciation expense incurred by 1590 EC (the latter resulting from the acquisition of the Bauang Diesel Power Plant (BDPP) in April 2022)

   - Increase in generation cost seen in 65%-owned Isla Norte Power Corporation (Isla Norte) on the back of a 5% YoY increase in the volume of energy sales.

   - Higher direct cost incurred by 100%-owned Corenergy Solar Solutions Corporation (CSSC) given additional customers with new solar energy supply contracts (sales volume up by 519% YoY).

   - Increased volume sales (up by 170% YoY) and customer base of Corenergy's RES business led to higher cost of purchased power (up by 98% YoY). Corenergy also booked depreciation cost related to its solar rooftop business which started in the second quarter of 2022.

Meanwhile, the expansion in EBITDA was tempered by the following:

1. Sale of power declined by 4% YoY to Php 957.3 mn from Php 995.4 mn. This was mainly attributed to the 33% YoY drop in 1590 EC's topline performance to Php 479.7 mn as of end-March 2023 resulting from a 62% YoY reduction in WESM sales.

   However, the revenue contraction was partly mitigated by the improved revenue contribution by the Company's investments in other oil-fired power plants, RES and solar rooftop businesses, as follows:

   Oil-fired Power Plants

   - 90%-owned North Bukidnon Power Corporation (NBPC) brought in revenue contribution of Php 18.1 mn as of end-March 2023, 5% higher YoY, which was attributed to higher fixed fees driven by the behavior of the Philippine Consumer Price Index (CPI).

   - 65%-owned Isla Norte Power Corporation (Isla Norte)[3] shored in a revenue contribution of Php 180.3 mn during the quarter in review from the operation of the 23.3-MW power generation facility. This was 5% higher than the revenue contribution in the same period last year.

[3] On May 19, 2022, Isla Norte Energy Corporation (INEC) and Isla Norte Power Corporation (Isla Norte) entered into a plan of merger with Isla Norte as the surviving company, and that the Securities and Exchange Commission (SEC) subsequently approved the Articles and Plan of Merger on December 29, 2022.

Retail Electricity Supply

- Corenergy showed higher RES revenue (up 132% YoY) as of end-March 2023. This strong showing was due to the increased volume sales (up by 170% YoY) and customer base.

Solar Rooftop

- 100%-owned CSSC, posted a 79% YoY expansion in its topline performance on account of improved customer base during the period in review.

- 100%-owned VSC contributed Php 1.1 mn in revenue as of end-March 2023 from Php 0.8 mn as of end-March 2022 as energy volume sales grew by 42% YoY.

- The solar rooftop component of 100%-owned Corenergy contributed revenue of Php 1.3 mn. This was a result of the commercial operations of their facilities in the second quarter of 2022.

2. Engineering service fees grew by 45% YoY to Php 23.9 mn as of end-March 2023. This was mainly attributed to higher direct costs incurred by WMP as its engineering service operations with non-related parties improved during the quarter in review. Further, Corenergy's engineering service business recorded an 85% YoY increase, mostly in depreciation expense for engineering equipment and engineering service fees to service on-going contracts with customers.

3. Operating expenses rose by 41% YoY.

The Company ended the quarter in review with a net decrease in cash, before considering the effect of changes in the foreign exchange rates, in the amount of Php 454.6 mn. This was 173% higher than the net decrease in cash as of end-March 2022 in the amount of Php 166.4 mn. Financing activities, which significantly accounted for the net decrease in cash, showed a spending of Php 179.9 mn as of end-March 2023 vis-à-vis the net cash outflows of Php 119.0 mn as of end-March 2022. The net cash flows used in investing activities in the amount of Php 110.7 mn and operating activities in the amount of Php 164.0 mn further contributed to the reduction in cash level during the quarter in review.

Operating activities showed a net cash outflow of Php 164.0 mn as of end-March 2023, which was mainly due to the rise in trade receivables (due to accrual of service fees from service level agreements with associates, and improved operations of Isla Norte, VSC, CSSC, and Corenergy). Increased prepayments (due to higher creditable withholding taxes (CWTs) and input VAT booked by the Company, VEC, Isla Norte, and Corenergy, and input VAT booked by 100%-owned Isla Mactan-Cordova Corporation (IMCC) from importation and domestic purchase of goods and services related to the development of a desalination facility), and income taxes paid further contributed to the cash outflow during the quarter in review. As of end-March 2022, the Company generated cash from operating activities in the amount of Php 145.4 mn.

Investing activities ended the quarter in review with a net cash outflow of Php 110.7 mn, which was on account of VEC's investment in a solar plant facility in Bulacan last January 2023, and development costs incurred by IMCC for the construction of a seawater desalination facility. These were offset by dividends received from VECO. This compares to the spending of Php 192.8 mn as of end-March 2022, which was mainly due to 1590 EC's advance payments to a supplier of plant spare parts and supplies and the bid bond for a property acquisition.

Financing activities as of end-March 2023 showed a net cash outflow of Php 179.9 mn, 51% higher than the net cash ouflow of Php 119.0 mn as of end-March 2022. During the quarter in review, the Company, Isla Norte, NBPC, and 90%-owned Bukidnon Power Corporation (BPC) made principal amortization payments for their respective short-term and/or long-term loans. Also, VEC's advances to an associate and finance lease payments by the Company and WMP contributed to the use of cash as of end-March 2023. These were tempered by the collection from an associate for its full payment of an interest-bearing loan from the Company, and proceeds from the short-term loan drawn by VEC in February and March 2023.

Debt-to-Equity ratio went down to 0.45x as of end-March 2023, vis-à-vis as of end-2022 level of 0.48x. While total equity increased by 4%, total liabilities was lower by 3%. The drop in total liabilities was mainly due to the principal amortization payments made by the Company, BPC, NBPC and Isla Norte, payment of trade and other payables accrued as of year-end 2022 (mostly billings for spare parts used by 1590 EC, subcontractors and supplier of materials and equipment for an on-going engineering project of WMP, fuel billings incurred by 1590 EC and Isla Norte, and billings for engineering service contracts engaged by Corenergy for its engineering solutions operations), and amortization of finance lease booked by the Company and WMP.

The Company's current ratio went up to 1.98x as of the quarter in review from year-end 2022 level of 1.87x. Current assets declined by 4%. The lower cash level as of end-March 2023, use of inventories for the operations of 1590EC, Isla Norte, BPC, and NBPC, and drop in advances from shareholders (mainly due to the collection from an associate for its full payment of an interest-bearing loan from the Company) were offset by higher trade and other receivables (due to accrual of service fees from service level agreements with associates, and improved operations of Isla Norte, VSC, CSSC, and Corenergy) and increased prepayments (due to higher CWTs and input VAT booked by the Company, VEC, Isla Norte, and Corenergy, and input VAT booked by 100%-owned IMCC from importation and domestic purchase of goods and services related to the development of a desalination facility). Meanwhile, current liabilities were 10% lower than end-2022 level. This was attributed to the principal amortization payments by the Company, BPC, and NBPC, payment of trade and other payables accrued as of year-end 2022, amortization of finance lease booked by the Company and WMP, payment made by a subsidiary to a minority shareholder for an interest-bearing loan, and payment made by another subsidiary to its minority shareholder for advances made in prior years.

Material Changes in Line Items of Registrant's Income Statement
(YTD March 2023 vs. YTD March 2022)

As of end-March 2023, the Company's total revenues amounted to Php 1.6 bn, recording a 50% YoY increase from Php 1.1 bn.

1. Sale of power declined by 4% YoY to Php 957.3 mn from Php 995.4 mn. This was mainly attributed to the 33% YoY drop in 1590EC's topline performance to Php 479.7 mn as of end-March 2023 resulting from a 62% YoY reduction in WESM sales.

   However, the revenue contraction was mitigated by the improved revenue contribution by the Company's investments in other oil-fired power plants, RES and solar rooftop businesses, as follows:

Oil-fired Power Plants

- 90%-owned NBPC brought in revenue contribution of Php 18.1 mn as of end-March 2023, 5% higher YoY, which was attributed to higher fixed fees driven by the behavior of the Philippine CPI.

- 65%-owned Isla Norte shored in a revenue contribution of Php 180.3 mn during the quarter in review from the operation of the 23.3-MW power generation facility. This was 5% higher than the revenue contribution in the same period last year.

Retail Electricity Supply

- Corenergy showed higher RES revenue (up 132% YoY) as of end-March 2023. This strong showing was due to the increased volume sales (up by 170% YoY) and customer base.

Solar Rooftop

- 100%-owned CSSC, posted a 79% YoY expansion in its topline performance on account of improved customer base during the period in review.

- 100%-owned VSC contributed Php 1.1 mn in revenue as of end-March 2023 from Php 0.8 mn as of end-March 2022 as energy volume sales grew by 42% YoY.

- The solar rooftop component of 100%-owned Corenergy contributed revenue of Php 1.3 mn. This was a result of the commercial operations of their facilities in the second quarter of 2022.

2. The Company and 100%-owned VEC booked management and service fees of Php 24.8 mn as of end-March 31, 2023 vis-à-vis nil as of end-March 31, 2022. This was due to the timely finalization of the contracts with an associate and two joint ventures, and a new service level agreement with another associate starting January 2023.

3. Engineering service income grew by 205% YoY to Php 6.8 mn. 60%-owned WMP posted revenues from a third-party engineering service contract of Php 6.1 mn during the quarter in review vis-à-vis Php 0.5 mn in the same period last year.

   On the other hand, 100%-owned Corenergy showed a 61% YoY decline in the topline performance of its engineering service operation. Corenergy did not have billable charges as services for new contracts with customers are still on-going.

4. The Company's share in net earnings of associates and joint ventures as of March 31, 2023 amounted to Php 625.0 mn, representing a 590% YoY increase from Php 90.5 mn. This was a result of the following:

   - VECO, the Company's electricity distribution utility, posted a Php 370.4 mn income contribution during the quarter in review from Php 8.6 mn as of end-March 31, 2022. This was mainly attributed to the 26% YoY increase in the volume of electricity sold. In the same period last year, the utility's electricity sales volume was severely affected by

the prolonged power outage in Cebu that resulted from the devastation caused by Typhoon Odette in December 2021.

- 40%-owned AHI saw a 54% YoY increase in income contribution to Php 110.3 mn. This was driven by the increase in profitability of its associate, CEDC. CEDC's robust performance during the quarter in review was on the back of increased dispatch on its bilateral contract (up by 37% YoY). This was tempered by reduced profit on its sale to the WESM due to a 59% YoY drop in the volume of energy sold to the spot market and higher business taxes.

- 20%-owned TVI recorded an income contribution of Php 46.0 mn as of end-March 2023, a reversal from Php 78.9 mn net loss contribution in the same period last year. This was mainly attributed to higher revenue from its WESM sales (up by 1,011% YoY) as volume of energy sold significantly increased by 276% YoY. Increased revenue from bilateral contracts (up by 43%) as volume sales rose by 19% YoY, reduced debt service and higher foreign exchange gains also contributed to the improved net income contribution during the quarter in review. However, this strong showing was offset by lower profit from RES contracts (down by 17% YoY) due to increased cost of power. In the same period last year, TVI experienced plant downtime related to Typhoon Odette.

- 40%-owned CPPC brought in Php 5.3 mn in income contribution as of end-March 2023 vis-a-vis Php 2.9 mn in net loss contribution as of end-March 2022. CPPC booked a non-recurring revenue pertaining to the collection for additional compensation on its sale of energy to the WESM. In 2022, power generation companies, including CPPC, were entitled to the additional compensation upon implementation of the secondary price cap by the IEMOP.

- 50%-owned CIPC posted an income contribution of Php 13.2 mn, recording a growth of 92% YoY. This strong showing was on the back of a 39% YoY expansion in total energy sales volume as of end-March 2023.

The above expansion in earnings contribution were tempered by the following:

- Income contribution from 50%-owned DPI went down by 67% YoY to Php 3.6 mn. The 42% YoY rise in volume of energy sold was not enough to cover for the 35% YoY increase in generation cost, and 191% YoY rise in operating expenses due to a non-recurring business tax payment.

- 40%-owned Prism Energy, a RES company, saw a 13% YoY decline in its income contribution to Php 0.6 mn as of end-March 2023. This was on account of the 58% YoY decline in the volume of energy sold, coupled with the 27% YoY drop in average selling price per kwh.

- 45%-owned FLOWS, through its 89.58%-owned subsidiary, PPWRLC, saw a 23% YoY decline in income contribution to Php 0.4 mn as of end-March 31, 2023. The accrual of interest expense for a long-term loan drawn by FLOWS in January 2023 outweighed its equity share in PPWRLC's earnings from wastewater treatment operations (up by 326% YoY).

5. Interest income increased by 390%, which was driven by higher interest rates for short-term money market placements.

Total cost of services and operating expenses as of end-March 2023 marginally went up by 2% YoY to Php 891.3 mn from Php 876.1[4] mn. Said movement can be accounted for by the following:

1. Total cost of services was lower by 7% YoY to Php 671.6 mn. This was mainly driven by the 8% YoY decline in generation cost from Php 703.7 mn to Php 647.7 mn. The decreased dispatch of 55.2%-owned 1590 EC led to lower fuel cost. Further, 100%-owned VSC posted a 29% YoY drop in direct cost due to the non-accrual of the current year's RPT. As of end-March 2022, VSC accrued the RPT for 2022 based on the computation received from the LGU at that time.

   However, contraction in cost of services was offset by the following:

   - Higher plant repairs and maintenance, and depreciation expense incurred by 1590 EC (the latter resulting from the acquisition of the BDPP in April 2022)

   - Increase in generation cost seen in 65%-owned Isla Norte on the back of a 5% YoY increase in the volume of energy sales.

   - Higher direct cost incurred by 100%-owned CSSC given the additional customers with new solar energy supply contracts (sales volume up by 519% YoY).

   - Increased volume sales (up by 170% YoY) and customer base of Corenergy's RES business led to higher cost of purchased power (up by 98% YoY). Corenergy also booked depreciation cost related to its solar rooftop business which started in the second quarter of 2022.

   Meanwhile, engineering service fees grew by 45% YoY to Php 23.9 mn as of end-March 2023. This was mainly attributed to higher direct costs incurred by WMP as its engineering service operations with non-related parties improved during the quarter in review. Further, Corenergy's engineering service business recorded an 85% YoY increase, mostly in depreciation expense for engineering equipment and engineering service fees to service on-going contracts with customers.

2. Taxes and licenses significantly grew by 132% YoY to Php 47.1 mn from Php 20.3 mn. Documentary stamp taxes were incurred for infusions made to subsidiaries to fund various power and water infrastructure projects, and short-term loans drawn by VEC.

3. Professional fees were significantly higher by 147% YoY at Php 21.6 mn This was mainly attributable to higher consultancy fees incurred for project development and organizational development during the quarter in review.

4. Management and directors' fees rose to Php 6.8 mn as of end-March 2023 from Php 2.4 mn as of end-March 2022. The increased number of board and committee meetings and higher directors' per diem accounted for the cost expansion.

[4] Reported as Php 869.1 mn in the SEC 17Q YTD March 2022 report. The change is due to finalization of the purchase price allocation under PFRS 3, Business Combination, related to its acquisition of the BPC and NBPC in May 2021.

5. Outside services grew by 32% YoY to Php 5.5 mn. This can be attributed to the increased fee for the payroll outsourcing of a subsidiary and marketing services for another subsidiary.

6. Travel expenses were higher by 59% YoY to Php 3.9 mn. This can be mainly attributed to the increased frequency of business travels for meetings with partners and stakeholders, and site visit for project development. Further to this, fuel expense for fleet cars went up as frequency of fieldwork and employees working on premise increased during the quarter in review.

7. Communication and utilities went up by 6% YoY to Php 2.7 mn. This was mainly due to higher consumption of water and electricity as a result of the increased number of employees working on premise.

8. Rent and association dues as of end-March 2023 was at Php 1.8 mn, 38% higher YoY. Increased assets rental of a subsidiary during the quarter in review mainly accounted for the cost expansion.

9. Representation expenses were lower by 39% YoY to Php 0.7 mn. This was mainly due to reduced spending during the quarter in review.

10. Other operating expenses went up to Php 29.0 mn, posting a 138% increase YoY. This was mainly due to the timing of the donation to Vivant Foundation, Inc. (VFI) and timely receipt of billings for the hosting fees of the Company's Enterprise Resource Planning (ERP). Also, the Company, through a subsidiary, incurred standby-letter-of credit (SBLC) fees for the renewal of a performance bond for the construction of a 15MW bunker-fired power plant in Pampanga.

Vivant booked Php 78.6 mn in other charges as of end-March 2023, recording an increase of 53% from Php 51.4 mn in other charges booked in the same period last year. The following account for the movement:

1. Finance costs on loans saw a 13% YoY expansion to Php 61.8 mn. Debt servicing of three subsidiaries accounted for the cost expansion. Finance cost of Isla Norte came from its short-term and long-term loans drawn in the second semester of 2022. Meanwhile, finance costs of BPC and NBPC increased by 105% YoY and 23% YoY, respectively, due to the refinancing of their long-term loans in the second quarter of 2022 which had higher loan amount and interest rate.

2. Unrealized foreign exchange loss stands at Php 21.6mn as of end-March 2023, a reversal of the unrealized foreign exchange gain of Php 9.2 mn as of end-March 2022. This pertains to the translation of the US Dollar and Euro cash balances of the Company and its subsidiaries.

The increase in other charges were offset by the following:

1. Finance costs on lease liabilities dropped by 97% YoY to Php 0.2 mn. As of end-March 2022, 1590 EC recognized finance costs on lease liability for its lease of the BDPP. In April 2022, the finance lease liability was derecognized resulting from the purchase of the BDPP. Amortization of the finance lease under PFRS 16 recognized by the Company and WMP accounted for the finance cost during the quarter in review.

2. Other income significantly rose by 206% YoY to Php 5.0 mn. This mainly pertains to CSSC's income from the lease of solar panels, one-off billing of a subsidiary for the reimbursement of

operating expenses to an associate, and reimbursement received by VEC for various operating expenses.

Taking all of the above into account, the Company recorded a total net income of Php 629.3 mn for the period ending March 31, 2023, which is 409% higher than end-March 2022's net income of Php 123.7[5] mn. Net income attributable to parent, net of the share of the minority shareholders of seven subsidiaries, amounted to Php 573.2 mn as of end-March 2023 from Php 46.8 mn as of end-March 2022.

Changes in Registrant's Consolidated Resources, Liabilities and Shareholders' Equity
(End-March 2023 vs. Year-end 2022)

The Company's total assets as of end-March 2023 amounted to Php 26.8 mn, which was marginally higher than end-2022's level of Php 26.4[6] mn. The following are the material movements in the consolidated assets of the Company during the period in review.

1. Cash and cash equivalents was reduced to Php 4.4 bn as of end-March 2023. Spending for financing activities amounting to Php 179.9 mn and operating activities amounting to Php 164.0 mn, albeit lower than the cash outflows of Php 255.7 mn as of end-2022, mainly drove the decrease in cash. Cash used for investing activities amounted to Php 110.7 mn, 93% lower than the cash outflows of Php 1.6 bn as of end-2022.

2. Trade and other receivables went up by 17% to Php 1.6 bn as of end-March 2023. This was mainly attributed to the accrual of income from service level agreements with associates, and the improved operations of Isla Norte, VSC, CSSC and Corenergy.

3. Advances to associates, joint ventures, and stockholders declined by 33% YoY to Php 196.6 mn. This was on account of the collection from an associate for the full settlement of its interest-bearing loan from the Company. An interest-bearing loan extended by VEC to an associate offset the asset reduction during the quarter in review.

4. Inventories were lower by 7% to Php 166.1 mn as of end-March 2023. This was attributed to the fuel consumption of 1590, Isla Norte, BPC and NBPC, and the use of personal protective equipment by WMP for project site safety.

5. Prepayments and other current assets were higher by 11% to Php 494.3 mn. Accrued revenue from the service level agreements of the Company and VEC, improved operations of Isla Norte and Corenergy resulted to higher CWTs and deferred input VAT. Moreover, IMCC had input VAT during the quarter in review from its importation and domestic purchase of goods and services related to the development of its seawater desalination plant.

6. Property, plant and equipment increased by 12% to Php 6.6 bn, which was mainly attributed to the take-up of the assets of newly-acquired subsidiary, San Ildefonso Alternative Energy

[5] Reported as Php 112.5 mn in the SEC 17Q YTD March 2022 report. The change is mainly due to the restatements of the financial statements as of and for the quarter ended March 31, 2022 to consider the retrospective adjustments briefly described above.
[6] Reported as Php 25.0 mn in the SEC 17Q YTD March 2022 report. The change is mainly due to the restatements of the financial statements as of and for the quarter ended March 31, 2022 to consider the retrospective adjustments briefly described above.

Corp. (SIAEC). The asset undergoing construction for a seawater desalination plant (Construction-in-Progress) of wholly-owned IMCC, and various fixed assets acquired by the Company and VEC also contributed to the asset expansion during the quarter in review.

7. Right-of-use asset (ROU) grew by 6% to Php 23.4 mn. This was on account of the renewal of WMP's long-term lease for an office space, reduced by the recurring amortization of the ROUs booked by the Company.

8. Other non-current assets amounted to Php 2.0 bn, 6% higher than end-2022's Php1.9 bn, which was mainly due to the rise in noncurrent VAT booked by 1590 EC and Isla Norte. The take-up of the input VAT of newly-acquired subsidiary, SIAEC, also contributed to the expansion of this account.

Total consolidated liabilities amounted to Php 8.3 bn as of end-March 2023, 3% lower than the end-2022 level of Php 8.5 bn, which was mainly attributed to the principal amortization payments made by the Company, Isla Norte, BPC and NBPC. Other factors include:

1. Trade and other payables declined to Php 1.3 bn as of end-March 2023 from Php 1.5 bn as of end-2022. The movement was attributable to the payment of supplier billings accrued as of year-end 2022, which mostly include billings for spare parts used by 1590 EC, subcontractors and supplier of materials and equipment for an on-going engineering project of WMP, fuel billings incurred by 1590 EC and Isla Norte, and billings for engineering service contracts engaged by Corenergy for its engineering solutions operations.

2. Advances from related parties shrank by 6% to Php 10.2 mn. This is attributed to payment made by a subsidiary to a minority shareholder for an interest-bearing loan, and payment made by another subsidiary to its minority shareholder for advances made in prior years.

The contraction in liabilities was offset by the following:

1. Short-term notes payable was 69% higher at Php 2.0 bn as of end-March 2023 from Php 1.2 bn as of end-2022. The short-term note drawn by VEC in February and March 2023 offset the drop in Isla Norte's short-term note after its full settlement during the quarter in review.

2. Income tax payable rose by 71% to Php 12.9 mn, which was attributed to the taxable earnings of Isla Norte, WMP, BPC, NBPC and rental income of 100%-owned Vivant Realty Ventures Corporation (VRVC).

3. Pension liability as of end-March 2023 was at Php 68.1 mn, a 6% increase from the end-2022 level of Php 64.2 mn. Accrual of pension expenses booked by the Company, VEC and 100%-owned Vivant Infracore Holdings Inc. (VIHI) mainly accounted for the expansion of this account.

4. Deferred income tax liabilities rose by 64% to Php 439.4 mn, which was on account of the take-up of the deferred income tax liabilities of newly acquired subsidiary, SIAEC.

As a result of net income generated, total stockholders' equity increased by 4%, from Php 17.9 bn as of year-end 2022 to Php 18.5 bn as of end-March 2023. Meanwhile, equity attributable to parent was at Php 17.1 bn as of end-March 2023, up by 3% vis-à-vis end-2022's Php 16.5[7] bn.

Material Changes in the Consolidated Liquidity and Cash Reserves of Registrant
(End-March 2023 vs. End-March 2022)

Cash and cash equivalents fell by 20% YoY, from Php 5.5 bn as of end-March 2022 to Php 4.4 bn as of end-March 2023.

The Company ended the quarter in review with a net decrease in cash, before considering the effect of changes in the foreign exchange rates, in the amount of Php 454.6 mn. This was 173% higher than the net decrease in cash as of end-March 2022 in the amount of Php 166.4 mn. Financing activities, which significantly accounted for the net decrease in cash, showed a spending of Php 179.9 mn as of end-March 2023 vis-à-vis the net cash outflows of Php 119.0 mn as of end-March 2022. The net cash flows used in investing activities in the amount of Php 110.7 mn and operating activities in the amount of Php 164.0 mn further contributed to the reduction in cash level during the quarter in review.

Operating activities showed a net cash outflow of Php 164.0 mn as of end-March 2023, which was mainly due to the rise in trade receivables (due to accrual of service fees from service level agreements with associates, and improved operations of Isla Norte, VSC, CSSC and Corenergy). Increased prepayments (due to higher CWTs and input VAT booked by the Company, VEC, Isla Norte and Corenergy, and input VAT booked by 100%-owned IMCC from importation and domestic purchase of goods and services related to the development of a desalination facility), and income taxes paid further contributed to the cash outflow during the quarter in review. As of end-March 2022, the Company generated cash from operating activities in the amount of Php 145.4 mn.

Investing activities ended the quarter in review with a net cash outflow of Php 110.7 mn, which was on account of VEC's investment in a solar plant facility in Bulacan last January 2023, and development costs incurred by IMCC for the construction of a seawater desalination facility. These were offset by dividends received from VECO. This compares to the spending of Php 192.8 mn as of end-March 2022, which was mainly due to 1590 EC's advance payments to a supplier of plant spare parts and supplies and the bid bond for a property acquisition.

Financing activities as of end-March 2023 showed a net cash outflow of Php 179.9 mn, 51% higher than the net cash ouflow of Php 119.0 mn as of end-March 2022. During the quarter in review, the Company, Isla Norte, BPC and NBPC made principal amortization payments for their respective short-term and/or long-term loans. Also, VEC's advances to an associate and finance lease payments by the Company and WMP contributed to the use of cash as of end-March 2023. These were tempered by the collection from an associate for its full payment of an interest-bearing loan from the Company, and proceeds from the short-term loan drawn by VEC in February and March 2023.

[7] Reported as Php 17.0 bn the SEC 17Q YTD March 2022 report. The change is mainly due to the restatements of the financial statements as of and for the quarter ended March 31, 2022 to consider the retrospective adjustments briefly described above.

Financial Ratios

Debt-to-Equity ratio went down to 0.45x as of end-March 2023, vis-à-vis as of end-2022 level of 0.48x. While total equity increased by 4%, total liabilities was lower by 3%. The drop in total liabilities was mainly due to the principal amortization payments made by the Company, BPC, NBPC and Isla Norte, payment of trade and other payables accrued as of year-end 2022 (mostly billings for spare parts used by 1590 EC, subcontractors and supplier of materials and equipment for an on-going engineering project of WMP, fuel billings incurred by 1590 EC and Isla Norte, and billings for engineering service contracts engaged by Corenergy for its engineering solutions operations), and amortization of finance lease booked by the Company and WMP.

The Company's current ratio went up to 1.98x as of the quarter in review from year-end 2022 level of 1.87x. Current assets declined by 4%. The lower cash level as of end-March 2023, use of inventories for the operations of 1590EC, Isla Norte, BPC, and NBPC, and drop in advances from shareholders (mainly due to the collection from an associate for its full payment of an interest-bearing loan from the Company) were offset by higher trade and other receivables (due to accrual of service fees from service level agreements with associates, and improved operations of Isla Norte, VSC, CSSC and Corenergy) and increased prepayments (due to higher CWTs and input VAT booked by the Company, VEC, Isla Norte and Corenergy, and input VAT booked by 100%-owned IMCC from importation and domestic purchase of goods and services related to the development of a desalination facility). Meanwhile, current liabilities were 10% lower than end-2022 level. This was attributed to the principal amortization payments by the Company, BPC and NBPC, payment of trade and other payables accrued as of year-end 2022, amortization of finance lease booked by the Company and WMP, and payment made by a subsidiary for an interest-bearing loan from a minority shareholder, and payment made by another subsidiary to its minority shareholder for advances made in prior years.

Material Events and Uncertainties

- Any known trends or any known demands, commitments, events or uncertainties that will result in or that are reasonably likely to result in the registrant's liquidity increasing or decreasing in any material way. The following conditions shall be indicated: whether or not the registrant is having or anticipates having within the next twelve (12) months any cash flow or liquidity problems; whether or not the registrant is in default or breach of any note, loan, lease or other indebtedness or financing arrangement requiring it to make payments; whether or not a significant amount of the registrant's trade payables have not been paid within the stated trade terms.

  The Company does not expect any liquidity problems and is not in default of any financial obligations.

- Any events that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation.

  None.

- Any material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the company with unconsolidated entities or other persons created during the reporting period.

  The Company does not have any material off-balance sheet transactions, arrangements obligations (including contingent obligations), and other relationships with unconsolidated entities or other persons created during the period in review.

- Any material commitments for capital expenditures, the general purpose of such commitments, and the expected sources of funds for such expenditures.

  The Company has projects in the pipeline, at varying degrees of development.

  POWER GENERATION

  These projects are being undertaken through wholly-owned subsidiary, VEC.

  - VMHI is a joint venture that will serve as the project proponent for the development and implementation of a greenfield power plant project, which will involve the construction and operation of a series of run-of-river hydropower facilities in Barangay Kapitan Ramon in Silay City, Negros Occidental. VMHI will implement the project in phases, where Phase 1 will involve the construction and operation of a 6 MW power plant facility along the Malogo river. The company has finalized the detailed engineering plans of the facility. Vivant, however, has decided to put the project on hold given the prevailing transmission constraint in the Negros grid, which is expected to be resolved upon the completion of the Cebu-Negros-Panay 230kV backbone project of NGCP. VEC holds an effective equity stake of 67% in VMHI.

  - CREC is the project proponent for the construction and operation of hybrid facilities to supply Culion Island with a guaranteed dependable capacity of 1.96 MW and to supply Linapacan Island with guaranteed dependable capacity of 0.358 MW. The Culion Power Station will have a configuration of 2.42 MW Diesel Genset, 2.80 MWp Solar PV and a battery storage system while the Linapacan Power Station's installed capacity will be composed of 540 kW Diesel Gensets and 325 kWp Solar PV. A Joint Application for the approval of the PSA was filed by CREC and BISELCO with the ERC on July 17, 2017, which is pending resolution. The Company, through VEC and 100%-owned Vivant Renewable Energy Corporation (VREC), has an effective ownership of 50% in CREC.

  - Global Energy Development Corporation (GLEDC) is a special purpose vehicle that was set up to undertake the construction and operation of a 2x335 MW coal fired power plant in La Union. In December 2017, Vivant, through wholly-owned subsidiary VIGC, and Global Business Power Corporation signed a Pre-Development Agreement to jointly participate in this project. The Company, through 100%-owned Vivant Integrated Generation Corporation (VIGC), has an effective ownership of 42.5% in GLEDC.

  - La Pampanga Energy Corporation is the an on-grid joint-venture between Vivant Energy and GPI to construct and operate an embedded 15MW bunker-fired power plant in Porac, Pampanga. The capacity of the embedded plant will supply the peaking power and ancillary requirements of PELCO II pursuant to the 15-year PSA awarded to Vivant Energy and GPI after

a successful conduct of CSP by PELCO II in 2020. The Company, through VEC, has an effective ownership of 50% in LPEC.

- SIAEC is the project company that will operate a solar power plant facility in San Ildefonso, Bulacan. The facility is undergoing construction with a target capacity of 22 MWp and ancillary facilities. SIAEC is targeting to start commercial operations within 2023. VEC has an effective ownership of 100% in SIAEC.

- The Company, through its subsidiaries' business development Group, continuously looks for opportunities in the power, whether it be via greenfield, brownfield or acquisition. The Company conducts an extensive evaluation process before any proposed project is undertaken. Several factors are assessed and considered, which include but not limited to, the project's land use requirements, access to the grid, fuel supply availability and arrangements, permits and licenses, competitiveness of the plant and presence of potential offtakers. The Company intends to bankroll these projects via a combination of equity (30%) and debt (70%), where debt will be booked at the project company.

WATER INFRASTRUCTURE

These projects are being undertaken through wholly-owned subsidiary, VIHI.

- In August 2020, the SEC approved the incorporation of a 100%-owned subsidiary, through VHHI, that will undertake the proposed seawater desalination project in Cordova, Cebu, and sell bulk water to its intended off-taker, the Metropolitan Cebu Water District ("MCWD"). In June 2021, VHHI was awarded by MCWD with a 25-year Joint Venture Agreement after a successful conduct of a solicited bidding for the Cordova Bulk Water Supply Project. VHHI will build a utility-scale desalination plant that will augment the bulk water supply of MCWD by twenty thousand cubic meters per day of treated and potable water. Development activities for the plant commenced in 2022.

- Vivant, through wholly-owned subsidiary, VIHI, continues to build the organization with focus on water infrastructure. Water plays a crucial role in sustainable development and it is essential, if not the most essential to all forms of life. The growth horizon of the Company focuses on developing more bulk water supply (utilizing seawater desalination technology) and expanding its waste water treatment and water solutions businesses. As it acquires more years of solid performance in the industry, it will also look into the water distribution space and transport infrastructure business.

- Any known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales or revenues or income from continuing operations should be described.

  The overall economic performance of the Philippines is a key factor in the sale of electricity. Thus, the performance of the Company, including its subsidiaries and associates, is affected by the economic state of the country.

  Given the uncontracted portion of the Company's attributable generation capacity, any movement in the spot market price of electricity could have a significant impact on the Company's overall financial performance. Spot price of electricity is mostly determined by the supply and demand situation prevailing in the market.

- Any significant elements of income or loss that did not arise from the registrant's continuing operations

  None.

- Any material changes in estimates of amounts reported in prior interim period of the current financial year and interim period of the prior financial year, respectively.

  None.

- Any seasonal aspects that had a material effect on the financial condition or results of operations

  None.

- Any material events subsequent to the end of the interim period that have not been reflected in the financial statements of the interim period

  None

PART II--OTHER INFORMATION

Other than what has been reported, no event has since occurred.

SIGNATURES

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

VIVANT CORPORATION

By:



MINUEL CARMELA N. FRANCO
Executive Vice President & Chief Corporate Officer;
Chief Finance Officer



DYAN RAMONA S. OLEGARIO
Assistant Vice President – Accounting

May 12, 2023

VIVANT CORPORATION AND SUBSIDIARIES

Unaudited Consolidated Financial Statements
As of March 31, 2023 (with Comparative Audited Consolidated Figures as of December 31, 2022) and for the Three Months Ended March 31, 2022

VIVANT CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(With Comparative Figures as of December 31, 2022)
(Amounts in Philippine Pesos)

	Notes	**March 31, 2023 (Unaudited)**	December 31, 2022 (Audited)
ASSETS			
Current Assets			
Cash and cash equivalents	1	**₱4,417,229,451**	₱4,893,357,226
Trade and other receivables	2	**1,597,996,637**	1,362,706,195
Advances to associates, joint ventures and stockholders	2	**196,557,807**	294,016,208
Inventories – at cost		**166,135,544**	177,720,556
Prepayments and other current assets	3	**494,335,440**	446,283,559
Total Current Assets		**6,872,254,879**	7,174,083,744
Noncurrent Assets			
Investments in associates and joint ventures	4	**10,439,606,713**	10,578,321,124
Property, plant and equipment	5	**6,571,287,703**	5,877,554,921
Right-of-use assets		**23,387,123**	22,112,091
Investment properties	6	**924,036,600**	924,036,600
Deferred income tax assets		**13,744,980**	13,759,370
Other noncurrent assets	7	**1,961,922,452**	1,850,135,618
Total Noncurrent Assets		**19,933,985,571**	19,265,919,724
TOTAL ASSETS		**₱26,806,240,450**	₱26,440,003,468

	Notes	March 31, 2023 (Unaudited)	December 31, 2022 (Audited)
LIABILITIES AND EQUITY			
Current Liabilities			
Trade and other payables		**₱1,349,310,650**	₱ 1,522,307,377
Short-term notes payable		**1,974,136,399**	1,170,300,000
Current portion of long-term notes payable		**111,673,346**	1,115,158,717
Current portion of lease liabilities		**11,086,280**	13,340,222
Advances from related parties		**10,191,349**	10,886,165
Income tax payable		**12,899,609**	7,528,408
Total Current Liabilities		**3,469,297,633**	3,839,520,889
Noncurrent Liabilities			
Long-term notes payable - net of current portion		**3,436,397,352**	3,508,465,451
Lease liabilities – net of current portion		**16,566,502**	13,469,730
Pension liability		**68,124,968**	64,195,472
Deferred income tax liabilities		**439,384,075**	267,362,207
Other noncurrent liabilities – net of current portion		**838,293,931**	838,293,931
Total Noncurrent Liabilities		**4,798,766,828**	4,691,786,791
Total Liabilities		**8,268,064,461**	8,531,307,680
Equity Attributable to Equity Holders of the Parent			
Capital stock	8	**1,023,456,698**	1,023,456,698
Additional paid-in capital		**8,339,452**	8,339,452
Other components of equity:			
Share in remeasurement losses on employee benefits of associates and a joint venture		**(94,016,067)**	(94,016,067)
Remeasurement gain on employee benefits		**7,123,993**	7,123,993
Unrealized valuation gain on financial assets at fair value through other comprehensive income (FVOCI)		**26,517,514**	26,517,514
Equity reserves		**(25,128,554)**	(25,128,554)
Retained earnings:			
Appropriated for business expansion		**6,820,897,482**	6,820,897,482
Unappropriated		**9,300,660,056**	8,727,306,176
Equity Attributable to Equity Holders of the Parent		**17,067,850,574**	16,494,496,694
Equity Attributable to Non-controlling Interests		**1,470,325,415**	1,414,199,094
Total Equity		**18,538,175,989**	17,908,695,788
TOTAL LIABILITIES AND EQUITY		**₱26,806,240,450**	₱26,440,003,468

See accompanying Notes to Consolidated Financial Statements.

VIVANT CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD JANUARY 1 TO MARCH 31, 2023
(With Comparative Figures for the same period in 2022)
(Amounts in Philippine Pesos)

	2023	2022 (Restated)
REVENUE		
Revenue from contracts with customers		
Sale of power	**₱957,297,940**	₱995,398,341
Management and service fees	**24,805,000**	**–**
Engineering service income	**6,815,802**	2,231,479
	988,918,742	997,629,820
Equity in net earnings of associates and joint ventures	**624,973,229**	90,542,017
Interest income	**26,657,638**	5,439,069
	1,640,549,609	1,093,610,906
COST OF SERVICES		
Generation costs	**647,663,022**	703,662,771
Engineering service fees	**23,939,257**	16,510,257
	671,602,279	720,173,028
OPERATING EXPENSES		
Salaries and employee benefits	**86,797,619**	87,094,126
Taxes and licenses	**47,120,167**	20,273,630
Professional fees	**21,558,399**	8,716,010
Depreciation and amortization	**13,638,808**	13,526,369
Management fees	**6,843,333**	2,393,333
Outside services	**5,508,288**	4,180,021
Travel	**3,949,022**	2,476,458
Communication and utilities	**2,739,401**	2,576,175
Rent and association dues	**1,837,644**	1,328,264
Representation	**725,624**	1,187,072
Other operating expenses	**28,965,963**	12,158,131
	219,684,268	155,909,589
INCOME FROM OPERATIONS	**749,263,062**	217,528,289
OTHER INCOME (CHARGES)		
Finance costs on loans	**(61,800,487)**	(54,625,155)
Foreign exchange gain (loss) – net	**(21,571,354)**	9,156,834
Finance costs on lease liabilities	**(208,990)**	(7,540,294)
Other income - net	**5,010,197**	1,636,346
	(78,570,634)	(51,372,269)
INCOME BEFORE INCOME TAX	**670,692,428**	166,156,020
PROVISION FOR INCOME TAX	**41,364,982**	42,486,081
NET INCOME	**629,327,446**	123,669,939
OTHER COMPREHENSIVE INCOME	**–**	**–**
TOTAL COMPREHENSIVE INCOME	**₱629,327,446**	₱123,669,939
NET INCOME ATTRIBUTABLE TO:		
Equity holders of the Parent	**573,201,125**	₱46,834,490
Non-controlling interests	**56,126,321**	76,835,449
	₱629,327,446	₱123,669,939
Basic and diluted earnings per share, for net income for the year attributable to equity holders of the Parent (see Note 9)	**₱0.560**	₱0.046

See accompanying Notes to Consolidated Financial Statements.

VIVANT CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE QUARTER ENDED MARCH 31, 2023
(With Comparative Figures for the same period in 2022)
(Amounts in Philippine Pesos)

	2023	2022(Restated)
REVENUE		
Revenue from contracts with customers		
Sale of power	**₱957,297,940**	₱995,398,341
Management and service fees	**24,805,000**	
Engineering service income	**6,815,802**	2,231,479
	988,918,742	997,629,820
Equity in net earnings of associates and joint ventures	**624,973,229**	90,542,017
Interest income	**26,657,638**	5,439,069
	1,640,549,609	1,093,610,906
COST OF SERVICES		
Generation costs	**647,663,022**	703,662,771
Engineering service fees	**23,939,257**	16,510,257
	671,602,279	720,173,028
OPERATING EXPENSES		
Salaries and employee benefits	**86,797,619**	87,094,126
Taxes and licenses	**47,120,167**	20,273,630
Professional fees	**21,558,399**	8,716,010
Depreciation and amortization	**13,638,808**	13,526,369
Management fees	**6,843,333**	2,393,333
Outside services	**5,508,288**	4,180,021
Travel	**3,949,022**	2,476,458
Communication and utilities	**2,739,401**	2,576,175
Rent and association dues	**1,837,644**	1,328,264
Representation	**725,624**	1,187,072
Other operating expenses	**28,965,963**	12,158,131
	219,684,268	155,909,589
INCOME FROM OPERATIONS	**749,263,062**	217,528,289
OTHER INCOME (CHARGES)		
Finance costs on loans	**(61,800,487)**	(54,625,155)
Foreign exchange gain (loss) – net	**(21,571,354)**	9,156,834
Finance costs on lease liabilities	**(208,990)**	(7,540,294)
Other income - net	**5,010,197**	1,636,346
	(78,570,634)	(51,372,269)
INCOME BEFORE INCOME TAX	**670,692,428**	166,156,020
PROVISION FOR INCOME TAX/(BENEFIT)	**41,364,982**	42,486,081
NET INCOME	**629,327,446**	123,669,939
OTHER COMPREHENSIVE INCOME	**–**	**–**
TOTAL COMPREHENSIVE INCOME	**₱629,327,446**	₱123,669,939
NET INCOME ATTRIBUTABLE TO:		
Equity holders of the Parent	**573,201,125**	₱46,834,490
Non-controlling interests	**56,126,321**	76,835,449
	₱629,327,446	₱123,669,939
Basic and diluted earnings per share, for net income for the year attributable to equity holders of the Parent (see Note 9)	**₱0.560**	₱0.046

See accompanying Notes to Consolidated Financial Statements.

VIVANT CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE PERIOD ENDED MARCH 31, 2023
(With Comparative Figures for the same period in 2022)
(Amounts in Philippine Pesos)

	Attributable to Equity Holders of the Parent											
								Retained Earnings				
	Capital Stock	Additional Paid-in Capital	Share in Revaluation Increment of an Associate	Remeasurement Losses on Employee Benefits	Share in Remeasurement Losses on Employee Benefits of Associates and a Joint Venture	Unrealized Valuation Gain on Financial Assets at FVOCI	Equity Reserves	Appropriated	Unappropriated	Total	Equity Attributable to Non-Controlling Interests	Total Equity
Balances at January 1, 2023	**₱1,023,456,698**	**₱8,339,452**	**₱–**	**₱7,123,993**	**(₱94,016,067)**	**₱26,517,514**	**(₱25,128,554)**	**₱6,820,897,482**	**₱8,727,306,176**	**₱16,494,496,694**	**₱1,414,199,094**	**₱17,908,695,788**
Total comprehensive income (loss)	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**573,201,125**	**573,201,125**	**56,126,321**	**629,327,446**
Acquisition of a new subsidiary	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**35,179**	**35,179**	**–**	**35,179**
Cumulative translation adjustment of a subsidiary	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**117,576**	**117,576**	**–**	**117,576**
Balances at March 31, 2023	**₱1,023,456,698**	**₱8,339,452**	**₱–**	**₱7,123,993**	**(₱94,016,067)**	**₱26,517,514**	**(₱25,128,554)**	**₱6,820,897,482**	**₱9,300,660,056**	**₱17,067,850,574**	**₱1,470,325,415**	**₱18,538,175,989**
Balances at January 1, 2022 (Restated)	₱1,023,456,698	₱8,339,452	₱–	(₱56,940)	(₱94,016,067)	₱4,643,039	(₱25,128,554)	₱6,198,363,882	₱8,198,858,365	₱15,314,459,875	₱1,062,833,603	₱16,377,293,478
Total comprehensive income (loss)	–	–	–	–	–	–	–	–	46,834,490	46,834,490	77,835,449	124,669,939
Additional investments of non-controlling Interests of a subsidiary	–	–	–	–	–	–	–	–	–	–	3,656,150	3,656,150
Balances at March 31 2022	₱1,023,456,698	₱8,339,452	₱–	(₱56,940)	(₱94,016,067)	₱4,643,039	(₱25,128,554)	₱6,198,363,882	₱8,245,692,855	₱15,361,294,365	₱1,144,325,202	₱16,505,619,567

See accompanying Notes to Consolidated Financial Statements.

VIVANT CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED MARCH 31, 2023
(With Comparative Figures for the same period in 2022)
(Amounts in Philippine Pesos)

	Notes	**2023**	2022(Restated)
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax		**₱670,692,428**	₱166,156,020
Adjustments for:			
Equity in net earnings of associates and joint ventures		**(624,973,229)**	(90,542,017)
Depreciation and amortization		**103,613,248**	118,316,281
Finance costs on loans		**61,800,487**	54,625,155
Interest income		**(26,657,638)**	(5,439,070)
Unrealized foreign exchange losses (gains)		**21,571,354**	(9,156,834)
Pension expense		**3,929,497**	7,481,933
Finance costs on lease liabilities		**208,990**	7,540,294
Operating income before working capital changes		**210,185,137**	248,981,762
Decrease (increase) in:			
Trade and other receivables	2	**(238,970,930)**	(28,088,939)
Inventories		**11,585,013**	(11,542,840)
Prepayments and other current assets	3	**(48,051,880)**	15,496,955
Decrease in trade and other payables		**(7,895,364)**	(11,259,807)
Net cash generated from operations		**(73,148,024)**	213,587,131
Interest paid		**(53,133,938)**	(57,017,456)
Income taxes paid		**(37,725,436)**	(11,186,059)
Net cash flows from (used in) operating activities		**(164,007,398)**	145,383,616

	Notes	2023	2022
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to property, plant, and equipment	5	**(787,300,066)**	(81,319,592)
Dividends received from associates and joint ventures		**763,687,641**	23,880,000
(Increase)/Decrease in other noncurrent assets		**(117,229,111)**	(114,090,690)
Interest received		**30,366,552**	6,110,614
Increase in intangible asset		**(189,957)**	–
Advances to suppliers on purchase of fixed assets		**–**	(26,965,139)
Additional investments and advances to associates and joint ventures	4	**–**	(400,000)
Net cash flows used in investing activities		**(110,664,941)**	(192,784,807)
CASH FLOWS FROM FINANCING ACTIVITIES			
Payments of:			
Loans		**(1,119,717,071)**	(63,409,368)
Lease liabilities		**(4,930,595)**	(58,268,599)
Cash dividends		**–**	(855,000)
Proceeds from loans		**848,000,000**	–
Net proceeds (payments) of advances from related parties		**96,763,584**	(104,900)
Additional investments and deposits for future stock subscription of non-controlling interest of a subsidiary		**–**	3,656,150
Net cash flows used in financing activities		**(179,884,082)**	(118,981,717)
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(454,556,421)**	(166,382,908)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		**(21,571,354)**	9,156,834
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD			
Cash and cash equivalents		**4,893,357,226**	5,650,024,939
Restricted cash		**2,003,119**	2,003,311
		4,895,360,345	5,652,028,250
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD			
Cash and cash equivalents		**4,417,229,451**	5,492,798,866
Restricted cash		**2,003,119**	2,003,119
		₱4,419,232,570	₱5,494,801,985

See accompanying Notes to Consolidated Financial Statements.

1. Cash and Cash Equivalents

This account consists of:

	March 31, 2023	December 31, 2022
Cash on hand and in banks	**₱1,329,174,333**	₱1,901,784,675
Short-term investments	**3,088,055,118**	2,991,572,551
	₱4,417,229,451	₱4,893,357,226

2. Trade and Other Receivables and Advances to Associates, Joint Ventures and Stockholders

This account consists of:

	March 31, 2023	December 31, 2022
Trade receivables	**₱1,515,203,333**	₱1,270,727,568
Advances to officers and employees	**9,837,238**	6,364,939
Dividend receivable	**7,760,000**	7,760,000
Accrued interest	**6,575,937**	10,279,936
Accounts receivable	**2,207,680**	11,161,303
Others	**98,406,472**	98,406,472
	1,639,990,660	1,404,700,218
Less allowance for impairment loss	**41,994,023**	41,994,023
	1,597,996,637	₱1,362,706,195
Advances to associates, joint ventures and stockholders	**₱196,557,807**	₱294,016,208

2.1 Aging of Trade and Other Receivables

	March 31, 2023				December 31, 2022			
	0-30 DAYS	**31-60 DAYS**	**OVER 60 DAYS**	**TOTAL**	0-30 DAYS	31-60 DAYS	OVER 60 DAYS	TOTAL
Trade receivables, advances, and other current receivables	**₱936,523,073**	**₱136,654,222**	**₱566,813,365**	**₱1,639,990,660**	₱944,608,676	₱18,724,303	₱441,367,239	₱1,404,700,218
Less: Allowance for impairment loss			**41,994,023**	**41,994,023**			41,994,023	41,994,023
	₱936,523,073	**₱136,654,222**	**₱524,819,342**	**₱1,597,996,637**	₱944,608,676	₱18,724,303	₱399,373,216	₱1,362,706,195

3. Prepayments and Other Current Assets

The composition of this account is shown below:

	March 31, 2023	December 31, 2022
Input VAT - current	**194,254,823**	₱167,475,443
Advances to suppliers and other parties	**135,279,599**	107,751,455
Prepaid expenses	**118,141,966**	74,809,857
Creditable withholding taxes - current	**17,995,296**	63,489,165
Others	**28,663,756**	32,757,639
	494,335,440	₱446,283,559

4. Investments in Associates and Joint Ventures

The Company's associates and joint ventures, which are all incorporated in the Philippines, and the corresponding equity ownership as of March 31, 2023 follow:

		Percentage of Ownership	
	Nature of Business	**2023**	2022
Associates:			
Visayan Electric Company, Inc. (VECO)	Power distribution	**34.81**	34.81
Lunar Power Core Inc. (LPCI)	Power generation	**42.50**	42.50
Global Luzon Energy Development Corporation (GLEDC)	Power generation	**42.50**	42.50
Cebu Private Power Corporation (CPPC)	Power generation	**40.00**	40.00
Prism Energy Inc (Prism Energy)	Power generation	**40.00**	40.00
Abovant Holdings Inc. (AHI)	Holding company	**40.00**	40.00
Minergy Power Corporation (MPC)	Power generation	**40.00**	40.00
Therma Visayas Inc. (TVI)	Power generation	**20.00**	20.00
Culna Renewable Energy Corp. (CREC)	Power generation	**35.00**	35.00
Lihangin Wind Energy Corporation (LWEC)	Power generation	**40.00**	40.00
Faith Lived Out Visions 2 Ventures Holdings, Inc. (FLOWS)	Holding company	**45.00**	45.00
Puerto Princesa Water Reclamation and Learning Center, Inc. (PPWRLC)	Sewage and septage facility	**40.31**	40.31
Joint ventures:			
Calamian Islands Power Corp. (CIPC)	Power generation	**50.00**	50.00
Delta P, Inc. (DPI)	Power generation	**50.00**	50.00
La Pampanga Energy Corp. (LPEC)	Power generation	**50.00**	50.00

The components of the carrying values of investments in associates and joint ventures are as follows:

	March 31, 2023	December 31, 2022
Investment in VECO:		
Acquisition Cost	**₱840,393,111**	₱840,393,111
Accumulated Equity Earnings-net	**276,036,329**	669,317,641
Carrying Value	**1,116,429,440**	1,509,710,752
Investment in LPCI:		
Acquisition Cost	**114,750,000**	114,750,000
Accumulated Equity Earnings-net	**(700,494)**	(693,921)
Carrying Value	**114,049,506**	114,056,079
Investment in GLEDC:		
Acquisition Cost	**-**	-
Accumulated Equity Earnings-net	**(41,539,211)**	(41,416,442)
Carrying Value	**(41,539,211)**	(41,416,442)
Investment in CPPC:		
Acquisition Cost	**305,119,049**	305,119,049
Accumulated Equity Earnings-net	**(137,039,427)**	(142,343,811)
Carrying Value	**168,079,622**	162,775,238
Investment in Prism Energy:		
Acquisition Cost	**8,432,400**	8,432,400
Accumulated Equity Earnings-net	**26,832,332**	26,278,011
Carrying Value	**35,264,732**	34,710,411
Investment in AHI:		
Acquisition Cost	**976,784,699**	976,784,699
Accumulated Equity Earnings-net	**683,410,662**	573,074,739
Carrying Value	**1,660,195,361**	1,549,859,438
Investment in MPC:		
Acquisition Cost	**2,756,240,000**	2,756,240,000
Accumulated Equity Earnings-net	**867,210,313**	791,763,365
Carrying Value	**3,623,450,313**	3,548,003,365
Investment in TVI:		
Acquisition Cost	**2,155,304,701**	2,155,304,701
Accumulated Equity Earnings-net	**895,869,427**	849,863,336
Carrying Value	**3,051,174,128**	3,005,168,037
Investment in CREC:		
Acquisition Cost	**17,468,952**	17,468,952
Accumulated Equity Earnings-net	**(841,626)**	(841,626)
Carrying Value	**16,627,326**	16,627,326

	March 31, 2023	December 31, 2022
Investment in LWEC:		
Acquisition Cost	**₱83,330,910**	83,330,910
Accumulated Equity Earnings-net	**(7,990,022)**	(8,004,996)
Carrying Value	**75,340,888**	75,325,914
Investment in FLOWS:		
Acquisition Cost	**65,000,000**	65,000,000
Accumulated Equity Earnings-net	**(11,948,896)**	(10,190,092)
Carrying Value	**53,051,104**	54,809,908
Investment in PPWRLC:		
Acquisition Cost	**-**	-
Accumulated Equity Earnings-net	**16,075,024**	13,939,003
Carrying Value	**16,075,024**	13,939,003
Investment in CIPC:		
Acquisition Cost	**102,097,169**	102,097,169
Accumulated Equity Earnings-net	**122,562,966**	109,382,016
Carrying Value	**224,660,135**	211,479,185
Investment in DPI:		
Acquisition Cost	**235,261,426**	235,261,426
Accumulated Equity Earnings-net	**54,308,740**	50,729,574
Carrying Value	**289,570,166**	285,991,000
Investment in LPEC:		
Acquisition Cost	**40,616,354**	40,616,354
Accumulated Equity Earnings-net	**(3,438,175)**	(3,334,444)
Carrying Value	**37,178,179**	37,281,910
Total Carrying Value of Investments	**₱10,439,606,713**	₱10,578,321,124

5. Property, Plant and Equipment

Property, plant and equipment consists of the following major classifications:

	March 31, 2023								
	Land	Plant Machineries and Equipment	Condominium Units, Building and Improvements	Transportation Equipment	Office Furniture, Fixtures and Equipment	Tools and Other Assets	Leasehold and Land Improvements	Construction in Progress	Total
Cost									
At January 1	**₱494,239,355**	**₱3,924,340,981**	**₱177,839,711**	**₱98,667,326**	**₱108,398,180**	**₱184,912,042**	**₱94,500,050**	**₱1,678,110,000**	**₱6,761,007,645**
Additions	**611,613,000**	**–**	**–**	**10,997,079**	**545,049**	**2,403,682**	**–**	**161,741,256**	**787,300,066**
Disposal	**–**	**–**	**–**	**–**	**(39,554)**	**–**	**–**	**–**	**(39,554)**
At March 31	**1,105,852,355**	**3,924,340,981**	**177,839,711**	**109,664,405**	**108,903,675**	**187,315,724**	**94,500,050**	**1,816,238,831**	**7,548,268,157**
Accumulated Depreciation and Amortization									
At January 1	**–**	**610,754,536**	**39,182,672**	**55,571,602**	**84,287,340**	**36,435,663**	**57,220,911**	**–**	**883,452,724**
Depreciation	**–**	**80,742,229**	**1,800,218**	**1,575,469**	**2,752,167**	**3,439,435**	**3,218,212**	**–**	**93,527,730**
At March 31	**–**	**691,496,765**	**40,982,890**	**57,147,071**	**87,039,507**	**39,875,098**	**60,439,123**	**–**	**976,980,454**
Net Book Value	**₱1,105,852,355**	**₱3,232,844,216**	**₱136,856,821**	**₱52,517,334**	**₱21,864,168**	**₱147,440,626**	**₱34,060,927**	**₱1,816,238,831**	**₱6,571,287,703**

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	December 31, 2022								
	Land	Plant Machineries and Equipment	Condominium Units, Building and Improvements	Transportation Equipment	Office Furniture, Fixtures and Equipment	Tools and Other Assets	Leasehold and Land Improvements	Construction in Progress	Total
Cost									
At January 1	₱54,373,755	₱862,964,932	₱177,839,711	₱86,101,718	₱95,928,795	₱125,320,911	₱94,485,818	₱2,444,944,422	₱3,941,960,062
Additions	439,865,600	1,718,906,610	–	17,089,554	13,042,459	4,470,209	14,232	639,238,082	2,832,626,746
Reclassification	–	1,342,469,439	–	–	–	55,120,922	8,482,143	(1,406,072,504)	–
Disposal	–	–	–	(4,523,946)	(573,074)	–	(8,482,143)	–	(13,579,163)
At December 31	494,239,355	3,924,340,981	177,839,711	98,667,326	108,398,180	184,912,042	94,500,050	1,678,110,000	6,761,007,645
Accumulated Depreciation and Amortization									
At January 1	–	344,018,341	29,593,705	46,203,515	72,049,933	26,564,826	43,861,135	–	562,291,455
Depreciation	–	266,736,195	9,588,967	12,570,939	12,810,462	9,870,837	13,359,776	–	324,937,176
Disposal	–	–	–	(3,202,852)	(573,055)	–	–	–	(3,775,907)
At December 31	–	610,754,536	39,182,672	55,571,602	84,287,340	36,435,663	57,220,911	–	883,452,724
Net Book Value	₱494,239,355	₱3,313,586,445	₱138,657,039	₱43,095,724	₱24,110,840	₱148,476,379	₱37,279,139	₱1,678,110,000	₱5,877,554,921

6. Investment Properties

	March 31, 2023	December 31, 2022
Land		
Cost	**₱898,590,867**	₱898,590,867
Condominium Units		
Cost	**₱25,445,733**	25,445,733
Total Investment Properties	**₱924,036,600**	₱924,036,600

Some of the Company's investment properties are leased out to outside parties to earn rental income, for a lease period of three years. Total rental income amounting to Php 0.4 mn and Php 0.6 mn as of end-March 2023 and end-March 2022, respectively, were recorded as part of "Other income" in the consolidated statements of comprehensive income.

In 2022, an appraisal was performed on the Company's investment properties which resulted to an increase in the fair value amounting to Php 60.4 mn.

Direct costs pertain to real property taxes amounting to Php 1.1 mn and Php 1.1 mn as of end- March 2023 and 2022, respectively, are included under "Taxes and licenses" account in the consolidated statements of comprehensive income.

The Company has no restrictions on the realizability of its investment properties and no contractual obligations to purchase, construct, or develop investment properties.

7. Other Noncurrent Assets

The details of this account are shown below:

	March 31, 2023	December 31, 2022
Advances to suppliers and other parties	**₱698,308,703**	₱698,308,703
Financial assets at FVOCI	**397,734,676**	397,734,676
Input VAT - noncurrent	**267,462,150**	162,048,494
Creditable withholding taxes - noncurrent	**230,311,272**	241,934,712
Customer contracts	**194,435,641**	199,760,084
Goodwill	**129,843,626**	129,843,626
Software cost – net	**862,051**	843,053
Others - net of allowance for impairment loss of Php 46.01 mn	**42,964,333**	19,662,270
	1,961,922,452	₱1,850,135,618

8. Capital Stock

The details of the capital stock account are as follows:

	March 31, 2023	December 31, 2022
Authorized Capital Stock – ₱1.00 par value		
Authorized - 2,000,000	**₱2,000,000,000**	₱2,000,000,000
Issued – 1,023,456,698 shares	**1,023,456,698**	1,023,456,698

9. Earnings Per Share (EPS)

The financial information pertinent to the derivation of earnings per share follows:

	March 31, 2023	December 31, 2022
Net income attributable to the shareholders of the Parent company	**₱573,201,125**	₱1,595,263,961
Weighted average number of outstanding common shares	**1,023,456,698**	1,023,456,698
Basic EPS	**₱0.560**	₱1.559

10. OTHER DISCLOSURES

The accompanying financial statements have been prepared in accordance with Philippine Financial Reporting Standards (PFRS).

The principal accounting policies and methods of computation used in the annual financial statements were also followed in the preparation of the interim financial statements.

There are no significant changes in estimates in amounts reported in prior financial years that have a material effect in the current interim period.

There are no material events subsequent to the end of the interim period that has not been reflected in the financial statements for the interim period.

There are no material contingencies, events or transactions that are material to an understanding of the current interim period.

Vivant Corporation issued an FRCN last January 27, 2021 with a total size of Php 3.0 bn. Proceeds from the issue were used to partially refinance the balloon payment on the then maturing 7-year FRCN last February 2021 and for general corporate purposes.

The FRCN issue was done in two tranches. The first tranche of notes amounting to Php 1.0 bn and the second tranche of notes amounting to Php 2.0 bn were issued at an interest rate of 3.4510% per annum (p.a.) and 4.3000% p.a., respectively. The first tranche is for a term of two years and payable on January 27, 2023 while the second tranche is for a term of five years and will mature on January 27, 2026 with

principal payment of Php 50.0 mn for the first four years and a balloon payment of Php 1.8 bn on maturity. Vivant Corporation paid the first principal payment of Php 50.0 mn on January 27, 2022.

The first tranche of the notes amounting to Php 1.0 bn matured and was fully paid on January 27, 2023. On the same date, Vivant Corporation made a principal payment of Php 50.0 mn on the second tranche.

The issue was fully subscribed by a consortium of local financial institutions composed of Metropolitan Bank and Trust Company, Land Bank of the Philippines, Robinsons Bank Corporation and BDO Unibank Inc. – Trust and Investment Group as Investment Manager for BDO Life Assurance Company, Inc. and BDO Retirement Fund.

The Company is not required to disclose segment information in its interim financial statements.

There have been no changes in the composition of the issuer during the interim period, including business combinations, acquisition or disposal of subsidiaries and long-term investments, restructurings, and discontinuing operations.

The Company has no contingent liabilities or contingent assets since the last annual balance sheet date.

Financial Instruments and Financial Risk Management

The Company and its subsidiaries (the "Group") are exposed to a variety of financial risks which resulted from its operating and investing activities. The Group focuses on actively securing its short-to-medium term cash flows by minimizing the exposure to financial markets.

The Group does not actively engage in the trading of financial assets for speculative purposes nor does it write options. The most significant financial risks to which the Group is exposed to are described below.

Credit Risk

Credit Risk represents the risk of loss the Group would incur if counterparties fail to perform their contractual obligations. The Group's credit risk arises principally from its receivables.

Generally, the maximum credit risk exposure of financial assets is their carrying amount as shown in the balance sheets. Credit risk, therefore, is only disclosed in circumstances where the maximum potential loss differs significantly from the financial asset's carrying amount. The Group's receivables are actively monitored to avoid significant concentrations of credit risk. Please refer to the Note 2.1 of the Notes to the interim Financial Statements as of March 31, 2023 or the aging analysis of the Group's receivables.

Liquidity Risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due.

The Group monitors and maintains a level of cash deemed adequate by management to finance its operations and mitigate the effects of fluctuations in cash flows. Additional short-term funding is obtained from related party advances and short-term loans, when necessary.

Foreign Currency Risk

The Group is exposed to foreign currency risk on transactions that are denominated in currencies other than the Philippine Peso (PHP), which are United States Dollar (USD) and European Euro (€).

The Group's exposure to foreign currency risk based on amounts is as follows:

	March 31, 2023
Loan Receivables	USD –
Trade Receivables	USD –
Cash	USD 3,587,957
	Euro 753,888
Trade Payables	USD –
	Euro –
Gross Exposure	USD 3,587,957
	Euro 753,888

The average exchange rates for the quarter ended March 31, 2023 are as follows:

US Dollar-Philippine Peso	US$1 = Php 54.86
Euro-Philippine Peso	Eu€1 = Php 59.37

The exchange rates applicable as of March 31, 2023 are the following:

US Dollar-Philippine Peso	US$1 = Php 54.43
Euro-Philippine Peso	Eu€1 = Php 58.88

Sensitivity Analysis

A 10% strengthening of the Philippine Peso against US Dollar and European Euro as of March 31, 2023 would have decreased equity and profit by Php 24.0 mn. A 10% weakening of the Philippine Peso against the US Dollar and European Euro as of March 31, 2023 would have an equal but opposite effect, on the basis that all other variables remain constant.

The Group absorbs the risk and favorable and unfavorable exchange rate movement as they arise.

The Company neither issues nor invests in complex securities, particularly on derivatives.

The Company does not have investments in foreign securities.

The carrying values of cash and cash equivalents, receivables, trade, and other payables approximate their fair values due to short-term maturity of these instruments.

The Company has minimal financial instruments in the form of available for sale shares of stock which are traded in the market. These financial instruments are however not traded actively.

EXHIBIT "J"

Gwen Dela Rosa

From: ICTD Submission <ictdsubmission+canned.response@sec.gov.ph> on behalf of ICTD Submission
Sent: Monday, May 30, 2022 4:34 PM
To: legal.admin@vivant.com.ph
Subject: Re: Vivant Corporation_SEC Form I-ACGR_30May2022

Your report/document has been SUCCESSFULLY ACCEPTED by ICTD.
(Subject to Verification and Review of the Quality of the Attached Document)
Official copy of the submitted document/report with Barcode Page (Confirmation Receipt) will be made available after 15 days from receipt through the SEC Express System at the SEC website at www.sec.gov.ph

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NOTICE

Please be informed that pursuant to SEC Memorandum Circular No. 3, series of 2021, scanned copies of the printed reports with wet signature and proper notarization shall be filed in PORTABLE DOCUMENT FORMAT (PDF) **Secondary Reports** such as: 17-A, 17-C, 17-L, 17-Q, ICASR, 23-A, 23-B, I-ACGR, Monthly Reports, Quarterly Reports, Letters, through email at

ictdsubmission@sec.gov.ph

Note: All submissions through this email are no longer required to submit the hard copy thru mail, eFAST/OST or over- the- counter.

For those applications that require payment of filing fees, these still need to be filed and sent via email with the SEC RESPECTIVE OPERATING DEPARTMENT.

Further, note that other reports shall be filed thru the **ONLINE SUBMISSION TOOL (OST)** such as:
AFS, GIS, GFFS, LCFS, LCIF, FCFS. FCIF, IHFS, BDFS, PHFS etc. ANO, ANHAM, FS-PARENT, FS-CONSOLIDATED, OPC_AO, AFS WITH NSPO FORM 1,2,3 AND 4,5,6, AFS WITH NSPO FORM 1,2,3 (FOUNDATIONS)

FOR MC28, please email to:

https://apps010.sec.gov.ph

For your information and guidance.

Thank you and keep safe.

SEC FORM – I-ACGR

INTEGRATED ANNUAL CORPORATE GOVERNANCE REPORT

GENERAL INSTRUCTIONS

A. Use of Form I-ACGR

This SEC Form shall be used as a tool to disclose Publicly-Listed Companies' compliance/non-compliance with the recommendations provided under the Code of Corporate Governance for Publicly-Listed Companies, which follows the "comply or explain" approach, and for harmonizing the corporate governance reportorial requirements of the SEC and the Philippine Stock Exchange (PSE).

B. Preparation of Report

These general instructions are not to be filed with the report. The report shall contain the numbers and captions of all items.

The I-ACGR has four columns, arranged as follows:

RECOMMENDED CG PRACTICE/POLICY	COMPLIANT/ NON-COMPLIANT	ADDITIONAL INFORMATION	EXPLANATION
Contains CG Practices/ Policies, labelled as follows: (1) **"Recommendations" –** derived from the CG Code for PLCs; (2) **"Supplement to Recommendation" –** derived from the PSE CG Guidelines for Listed Companies; (3) **"Additional Recommendations"** – CG Practices not found in the CG Code for PLCs and PSE CG Guidelines but are expected already of PLCs; and (4) **"Optional Recommendation"** – practices taken from the ASEAN Corporate Governance Scorecard	The company shall **indicate compliance or non-compliance** with the recommended practice.	The company shall provide additional information to **support their compliance** with the recommended CG practice	The PLCs shall **provide the explanations for any non-compliance,** pursuant to the "comply or explain" approach. Please note that the explanation given should describe the non-compliance and include **how the overall Principle being recommended is still being achieved** by the company. ***"Not Applicable" or "None" shall not be considered as**

***Items under (1) – (3) must be answered/disclosed by the PLCs following the "comply or explain" approach. Answering of items under (4) are left to the discretion of PLCs.**			**sufficient explanation**

C. Signature and Filing of the Report

a. Three (3) copies of a fully accomplished I-ACGR shall be filed with the Main Office of the Commission **on or before May 30 of the following year for every year that the company remains listed in the PSE;**

b. At least one (1) complete copy of the I-ACGR shall be duly notarized and shall bear **original and manual** signatures

c. The I-ACGR shall be signed under oath by: (1) Chairman of the Board; (2) Chief Executive Officer or President; (3) All Independent Directors; (4) Compliance Officer; and (5) Corporate Secretary.

d. The I-ACGR shall cover all relevant information from January to December of the given year.

e. All reports shall comply with the full disclosure requirements of the Securities Regulation Code.

SEC FORM – I-ACGR

INTEGRATED ANNUAL CORPORATE GOVERNANCE REPORT

1. For the fiscal year ended **2021**

2. SEC Identification Number **175222**

3. BIR Tax Identification No. **242-603-734-000**

4. Exact name of issuer as specified in its charter **VIVANT CORPORATION**

5. **Mandaluyong City** (SEC Use Only)
   Province, Country or other jurisdiction of incorporation or organization

6. Industry Classification Code:

7. **9th Floor, Oakridge IT Center 3, Oakridge Business Park, A.S. Fortuna Street, Brgy. Banilad, Mandaue City, Cebu** **6014**
   Address of principal office Postal Code

8. **(032) 234-2256; (032) 234-2285**
   Issuer's telephone number, including area code

9. **Not applicable.**
   Former name, former address, and former fiscal year, if changed since last report.

The I-ACGR shall be signed under oath by: (1) Chairman of the Board; (2) Chief Executive Officer or President; (3) All Independent Directors; (4) Compliance Officer; and (5) Corporate Secretary.

Pursuant to the requirement of the Securities and Exchange Commission, this Annual Corporate Governance Report is signed on behalf of the registrant by the undersigned, thereunto duly authorized, in the Makati City on 26 MAY 2022

SIGNATURES

RAMONTITO E. GARCIA		**ARLO ANGELO G. SARMIENTO**
Chairman		Chief Executive Officer
JOSE CARLITOS G. CRUZ		**JOSE M. LAYUG, JR.**
Independent Director		Independent Director
CARMELO MARIA LUZA BAUTISTA		**ROGELIO Q. LIM**
Independent Director		Independent Director
JESS ANTHONY N. GARCIA		**MINUEL CARMELA N. FRANCO**
Corporate Secretary		Compliance Officer

SUBSCRIBED AND SWORN to before me this 26 MAY 2022 day of _____ 2022, affiant(s) exhibiting to me their _____, as follows:

NAME/NO.	PASSPORT NO.	DATE OF EXPIRY/PLACE OF ISSUE
Jose Carlitos G. Cruz	P6593678A	March 27, 2028/DFA Manila
Jose M. Layug, Jr.	Driver's License No. N01-88-073404	February 19, 2023 / LTO Manila
Carmelo Maria L. Bautista	P7256366A	May 20, 2028/DFA NCR South

Doc No. 37
Page No. 8
Book No. I
Series of 2022.

MA. ROFIL E. CARPESO
Notary Public for Makati City
Appointment No. M-092 (R) (2022-2023)
Roll No. 71006; IBP No. 196109 / 04-Jan-2022 / Makati City
PTR No. 8873378 / 20-Jan-2022 / Makati City
MCLE Compliance No. VII-0014625 / 06/04/2022
3rd Floor, La Paz Centre Building Salcedo
corner V.A. Rufino Street Legaspi Village,
Makati City

The I-ACGR shall be signed under oath by: (1) Chairman of the Board; (2) Chief Executive Officer or President; (3) All Independent Directors; (4) Compliance Officer; and (5) Corporate Secretary.

Pursuant to the requirement of the Securities and Exchange Commission, this Annual Corporate Governance Report is signed on behalf of the registrant by the undersigned, thereunto duly authorized, in the _____ on _____.

SIGNATURES

RAMONITO E. GARCIA Chairman		**ARLO ANGELO G. SARMIENTO** Chief Executive Officer
JOSE CARLITOS G. CRUZ Independent Director		**JOSE M. LAYUG, JR.** Independent Director
CARMELO MARIA LUZA BAUTISTA Independent Director		**ROGELIO Q. LIM** Independent Director
JESS ANTHONY N. GARCIA Corporate Secretary		**MINUEL CARMELA N. FRANCO** Compliance Officer

SUBSCRIBED AND SWORN to before me this _____ day of MAY 26 2022, affiant(s) exhibiting to me their _____, as follows:

NAME/NO.	PASSPORT NO.	DATE OF EXPIRY/PLACE OF ISSUE
Ramonfito E. Garcia	P47841278	February 11, 2030/DFA Cebu
Arlo Angelo G. Sarmiento	P6592337A	March 27, 2028/DFA Cebu
Rogelio Q. Lim	Senior Citizen ID No. 13578	
Minuel Carmela N. Franco	Driver's License No. N02-89-113805	November 9, 2023 / LTO Manila
Jess Anthony N. Garcia	P4404705B	January 15, 2030/DFA Cebu

Doc No. 13
Page No. 3
Book No. I
Series of 2022.

ATTY. KRISBEN ZILNER P. BUOT
ROLL NO. 63880 NOTARY PUBLIC
MANDAUE CITY, PHILIPPINES

ATTY. KRISBEN ZILNER P. BUOT
Notarial Commission No. 2021-22 until 12/31/2022
City of Mandaue and the Municipalities under its Jurisdiction
Unit 3-503, 5th Floor, OITC-2 Bldg., Oakridge Business Park,
A.S Fortuna St., Banilad, Mandaue City, 6014
Roll of Attorneys No. 63880
PTR No. 1302344/01-14-2022/Mandaue City
IBP No. 190611/01-14-2022/Cebu Chapter
MCLE Compliance No.VII-0009171, 03/11/2022

INTEGRATED ANNUAL CORPORATE GOVERNANCE REPORT			
	COMPLIANT/ NON-COMPLIANT	**ADDITIONAL INFORMATION**	**EXPLANATION**
The Board's Governance Responsibilities			
Principle 1: The company should be headed by a competent, working board to foster the long- term success of the corporation, and to sustain its competitiveness and profitability in a manner consistent with its corporate objectives and the long- term best interests of its shareholders and other stakeholders.			
Recommendation 1.1			
1. Board is composed of directors with collective working knowledge, experience or expertise that is relevant to the company's industry/sector.	COMPLIANT	Please refer to the Company's website, Definitive Information Statement and Annual Report. References: Website: http://www.vivant.com.ph/our-company/bod-and-officers/ Definitive Information Sheet: https://www.vivant.com.ph/wp-content/uploads/2022/05/Vivant-Corporation_SEC-Form-20-IS-FY2021_Definitive-Information-Statement_Clean_Updated.pdf (please refer to Information on Directors and Officers in pages 14-19) Annual Report: https://www.vivant.com.ph/wp-content/uploads/2022/04/2022-SEC-17-A-VVT.pdf (please refer to Information on Directors and Officers in pages 94-100)	
2. Board has an appropriate mix of competence and expertise.	COMPLIANT		
3. Directors remain qualified for their positions individually and collectively to enable them to fulfill their roles and responsibilities and respond to the needs of the organization.	COMPLIANT		
Recommendation 1.2			

1. Board is composed of a majority of non-executive directors.	COMPLIANT	The Board is composed of eleven (11) directors of which eight (8) are non-executive directors. *(4 independent directors and 4 non-executive directors)* References: General Information Sheet https://www.vivant.com.ph/wp-content/uploads/2022/04/VVT-2021-6th-Amended-GIS.pdf Definitive Information Sheet: https://www.vivant.com.ph/wp-content/uploads/2022/05/Vivant-Corporation_SEC-Form-20-IS-FY2021_Definitive-Information-Statement_Clean_Updated.pdf (please refer to Information on Directors and Officers in pages 14-19) Annual Report: https://www.vivant.com.ph/wp-content/uploads/2022/04/2022-SEC-17-A-VVT.pdf (please refer to Information on Directors and Officers in pages 94-100	
Recommendation 1.3			
1. Company provides in its Board Charter and Manual on Corporate Governance a policy on training of directors.	COMPLIANT	Please refer to the Company's Board Charter and Manual on Corporate Governance. References:	

		http://vivant.com.ph/wp-content/uploads/2019/06/Board-Charter.pdf (please refer to Orientation and Continuing Education Programs for Directors in pages 5-6) http://www.vivant.com.ph/wp-content/uploads/2016/12/VVT-Manual-on-Corporate-Governance-2017.pdf (please refer to Training and Orientation Programs of Directors in age 3-4)	
2. Company has an orientation program for first time directors.	COMPLIANT	The Company's manual on Corporate Governance provides a statement that "it shall also properly introduce the new directors to the company by providing a comprehensive training program References: Board Charter http://vivant.com.ph/wp-content/uploads/2019/06/Board-Charter.pdf Manual on Corporate Governance http://www.vivant.com.ph/wp-content/uploads/2016/12/VVT-Manual-on-Corporate-Governance-2017.pdf	
3. Company has relevant annual continuing training for all directors.	COMPLIANT	Please refer to Orientation and Continuing Education Programs for Directors	

		http://vivant.com.ph/wp-content/uploads/2019/06/Board-Charter.pdf (see pages 5-6)	
Recommendation 1.4			
1. Board has a policy on board diversity.	COMPLIANT	Please refer to the Company's Policy on Board Diversity and Manual on Corporate Governance. http://vivant.com.ph/wp-content/uploads/2019/06/Policy-on-Board-Diversity.pdf http://www.vivant.com.ph/wp-content/uploads/2016/12/VVT-Manual-on-Corporate-Governance-2017.pdf (see page 4)	
Optional: Recommendation 1.4			
1. Company has a policy on and discloses measurable objectives for implementing its board diversity and reports on progress in achieving its objectives.	COMPLIANT	http://vivant.com.ph/wp-content/uploads/2019/06/Policy-on-Board-Diversity.pdf	
Recommendation 1.5			
1. Board is assisted by a Corporate Secretary.	COMPLIANT	The Company's qualifications, duties and responsibilities of the Corporate Secretary are disclosed in the Manual on Corporate Governance http://www.vivant.com.ph/wp-content/uploads/2016/12/VVT-Manual-on-Corporate-Governance-2017.pdf (see pages 4, 5, and 6)	
2. Corporate Secretary is a separate individual from the Compliance Officer.	COMPLIANT		
3. Corporate Secretary is not a member of the Board of Directors.	COMPLIANT		

		https://www.vivant.com.ph/wp-content/uploads/2022/04/VVT-2021-6th-Amended-GIS.pdf	
4. Corporate Secretary attends training/s on corporate governance.	COMPLIANT	The Company's Corporate and Assistant Corporate Secretaries attended the 2021 Annual Corporate Governance Training. Please see PSE Edge Disclosure, attached hereto as Annex "A", informing it of the annual training held in August 13, 2021 for members of the Board of Directors and Executive Officers, including the Corporate and Assistant Corporate Secretaries.	
Optional: Recommendation 1.5			
1. Corporate Secretary distributes materials for board meetings at least five business days before scheduled meeting.	COMPLIANT	The Company's Corporate Secretary certifies that materials for board meetings are distributed at least five (5) days before scheduled meeting. http://www.vivant.com.ph/wp-content/uploads/2016/12/VVT-Manual-on-Corporate-Governance-2017.pdf (see page 5)	
Recommendation 1.6			
1. Board is assisted by a Compliance Officer.	COMPLIANT	The Company's qualifications, duties and responsibilities of the Compliance Officer are disclosed in the Manual on Corporate Governance.	
2. Compliance Officer has a rank of Senior Vice President or an equivalent position with adequate stature and authority in the corporation.	COMPLIANT		
3. Compliance Officer is not a member of the board.	COMPLIANT		

		http://www.vivant.com.ph/wp-content/uploads/2016/12/VVT-Manual-on-Corporate-Governance-2017.pdf (see page 6). http://www.vivant.com.ph/wp-content/uploads/2021/08/2021-SEC-Form-17-C-Results-of-ASM-and-OBM.pdf	
4. Compliance Officer attends training/s on corporate governance.	COMPLIANT	The Company's Compliance Officer has attended the 2021 Annual Corporate Governance Training Please see refer to the attached hereto as Annex "A", informing it of the annual training held in August 13, 2021 for members of the Board of Directors and Executive Officers, including the Corporate and Assistant Corporate Secretaries.	
Principle 2: The fiduciary roles, responsibilities and accountabilities of the Board as provided under the law, the company's articles and by-laws, and other legal pronouncements and guidelines should be clearly made known to all directors as well as to stockholders and other stakeholders.			
Recommendation 2.1			
1. Directors act on a fully informed basis, in good faith, with due diligence and care, and in the best interest of the company.	COMPLIANT	The Company's Directors actively participate during meetings. Please see attached minutes of the March 26, 2021 Meeting hereto attached as Annex "B"	
Recommendation 2.2			
1. Board oversees the development, review and approval of the company's business objectives and strategy.	COMPLIANT	The Board of Directors participated in the Annual Strategic Planning Workshop on September 22-23, 2021	

2. Board oversees and monitors the implementation of the company's business objectives and strategy.	COMPLIANT	and September 30 to October 1, 2021 via video conferencing through Zoom. All of Vivant's Independent Directors likewise attended the Annual Strategic Planning Workshop. Please see attached photos marked as Annex "C".	
Supplement to Recommendation 2.2			
1. Board has a clearly defined and updated vision, mission and core values.	COMPLIANT	The Board reviews the vision statement of Vivant Corporation annually, during its Strategic Planning. http://www.vivant.com.ph/our-company/mission-vision-and-values/	
2. Board has a strategy execution process that facilitates effective management performance and is attuned to the company's business environment, and culture.	COMPLIANT	Please refer to the Company's Manual on Corporate Governance. http://www.vivant.com.ph/wp-content/uploads/2016/12/VVT-Manual-on-Corporate-Governance-2017.pdf (see pages 7-8	
Recommendation 2.3			
1. Board is headed by a competent and qualified Chairperson.	COMPLIANT	The Company's qualifications, duties and responsibilities of the Chairman of the Board are disclosed in the Manual on Corporate Governance. http://www.vivant.com.ph/wp-content/uploads/2016/12/VVT-Manual-on-Corporate-Governance-2017.pdf (see page 8)	

		http://www.vivant.com.ph/our-company/bod-and-officers/	
Recommendation 2.4			
1. Board ensures and adopts an effective succession planning program for directors, key officers and management.	COMPLIANT	Please refer to the Company's policy entitled "Retirement Plan, Rules and Regulations", effective November 1, 2013, hereto attached as Annex "D" http://www.vivant.com.ph/wp-content/uploads/2016/12/VVT-Manual-on-Corporate-Governance-2017.pdf (page 9)	
2. Board adopts a policy on the retirement for directors and key officers.	COMPLIANT		
Recommendation 2.5			
1. Board aligns the remuneration of key officers and board members with long-term interests of the company.	COMPLIANT	Please refer to the Company's Manual on Corporate Governance. http://www.vivant.com.ph/wp-content/uploads/2016/12/VVT-Manual-on-Corporate-Governance-2017.pdf (see page 10)	
2. Board adopts a policy specifying the relationship between remuneration and performance.	COMPLIANT		
3. Directors do not participate in discussions or deliberations involving his/her own remuneration.	COMPLIANT		
Optional: Recommendation 2.5			
1. Board approves the remuneration of senior executives.			
2. Company has measurable standards to align the performance-based remuneration of the executive directors and senior executives with long-term	COMPLIANT	The company has measurable standards to align the performance-based remuneration of the executive directors and senior executives (Page	

interest, such as claw back provision and deferred bonuses.		13 of Handbook on "Other Bonuses." (Attached as Annex "E")	
Recommendation 2.6			
1. Board has a formal and transparent board nomination and election policy.	COMPLIANT	Please refer to the Company's Manual on Corporate Governance and Nomination and Election Policy. http://www.vivant.com.ph/wp-content/uploads/2016/12/VVT-Manual-on-Corporate-Governance-2017.pdf (see pages 11-14) http://vivant.com.ph/wp-content/uploads/2019/06/VVT-Nomination-and-Election-Policy.pdf	
2. Board nomination and election policy is disclosed in the company's Manual on Corporate Governance.	COMPLIANT		
3. Board nomination and election policy includes how the company accepted nominations from minority shareholders.	COMPLIANT		
4. Board nomination and election policy includes how the board shortlists candidates.	COMPLIANT		
5. Board nomination and election policy includes an assessment of the effectiveness of the Board's processes in the nomination, election or replacement of a director.	COMPLIANT		
6. Board has a process for identifying the quality of directors that is aligned with the strategic direction of the company.	COMPLIANT		
Optional: Recommendation to 2.6			
1. Company uses professional search firms or other external sources of candidates (such as director databases set up by director or shareholder bodies) when searching for candidates to the board of directors.			
Recommendation 2.7			

1. Board has overall responsibility in ensuring that there is a group-wide policy and system governing related party transactions (RPTs) and other unusual or infrequently occurring transactions.	COMPLIANT	Please refer to the Company's Manual on Corporate Governance and Related Party Transaction Policy. http://www.vivant.com.ph/wp-content/uploads/2016/12/VVT-Manual-on-Corporate-Governance-2017.pdf (see pages 15-18) http://vivant.com.ph/wp-content/uploads/2019/10/VVT-Corp-Related-Party-Transaction-Policy.pdf	
2. RPT policy includes appropriate review and approval of material RPTs, which guarantee fairness and transparency of the transactions.	COMPLIANT		
3. RPT policy encompasses all entities within the group, taking into account their size, structure, risk profile and complexity of operations.	COMPLIANT		
Supplement to Recommendations 2.7			
1. Board clearly defines the threshold for disclosure and approval of RPTs and categorizes such transactions according to those that are considered *de minimis* or transactions that need not be reported or announced, those that need to be disclosed, and those that need prior shareholder approval. The aggregate amount of RPTs within any twelve (12) month period should be considered for purposes of applying the thresholds for disclosure and approval.	COMPLIANT	Please refer to the Company's Manual on Corporate Governance and Related Party Transaction Policy. http://www.vivant.com.ph/wp-content/uploads/2016/12/VVT-Manual-on-Corporate-Governance-2017.pdf (see pages 15-18) http://vivant.com.ph/wp-content/uploads/2019/10/VVT-Corp-Related-Party-Transaction-Policy.pdf	
2. Board establishes a voting system whereby a majority of non-related party shareholders approve specific types of related party transactions during shareholders' meetings.	COMPLIANT	Please refer to the Company's Manual on Corporate Governance and Related Party Transaction Policy http://www.vivant.com.ph/wp-content/uploads/2016/12/VVT-	

		Manual-on-Corporate-Governance-2017.pdf (see page 18, clause 2.7.8) http://vivant.com.ph/wp-content/uploads/2019/10/VVT-Corp-Related-Party-Transaction-Policy.pdf	
Recommendation 2.8			
1. Board is primarily responsible for approving the selection of Management led by the Chief Executive Officer (CEO) and the heads of the other control functions (Chief Risk Officer, Chief Compliance Officer and Chief Audit Executive).	COMPLIANT	Please refer to the Company's Manual on Corporate Governance and 2021 SEC FORM 17-C. http://www.vivant.com.ph/wp-content/uploads/2016/12/VVT-Manual-on-Corporate-Governance-2017.pdf (see page 18, clause 2.8) http://www.vivant.com.ph/wp-content/uploads/2021/08/2021-SEC-Form-17-C-Results-of-ASM-and-OBM.pdf	
2. Board is primarily responsible for assessing the performance of Management led by the Chief Executive Officer (CEO) and the heads of the other control functions (Chief Risk Officer, Chief Compliance Officer and Chief Audit Executive).	COMPLIANT	Please refer to the Company's Manual on Corporate Governance. http://www.vivant.com.ph/wp-content/uploads/2016/12/VVT-Manual-on-Corporate-Governance-2017.pdf (see page 18, clause 2.9)	
Recommendation 2.9			
1. Board establishes an effective performance management framework that ensures that Management's performance is at par with the standards set by the Board and Senior Management.	COMPLIANT	Please refer to the Company's Manual on Corporate Governance. http://www.vivant.com.ph/wp-content/uploads/2016/12/VVT-	
2. Board establishes an effective performance management framework	COMPLIANT		

that ensures that personnel's performance is at par with the standards set by the Board and Senior Management.		Manual-on-Corporate-Governance-2017.pdf (see page 18, clause 2.9)	
Recommendation 2.10			
1. Board oversees that an appropriate internal control system is in place.	COMPLIANT	Please refer to the Company's Manual on Corporate Governance. http://www.vivant.com.ph/wp-content/uploads/2016/12/VVT-Manual-on-Corporate-Governance-2017.pdf (see page 19, clause 2.10) http://www.vivant.com.ph/wp-content/uploads/2016/12/VVT-Manual-on-Corporate-Governance-2017.pdf (see page 32)	
2. The internal control system includes a mechanism for monitoring and managing potential conflict of interest of the Management, members and shareholders.	COMPLIANT		
3. Board approves the Internal Audit Charter.	COMPLIANT	The Board approved the Internal Audit Charter posted in the Company website. http://www.vivant.com.ph/wp-content/uploads/2018/09/Audit-Committee-Charter.pdf	
Recommendation 2.11			
1. Board oversees that the company has in place a sound enterprise risk management (ERM) framework to effectively identify, monitor, assess and manage key business risks.	COMPLIANT	Please refer to the framework which was approved by the Board on August 11, 2017. The minutes of the August 11, 2017 Board meeting is attached as Annex "F".	
2. The risk management framework guides the board in identifying units/business lines and enterprise-level risk exposures, as well as the effectiveness of risk management strategies.	COMPLIANT	The Company is guided by its Enterprise Risk Management principles in its Manual on Corporate Governance and Risk Committee Charter	

		http://www.vivant.com.ph/wp-content/uploads/2016/12/VVT-Manual-on-Corporate-Governance-2017.pdf (please see pages 35-37). https://www.vivant.com.ph/wp-content/uploads/2018/09/Risk-Management-Committee-Charter.pdf	
Recommendation 2.12			
1. Board has a Board Charter that formalizes and clearly states its roles, responsibilities and accountabilities in carrying out its fiduciary role.	COMPLIANT	Please refer to the Company's Board Charter. http://vivant.com.ph/wp-content/uploads/2019/06/Board-Charter.pdf	
2. Board Charter serves as a guide to the directors in the performance of their functions.	COMPLIANT		
3. Board Charter is publicly available and posted on the company's website.	COMPLIANT		
Additional Recommendation to Principle 2			
1. Board has a clear insider trading policy.	COMPLIANT	Please see latest internal memorandum against insider trading policy, pertaining to trading blackout, attached as Annex "G."	
Optional: Principle 2			
1. Company has a policy on granting loans to directors, either forbidding the practice or ensuring that the transaction is conducted at arm's length basis and at market rates.	COMPLIANT	All transaction involving directors are covered by the Related Party Transaction Policy. http://vivant.com.ph/wp-content/uploads/2019/10/VVT-Corp-Related-Party-Transaction-Policy.pdf (Please refer to the Related Party Transaction Policy in page 5)	

2. Company discloses the types of decision requiring board of directors' approval.	COMPLIANT	The Company disclosed the types of transactions requiring board approval but not limited to the following: - Approval of projects - Approval of company-wide policies, manual - Constitution of Board Committees - Approval of audited financial statements - Treasury matters related to transactions with banks - Reappointment of External Auditor as endorsed by the Audit Committee - Annual Stockholders Meeting - Nomination and Election of Director and/or Independent Director - Amendments of its AOI and By-Laws https://edge.pse.com.ph/companyDisclosures/form.do?cmpy_id=79	
Principle 3: Board committees should be set up to the extent possible to support the effective performance of the Board's functions, particularly with respect to audit, risk management, related party transactions, and other key corporate governance concerns, such as nomination and remuneration. The composition, functions and responsibilities of all committees established should be contained in a publicly available Committee Charter.			
Recommendation 3.1			
1. Board establishes board committees that focus on specific board functions to aid in the optimal performance of its roles and responsibilities.	COMPLIANT	Please refer to the Company's Manual on Corporate Governance and 2021 SEC FORM 17-C. http://www.vivant.com.ph/wp-content/uploads/2016/12/VVT-	

		Manual-on-Corporate-Governance-2017.pdf (see pages 19-27) http://www.vivant.com.ph/wp-content/uploads/2021/08/2021-SEC-Form-17-C-Results-of-ASM-and-OBM.pdf	
Recommendation 3.2			
1. Board establishes an Audit Committee to enhance its oversight capability over the company's financial reporting, internal control system, internal and external audit processes, and compliance with applicable laws and regulations.	COMPLIANT	Please refer to the Company's Manual on Corporate Governance and Audit Committee Charter. http://www.vivant.com.ph/wp-content/uploads/2016/12/VVT-Manual-on-Corporate-Governance-2017.pdf (see pages 19-21) http://vivant.com.ph/wp-content/uploads/2018/09/Audit-Committee-Charter.pdf The Audit Committee has the responsibility, among others, to appoint, re-appoint, remove external auditor.	
2. Audit Committee is composed of at least three appropriately qualified non-executive directors, the majority of whom, including the Chairman is independent.	COMPLIANT	Please refer to the Company's Manual on Corporate Governance, 2021 SEC FORM 17-C and Audit Committee Charter. http://www.vivant.com.ph/corporate-governance/board-committees/	

		http://vivant.com.ph/wp-content/uploads/2018/09/Audit-Committee-Charter.pdf http://www.vivant.com.ph/wp-content/uploads/2021/08/2021-SEC-Form-17-C-Results-of-ASM-and-OBM.pdf	
3. All the members of the committee have relevant background, knowledge, skills, and/or experience in the areas of accounting, auditing and finance.	COMPLIANT	Please refer to the Company's website, Definitive Information Statement and Annual Report. References: Website: http://www.vivant.com.ph/our-company/bod-and-officers/ Definitive Information Sheet: https://www.vivant.com.ph/wp-content/uploads/2022/05/Vivant-Corporation_SEC-Form-20-IS-FY2021_Definitive-Information-Statement_Clean_Updated.pdf (please refer to Information on Directors and Officers in pages 14-19) Annual Report: https://www.vivant.com.ph/wp-content/uploads/2022/04/2022-SEC-17-A-VVT.pdf (Please refer to Information on Directors and Officers in pages 94-100)	

4. The Chairman of the Audit Committee is not the Chairman of the Board or of any other committee.	NON-COMPLIANT	For 2021, the Chairman of the Audit Committee was also the Chairman of the Finance Committee. Please refer to the Company's Board Committees and 2021 SEC Form 17- C. http://www.vivant.com.ph/corporate-governance/board-committees/ http://www.vivant.com.ph/wp-content/uploads/2021/08/2021-SEC-Form-17-C-Results-of-ASM-and-OBM.pdf	
Supplement to Recommendation 3.2			
1. Audit Committee approves all non-audit services conducted by the external auditor.	NON-COMPLIANT		The Board approved non-audit services, not the Audit Committee. However, the Audit Committee was aware of the services and the costs.
2. Audit Committee conducts regular meetings and dialogues with the external audit team without anyone from management present.	NON-COMPLIANT		While the Audit Committee did not conduct a dialogue with the external audit team without anyone from management present, the Committee conducts regular meetings to approve the financial results to be released to the public and the PSE and the SEC.
Optional: Recommendation 3.2			
1. Audit Committee meet at least four times during the year.	COMPLIANT	The Audit Committee meet four (4) times in 2021. Please see attached notarized Certification, attached as Annex "H"	
2. Audit Committee approves the appointment and removal of the internal auditor.			
Recommendation 3.3			

1. Board establishes a Corporate Governance Committee tasked to assist the Board in the performance of its corporate governance responsibilities, including the functions that were formerly assigned to a Nomination and Remuneration Committee.	COMPLIANT	Please refer to the Company's Manual on Corporate Governance and Corporate Governance Committee Charter. http://www.vivant.com.ph/wp-content/uploads/2016/12/VVT-Manual-on-Corporate-Governance-2017.pdf (see pages 21-23) http://vivant.com.ph/wp-content/uploads/2018/09/Corporate-Governance-Committee-Charter.pdf	
2. Corporate Governance Committee is composed of at least three members, all of whom should be independent directors.	COMPLIANT	The Company's Corporate Governance Committee is composed of three (3) independent directors, including the Chairman. Please refer to the Company's Manual on Corporate Governance and Corporate Governance Committee Charter. http://www.vivant.com.ph/wp-content/uploads/2016/12/VVT-Manual-on-Corporate-Governance-2017.pdf (see pages 21-23) http://vivant.com.ph/wp-content/uploads/2018/09/Corporate-Governance-Committee-Charter.pdf	

		http://www.vivant.com.ph/corporate-governance/board-committees/ http://www.vivant.com.ph/wp-content/uploads/2021/08/2021-SEC-Form-17-C-Results-of-ASM-and-OBM.pdf	
3. Chairman of the Corporate Governance Committee is an independent director.	COMPLIANT	The Company's Corporate Governance Committee is composed of three (3) independent directors, including the Chairman. Please refer to the Company's Manual on Corporate Governance and Corporate Governance Committee Charter. http://www.vivant.com.ph/wp-content/uploads/2016/12/VVT-Manual-on-Corporate-Governance-2017.pdf (see pages 21-23) http://vivant.com.ph/wp-content/uploads/2018/09/Corporate-Governance-Committee-Charter.pdf http://www.vivant.com.ph/corporate-governance/board-committees/ http://www.vivant.com.ph/wp-content/uploads/2021/08/2021-SEC-Form-17-C-Results-of-ASM-and-OBM.pdf	
Optional: Recommendation 3.3.			

1. Corporate Governance Committee meet at least twice during the year.	COMPLIANT	The Corporate Governance Committee met two (2) times in 2021. Please refer to the notarized Certification, attached as Annex "H"	
Recommendation 3.4			
1. Board establishes a separate Board Risk Oversight Committee (BROC) that should be responsible for the oversight of a company's Enterprise Risk Management system to ensure its functionality and effectiveness.	COMPLIANT	Please refer to the Company's Manual on Corporate Governance and Risk Management Committee Charter. http://www.vivant.com.ph/wp-content/uploads/2016/12/VVT-Manual-on-Corporate-Governance-2017.pdf (see pages 23-24) http://vivant.com.ph/wp-content/uploads/2018/09/Risk-Management-Committee-Charter.pdf	
2. BROC is composed of at least three members, the majority of whom should be independent directors, including the Chairman.	COMPLIANT	The Company's Board Risk Oversight Committee is composed of three (3) independent directors and two (2) non-executive directors. http://www.vivant.com.ph/corporate-governance/board-committees/ http://www.vivant.com.ph/wp-content/uploads/2021/08/2021-SEC-Form-17-C-Results-of-ASM-and-OBM.pdf	

3. The Chairman of the BROC is not the Chairman of the Board or of any other committee.	NON - COMPLIANT		Vivant Corporation will exert effort to have separate individuals hold the positions of the Chairman of the Audit Committee and the Chairman of the Board Risk Oversight Committee.
4. At least one member of the BROC has relevant thorough knowledge and experience on risk and risk management.	COMPLIANT	Please refer to the Company's website, Definitive Information Statement and Annual Report. References: Website: http://www.vivant.com.ph/our-company/bod-and-officers/ Definitive Information Sheet: https://www.vivant.com.ph/wp-content/uploads/2022/05/Vivant-Corporation_SEC-Form-20-IS-FY2021_Definitive-Information-Statement_Clean_Updated.pdf (Please refer to Information on Directors and Officers in pages 14-19) Annual Report: https://www.vivant.com.ph/wp-content/uploads/2022/04/2022-SEC-17-A-VVT.pdf (Please refer to Information on Directors and Officers in pages 94-100)	
Recommendation 3.5			
1. Board establishes a Related Party Transactions (RPT) Committee, which is	COMPLIANT	Please refer to the Company's Manual on Corporate Governance,	

tasked with reviewing all material related party transactions of the company.		Related Party Transaction Committee Charter, Board Committees and 2021 SEC Form 17-C. http://www.vivant.com.ph/wp-content/uploads/2016/12/VVT-Manual-on-Corporate-Governance-2017.pdf (see page 24-26) https://www.vivant.com.ph/wp-content/uploads/2018/09/Related-Party-Transactions-Committee-Charter.pdf http://www.vivant.com.ph/corporate-governance/board-committees/ http://www.vivant.com.ph/wp-content/uploads/2021/08/2021-SEC-Form-17-C-Results-of-ASM-and-OBM.pdf	
2. RPT Committee is composed of at least three non-executive directors, two of whom should be independent, including the Chairman.	COMPLIANT	The Company's Related Party Transaction Committee is composed of two (2) non-executive directors and two (2) independent directors. http://www.vivant.com.ph/corporate-governance/board-committees/ http://www.vivant.com.ph/wp-content/uploads/2021/08/2021-SEC-Form-17-C-Results-of-ASM-and-OBM.pdf	
Recommendation 3.6			

1. All established committees have a Committee Charter stating in plain terms their respective purposes, memberships, structures, operations, reporting process, resources and other relevant information.	COMPLIANT	Please refer to the Company's Corporate Governance Committee, Related Party Transaction Committee, Audit Committee, Risk Management Committee and Finance Committee Charters. http://www.vivant.com.ph/corporate-governance/board-committees/ http://vivant.com.ph/wp-content/uploads/2018/09/Related-Party-Transactions-Committee-Charter.pdf http://vivant.com.ph/wp-content/uploads/2018/09/Corporate-Governance-Committee-Charter.pdf http://www.vivant.com.ph/wp-content/uploads/2018/09/Audit-Committee-Charter.pdf http://vivant.com.ph/wp-content/uploads/2018/09/Risk-Management-Committee-Charter.pdf http://vivant.com.ph/wp-content/uploads/2018/09/Vivant-Corporation-Finance-Committee-Charter.pdf	
2. Committee Charters provide standards for evaluating the performance of the Committees.	COMPLIANT		

		The performance evaluation of the committees was conducted in March 2022 pursuant to the Board Performance Appraisal Policy. http://vivant.com.ph/wp-content/uploads/2019/06/Policy-on-Board-Performance-Appraisal.pdf	
3. Committee Charters were fully disclosed on the company's website.	COMPLIANT	Please refer to the Company's Corporate Governance Committee, Related Party Transaction Committee, Audit Committee, Risk Management Committee and Finance Committee Charters. http://www.vivant.com.ph/corporate-governance/board-committees/ http://vivant.com.ph/wp-content/uploads/2018/09/Related-Party-Transactions-Committee-Charter.pdf http://vivant.com.ph/wp-content/uploads/2018/09/Corporate-Governance-Committee-Charter.pdf http://www.vivant.com.ph/wp-content/uploads/2018/09/Audit-Committee-Charter.pdf http://vivant.com.ph/wp-content/uploads/2018/09/Risk-Management-Committee-Charter.pdf	

		http://vivant.com.ph/wp-content/uploads/2018/09/Vivant-Corporation-Finance-Committee-Charter.pdf	
Principle 4: To show full commitment to the company, the directors should devote the time and attention necessary to properly and effectively perform their duties and responsibilities, including sufficient time to be familiar with the corporation's business.			
Recommendation 4.1			
1. The Directors attend and actively participate in all meetings of the Board, Committees and shareholders in person or through tele-/videoconferencing conducted in accordance with the rules and regulations of the Commission.	COMPLIANT	See attached Minutes of March 26, 2021 Board Meeting (Annex "B")	
2. The directors review meeting materials for all Board and Committee meetings.	COMPLIANT	See attached Minutes of March 26, 2021Board Meeting (Annex "B")	
3. The directors ask the necessary questions or seek clarifications and explanations during the Board and Committee meetings.	COMPLIANT	See attached Minutes March 26, 2021Board Meeting (Annex "B")	
Recommendation 4.2			
1. Non-executive directors concurrently serve in a maximum of five publicly-listed companies to ensure that they have sufficient time to fully prepare for minutes, challenge Management's proposals/views, and oversee the long-term strategy of the company.	COMPLIANT	Please refer to the Company's Manual on Corporate Governance, Definitive Information Sheet and Annual Report. http://www.vivant.com.ph/wp-content/uploads/2016/12/VVT-Manual-on-Corporate-Governance-2017.pdf (see page 27) Definitive Information Sheet:	

		https://www.vivant.com.ph/wp-content/uploads/2022/05/Vivant-Corporation_SEC-Form-20-IS-FY2021_Definitive-Information-Statement_Clean_Updated.pdf (please refer to Information on Directors and Officers in pages 14-19) Annual Report: https://www.vivant.com.ph/wp-content/uploads/2022/04/2022-SEC-17-A-VVT.pdf (please refer to Information on Directors and Officers in pages 594-100)	
Recommendation 4.3			
1. The directors notify the company's board before accepting a directorship in another company.	COMPLIANT	Vivant's directors are guided by the requirement under the Manual on Corporate Governance to give notice before accepting a directorship in another company. http://www.vivant.com.ph/wp-content/uploads/2016/12/VVT-Manual-on-Corporate-Governance-2017.pdf	
Optional: Principle 4			
1. Company does not have any executive directors who serve in more than two boards of listed companies outside of the group.	COMPLIANT	Please refer to the Company's website, Definitive Information Statement and Annual Report. References: Website: http://www.vivant.com.ph/our-company/bod-and-officers/	

		Definitive Information Sheet: https://www.vivant.com.ph/wp-content/uploads/2022/05/Vivant-Corporation_SEC-Form-20-IS-FY2021_Definitive-Information-Statement_Clean_Updated.pdf (Please refer to Information on Directors and Officers in pages 14-19) Annual Report: https://www.vivant.com.ph/wp-content/uploads/2022/04/2022-SEC-17-A-VVT.pdf (Please refer to Information on Directors and Officers in pages 94-100)	
2. Company schedules board of directors' meetings before the start of the financial year.	COMPLIANT	2022 schedule meetings were presented during the regular board meeting of the board of directors on February 9, 2022. Please see attached notarized Certification, attached as Annex "I"	
3. Board of directors meet at least six times during the year.	COMPLIANT	For 2021, the Board of Director had six (6) regular meetings, specifically, on January 29, 2021, March 26, 2021, May 12, 2021, June 17, 2021, August 13, 2021 and November 12, 2021. Please refer to the notarized Certification, attached as Annex "H"	
4. Company requires as minimum quorum of at least 2/3 for board decisions.			

Principle 5: The board should endeavor to exercise an objective and independent judgment on all corporate affairs			
Recommendation 5.1			
1. The Board has at least 3 independent directors or such number as to constitute one-third of the board, whichever is higher.	COMPLIANT	The Company has four (4) independent directors out of the eleven (11) members of the Board. Please refer to the Company's website, Definitive Information Statement, General Information Sheet and Annual Report. References: Website: http://www.vivant.com.ph/our-company/bod-and-officers/ Definitive Information Sheet: https://www.vivant.com.ph/wp-content/uploads/2022/05/Vivant-Corporation_SEC-Form-20-IS-FY2021_Definitive-Information-Statement_Clean_Updated.pdf (Please refer to Information on Directors and Officers in pages 14-19) General Information Sheet http://www.vivant.com.ph/wp-content/uploads/2021/10/VVT-GIS-2021.pdf http://www.vivant.com.ph/wp-content/uploads/2021/08/VVT-GIS-2020-1st-Amended.pdf	

		Annual Report: https://www.vivant.com.ph/wp-content/uploads/2022/04/2022-SEC-17-A-VVT.pdf (Please refer to Information on Directors and Officers in pages 94-100)	
Recommendation 5.2			
1. The independent directors possess all the qualifications and none of the disqualifications to hold the positions.	COMPLIANT	Please refer to the Company's website, Definitive Information Statement and Annual Report. References: Website: http://www.vivant.com.ph/our-company/bod-and-officers/ Definitive Information Sheet: https://www.vivant.com.ph/wp-content/uploads/2022/05/Vivant-Corporation_SEC-Form-20-IS-FY2021_Definitive-Information-Statement_Clean_Updated.pdf (Please refer to Information on Directors and Officers in pages 14-19) Annual Report: https://www.vivant.com.ph/wp-content/uploads/2022/04/2022-SEC-17-A-VVT.pdf (Please refer to Information on Directors and Officers in pages 94-100)	
Supplement to Recommendation 5.2			

1. Company has no shareholder agreements, by-laws provisions, or other arrangements that constrain the directors' ability to vote independently.	COMPLIANT	The Company prohibits voting to favor a controlling group or other stakeholder, but only in the interest of Vivant Corporation. http://www.vivant.com.ph/wp-content/uploads/2016/12/VVT-Manual-on-Corporate-Governance-2017.pdf (see page 7)	
Recommendation 5.3			
1. The independent directors serve for a cumulative term of nine years (reckoned from 2012).	COMPLIANT	Please refer to the Company's Definitive Information Statement and Annual Report. Annual Report: https://www.vivant.com.ph/wp-content/uploads/2022/04/2022-SEC-17-A-VVT.pdf (Please refer to Information on Directors and Officers in pages 94-100) https://www.vivant.com.ph/wp-content/uploads/2022/05/Vivant-Corporation_SEC-Form-20-IS-FY2021_Definitive-Information-Statement_Clean_Updated.pdf (Please refer to Information on Directors and Officers in pages 14-19)	
2. The company bars an independent director from serving in such capacity after the term limit of nine years.	COMPLIANT	While Vivant has no written policy, it complies with SEC Memorandum Circular No. 4, Series of 2017. In 2021, Atty. Jesus B. Garcia, Jr. and Ambassador Raul Ch. Rabe, after having served in the Vivant Board for	

		nine (9) years, were replaced by Atty. Laurence R. Rogero and Mr. Jose Carlitos G. Cruz.	
3. In the instance that the company retains an independent director in the same capacity after nine years, the board provides meritorious justification and seeks shareholders' approval during the annual shareholders' meeting.	COMPLIANT	The Company has not had to opportunity to extend the term of independent directors beyond what is allowed by SEC Memorandum Circular No. 9, Series of 2011.	
Recommendation 5.4			
1. The positions of Chairman of the Board and Chief Executive Officer are held by separate individuals.	COMPLIANT	As of February 2022, Vivant Corporation has complied with this provision. Please refer to the Company's disclosure: https://www.vivant.com.ph/wp-content/uploads/2022/05/2022-SEC-Form-17-C-January-28-2022.pdf	
2. The Chairman of the Board and Chief Executive Officer have clearly defined responsibilities.	COMPLIANT	Please refer to the Company's Manual on Corporate Governance. http://www.vivant.com.ph/wp-content/uploads/2016/12/VVT-Manual-on-Corporate-Governance-2017.pdf (see page 8) http://www.vivant.com.ph/wp-content/uploads/2016/12/SEC-FORM-ACGR-2016.pdf (see page 8)	
Recommendation 5.5			
1. If the Chairman of the Board is not an independent director, the board designates a lead director among the independent directors.	COMPLIANT	Please refer to the Company's Manual on Corporate Governance. http://www.vivant.com.ph/wp-content/uploads/2016/12/VVT-	

		Manual-on-Corporate-Governance-2017.pdf (see page 30) Atty. Laurence R. Rogero was designated as lead director in 2021. Please see http://www.vivant.com.ph/wp-content/uploads/2021/08/2021-SEC-Form-17-C-Results-of-ASM-and-OBM.pdf	
Recommendation 5.6			
1. Directors with material interest in a transaction affecting the corporation abstain from taking part in the deliberations on the transaction.	COMPLIANT	Vivant's policy is found in: http://www.vivant.com.ph/wp-content/uploads/2016/12/VVT-Manual-on-Corporate-Governance-2017.pdf To date, Vivant has not had the opportunity to enforce this provision.	
Recommendation 5.7			
1. The non-executive directors (NEDs) have separate periodic meetings with the external auditor and heads of the internal audit, compliance and risk functions, without any executive present.	NON-COMPLIANT		Even if there are no separate periodic meetings among non-executive directors, Vivant Corporation has more non-executive directors than executive directors.
2. The meetings are chaired by the lead independent director.	NON-COMPLIANT		Vivant Corporation will undertake to comply with separate and regular meetings for non-executive directors.
Optional: Principle 5			
1. None of the directors is a former CEO of the company in the past 2 years.			
Principle 6: The best measure of the Board's effectiveness is through an assessment process. The Board should regularly carry out evaluations to appraise its performance as a body, and assess whether it possesses the right mix of backgrounds and competencies.			

1. Board conducts an annual self-assessment of its performance as a whole.	COMPLIANT	The Board of Directors and Board Committees conducted a self-assessment of its performance in March 2022 pursuant to the Board Performance Appraisal Policy.	http://vivant.com.ph/wp-content/uploads/2019/06/Policy-on-Board-Performance-Appraisal.pdf The company will engage the support of a facilitator on the 3rd year (2023) of the performance assessment process of the Board.
2. The Chairman conducts a self-assessment of his performance.	COMPLIANT		
3. The individual members conduct a self-assessment of their performance.	COMPLIANT		
4. Each committee conducts a self-assessment of its performance.	COMPLIANT		
5. Every three years, the assessments are supported by an external facilitator.	COMPLIANT		
1. Board has in place a system that provides, at the minimum, criteria and process to determine the performance of the Board, individual directors and committees.	COMPLIANT	Please refer to the Company's Policy on Board Performance Appraisal. http://vivant.com.ph/wp-content/uploads/2019/06/Policy-on-Board-Performance-Appraisal.pdf	
2. The system allows for a feedback mechanism from the shareholders.	NON-COMPLIANT		
Principle 7: Members of the Board are duty-bound to apply high ethical standards, taking into account the interests of all stakeholders.			
Recommendation 7.1			
1. Board adopts a Code of Business Conduct and Ethics, which provide standards for professional and ethical behavior, as well as articulate acceptable and unacceptable conduct and practices in internal and external dealings of the company.	COMPLIANT	Please refer to the Company's Code of Business Conduct and Ethics. http://vivant.com.ph/wp-content/uploads/2019/06/Code-of-Business-Conduct-and-Ethics.pdf	
2. The Code is properly disseminated to the Board, senior management and employees.	COMPLIANT	Please refer to the Company's Code of Business Conduct and Ethics. http://vivant.com.ph/wp-content/uploads/2019/06/Code-of-Business-Conduct-and-Ethics.pdf	

3. The Code is disclosed and made available to the public through the company website.	COMPLIANT	Please refer to the Company's Code of Business Conduct and Ethics. http://vivant.com.ph/wp-content/uploads/2019/06/Code-of-Business-Conduct-and-Ethics.pdf	
1. Company has clear and stringent policies and procedures on curbing and penalizing company involvement in offering, paying and receiving bribes.	COMPLIANT	Please refer to the Company's Anti-corruption Policy and Program http://vivant.com.ph/wp-content/uploads/2019/06/Anti-Corruption-Policy-and-Program.pdf http://vivant.com.ph/wp-content/uploads/2019/06/Code-of-Business-Conduct-and-Ethics.pdf	
Recommendation 7.2			
1. Board ensures the proper and efficient implementation and monitoring of compliance with the Code of Business Conduct and Ethics.	COMPLIANT	Please refer to the Company's Code of Business Conduct and Ethics. http://vivant.com.ph/wp-content/uploads/2019/06/Code-of-Business-Conduct-and-Ethics.pdf http://vivant.com.ph/wp-content/uploads/2019/06/Code-of-Business-Conduct-and-Ethics.pdf	
2. Board ensures the proper and efficient implementation and monitoring of compliance with company internal policies.	COMPLIANT		
Disclosure and Transparency			
Principle 8: The company should establish corporate disclosure policies and procedures that are practical and in accordance with best practices and regulatory expectations.			
Recommendation 8.1			
1. Board establishes corporate disclosure policies and procedures to ensure a comprehensive, accurate, reliable and	COMPLIANT	Please refer to the Company's website for SEC filings.	

timely report to shareholders and other stakeholders that gives a fair and complete picture of a company's financial condition, results and business operations.		http://www.vivant.com.ph/sec-filings/	
Supplement to Recommendations 8.1			
1. Company distributes or makes available annual and quarterly consolidated reports, cash flow statements, and special audit revisions. Consolidated financial statements are published within ninety (90) days from the end of the fiscal year, while interim reports are published within forty-five (45) days from the end of the reporting period.	COMPLIANT	For fiscal year 2021, the Company submitted its Annual Report and Consolidated Financial Statements to the Securities and Exchange Commission (through electronic mail) on **April 4, 2022**. Attached as Annex "J and "K" are the e-mail acknowledgment of receipt from the Market and Securities Regulation Department https://www.vivant.com.ph/wp-content/uploads/2022/04/2022-SEC-17-A-VVT.pdf https://edge.pse.com.ph/companyDisclosures/form.do?cmpy_id=79	
2. Company discloses in its annual report the principal risks associated with the identity of the company's controlling shareholders; the degree of ownership concentration; cross-holdings among company affiliates; and any imbalances between the controlling shareholders' voting power and overall equity position in the company.	NON-COMPLIANT	https://www.vivant.com.ph/wp-content/uploads/2022/04/2022-SEC-17-A-VVT.pdf	There is no direct disclosure on the risks pertaining to principal risks associated with the identity of the company's controlling shareholders; the degree of ownership concentration; cross-holdings among company affiliates; and any imbalances between the controlling shareholders' voting power and overall equity position in the company, but Vivant Corporation has consistently included the family relationship and security ownership of

			directors which include those in family relationships (see: https://www.vivant.com.ph/wp-content/uploads/2022/04/2022-SEC-17-A-VVT.pdf (Please refer to page 120-125).
Recommendation 8.2			
1. Company has a policy requiring all directors to disclose/report to the company any dealings in the company's shares within three business days.	COMPLIANT	Vivant Corporation's memorandum on Disclosure of Transactions and "Blackout" transactions by Directors, Officers, Employees, and Related Individuals of Vivant Corporation Shares is attached as Annex "L"	
2. Company has a policy requiring all officers to disclose/report to the company any dealings in the company's shares within three business days.	COMPLIANT		
Supplement to Recommendation 8.2			
1. Company discloses the trading of the corporation's shares by directors, officers (or persons performing similar functions) and controlling shareholders. This includes the disclosure of the company's purchase of its shares from the market (e.g. share buy-back program).	COMPLIANT	Please refer to the Company's website, Definitive Information Statement and Annual Report. Website: http://www.vivant.com.ph/disclosures/ Annual Report: https://www.vivant.com.ph/wp-content/uploads/2022/04/2022-SEC-17-A-VVT.pdf	

		(Please refer to Information on Directors and Officers in pages 94-100) https://www.vivant.com.ph/wp-content/uploads/2022/05/Vivant-Corporation_SEC-Form-20-IS-FY2021_Definitive-Information-Statement_Clean_Updated.pdf (Please refer to Information on Directors and Officers in pages 14-19)	
Recommendation 8.3			
1. Board fully discloses all relevant and material information on individual board members to evaluate their experience and qualifications, and assess any potential conflicts of interest that might affect their judgment.	COMPLIANT	Please refer to the Company's Definitive Information Statement and Annual Report. Annual Report: https://www.vivant.com.ph/wp-content/uploads/2022/04/2022-SEC-17-A-VVT.pdf (Please refer to Information on Directors and Officers in pages 94-100) https://www.vivant.com.ph/wp-content/uploads/2022/05/Vivant-Corporation_SEC-Form-20-IS-FY2021_Definitive-Information-Statement_Clean_Updated.pdf (Please refer to Information on Directors and Officers in pages 14-19)	
2. Board fully discloses all relevant and material information on key executives to evaluate their experience and	COMPLIANT	Please refer to the Company's Definitive Information Statement and Annual Report.	

qualifications, and assess any potential conflicts of interest that might affect their judgment.		Annual Report: https://www.vivant.com.ph/wp-content/uploads/2022/04/2022-SEC-17-A-VVT.pdf (Please refer to Information on Directors and Officers in pages 94-100) https://www.vivant.com.ph/wp-content/uploads/2022/05/Vivant-Corporation_SEC-Form-20-IS-FY2021_Definitive-Information-Statement_Clean_Updated.pdf (Please refer to Information on Directors and Officers in pages 14-19)	
Recommendation 8.4			
1. Company provides a clear disclosure of its policies and procedure for setting Board remuneration, including the level and mix of the same.	NON-COMPLIANT		Vivant Corporation does not have a policy and procedure for setting Board remuneration, because other than honoraria for meetings attended Vivant Corporation does not pay any other fee. The rates per board and committee meetings attended and the remuneration of the non-executive directors on an individual bases were disclosed in the Company's Annual Report. https://www.vivant.com.ph/wp-content/uploads/2022/04/2022-SEC-17-A-VVT.pdf (Please refer to page 123)
2. Company provides a clear disclosure of its policies and procedure for setting executive remuneration, including the level and mix of the same.	NON-COMPLIANT		

3. Company discloses the remuneration on an individual basis, including termination and retirement provisions.	NON-COMPLIANT		For security reasons, disclosure of individual remuneration is not practiced. In lieu thereof, Vivant Corporation provides information of the top five (5) executives as a group. https://www.vivant.com.ph/wp-content/uploads/2022/04/2022-SEC-17-A-VVT.pdf (Please refer to page 122)
Recommendation 8.5			
1. Company discloses its policies governing Related Party Transactions (RPTs) and other unusual or infrequently occurring transactions in their Manual on Corporate Governance.	COMPLIANT	Please refer to the Company's Manual on Corporate Governance. http://www.vivant.com.ph/wp-content/uploads/2016/12/VVT-Manual-on-Corporate-Governance-2017.pdf (see pages 15-18) http://vivant.com.ph/wp-content/uploads/2019/10/VVT-Corp-Related-Party-Transaction-Policy.pdf For fiscal year 2021, there was no transaction involving a director or executive officer involving conflict of interest.	
2. Company discloses material or significant RPTs reviewed and approved during the year.	COMPLIANT	For fiscal year 2021, there was no transaction involving a director or executive officer involving conflict of interest. https://www.vivant.com.ph/wp-content/uploads/2022/04/2022-SEC-17-A-VVT.pdf (see page 29)	

Supplement to Recommendation 8.5			
1. Company requires directors to disclose their interests in transactions or any other conflict of interests.	COMPLIANT	Please refer to the Company's Manual on Corporate Governance. http://www.vivant.com.ph/wp-content/uploads/2016/12/VVT-Manual-on-Corporate-Governance-2017.pdf (see page 18 on Procedure and Guidelines)	
Optional : Recommendation 8.5			
1. Company discloses that RPTs are conducted in such a way to ensure that they are fair and at arms' length.	COMPLIANT	Please refer to the Company's Manual on Corporate Governance and Related Party Transaction Policy. http://www.vivant.com.ph/wp-content/uploads/2016/12/VVT-Manual-on-Corporate-Governance-2017.pdf (see page 16-Procedure and Guidelines) http://vivant.com.ph/wp-content/uploads/2019/10/VVT-Corp-Related-Party-Transaction-Policy.pdf	
Recommendation 8.6			
1. Company makes a full, fair, accurate and timely disclosure to the public of every material fact or event that occur, particularly on the acquisition or disposal of significant assets, which could adversely affect the viability or the interest of its shareholders and other stakeholders.	COMPLIANT	Please refer to the Company's disclosures in PSE Edge. http://edge.pse.com.ph/companyDisclosures/form.do?cmpy_id=79 http://vivant.com.ph/sec-filings/	
2. Board appoints an independent party to evaluate the fairness of the transaction	COMPLIANT	Please refer to the Company's Policy on Related Party Transaction.	Vivant Corporation has not had a Related Party Transaction in 2021 that requires an

price on the acquisition or disposal of assets.		http://vivant.com.ph/wp-content/uploads/2019/10/VVT-Corp-Related-Party-Transaction-Policy.pdf	evaluation by an independent party as to the fairness of the transaction price. But Vivant Corporation has a Related Party Transaction Committee see: http://www.vivant.com.ph/wp-content/uploads/2016/12/VVT-Manual-on-Corporate-Governance-2017.pdf (see pages 24-26); http://vivant.com.ph/wp-content/uploads/2019/10/VVT-Corp-Related-Party-Transaction-Policy.pdf ; and see: http://www.vivant.com.ph/corporate-governance/board-committees/ which does not preclude the engagement of an independent consultant to evaluation the fairness of the transaction price.
Supplement to Recommendation 8.6			
1. Company discloses the existence, justification and details on shareholder agreements, voting trust agreements, confidentiality agreements, and such other agreements that may impact on the control, ownership, and strategic direction of the company.	COMPLIANT	Please refer to the Company's Definitive Information Sheet. http://vivant.com.ph/wp-content/uploads/2021/05/Vivant-Corporation_SEC-Form-20-IS-Information-Statement_12-May-2021.pdf (see page 8-9)	
Recommendation 8.7			
1. Company's corporate governance policies, programs and procedures are contained in its Manual on Corporate Governance (MCG).	COMPLIANT	Please refer to the Company's Manual on Corporate Governance. http://www.vivant.com.ph/wp-content/uploads/2016/12/VVT-Manual-on-Corporate-Governance-2017.pdf	
2. Company's MCG is submitted to the SEC and PSE.	COMPLIANT		
3. Company's MCG is posted on its company website.	COMPLIANT		

Supplement to Recommendation 8.7			
1. Company submits to the SEC and PSE an updated MCG to disclose any changes in its corporate governance practices.	COMPLIANT	Please refer to the Company's Manual on Corporate Governance. http://www.vivant.com.ph/wp-content/uploads/2016/12/VVT-Manual-on-Corporate-Governance-2017.pdf	
Optional: Principle 8			
1. Does the company's Annual Report disclose the following information:			
a. Corporate Objectives	COMPLIANT	(b) https://www.vivant.com.ph/wp-content/uploads/2022/04/2022-SEC-17-A-VVT.pdf (see discussion on key performance indicators on pages 78-79) (c) Discussion on its subsidiary's market share in retail competition is in https://www.vivant.com.ph/wp-content/uploads/2022/04/2022-SEC-17-A-VVT.pdf (page 15); and discussion on reducing reliance by a subsidiary in bilateral contracts is in https://www.vivant.com.ph/wp-content/uploads/2022/04/2022-SEC-17-A-VVT.pdf (page 25). (e) https://www.vivant.com.ph/wp-content/uploads/2022/04/2022-SEC-17-A-VVT.pdf	(a) The Annual Report does not specify Corporate Objectives; but, by disclosing competition, major risks, the effects of existing and or probable government regulations, it is implied that overcoming these is one of the objectives of Vivant Corporation. https://www.vivant.com.ph/wp-content/uploads/2022/04/2022-SEC-17-A-VVT.pdf (see pages 13-18)
b. Financial performance indicators	COMPLIANT		
c. Non-financial performance indicators	COMPLIANT		
d. Dividend Policy	NON-COMPLIANT		(d) Vivant Corporation does not have a dividend policy. After determining the unrestricted retained earnings available for possible dividend declaration, the company assesses its future need to fund future investments.
e. Biographical details (at least age, academic qualifications, date of first	COMPLIANT		

appointment, relevant experience, and other directorships in listed companies) of all directors		(Please refer to Information on Directors and Officers in pages 94-100)	
f. Attendance details of each director in all directors meetings held during the year	COMPLIANT	(f) https://www.vivant.com.ph/wp-content/uploads/2022/04/2022-SEC-17-A-VVT.pdf (Please refer to pages 92-103)	
g. Total remuneration of each member of the board of directors	COMPLIANT	(g) https://www.vivant.com.ph/wp-content/uploads/2022/04/2022-SEC-17-A-VVT.pdf (page 123)	
2. The Annual Report contains a statement confirming the company's full compliance with the Code of Corporate Governance and where there is non-compliance, identifies and explains reason for each such issue.	COMPLIANT	Please refer to the Company's Annual Report https://www.vivant.com.ph/wp-content/uploads/2022/04/2022-SEC-17-A-VVT.pdf (see page 128)	
3. The Annual Report/Annual CG Report discloses that the board of directors conducted a review of the company's material controls (including operational, financial and compliance controls) and risk management systems.	COMPLIANT	Please refer to the Company's Annual Report https://www.vivant.com.ph/wp-content/uploads/2022/04/2022-SEC-17-A-VVT.pdf (see page 101)	
4. The Annual Report/Annual CG Report contains a statement from the board of directors or Audit Committee commenting on the adequacy of the company's internal controls/risk management systems.	COMPLIANT	Please refer to the Company's Annual Report https://www.vivant.com.ph/wp-content/uploads/2022/04/2022-SEC-17-A-VVT.pdf (see page 101)	
5. The company discloses in the Annual Report the key risks to which the company is materially exposed to (i.e. financial, operational including IT, environmental, social, economic).	COMPLIANT	Please refer to the Company's Annual Report.	

		https://www.vivant.com.ph/wp-content/uploads/2022/04/2022-SEC-17-A-VVT.pdf (see page 65-68)	
Principle 9: The company should establish standards for the appropriate selection of an external auditor, and exercise effective oversight of the same to strengthen the external auditor's independence and enhance audit quality.			
Recommendation 9.1			
1. Audit Committee has a robust process for approving and recommending the appointment, reappointment, removal, and fees of the external auditors.	COMPLIANT	Please refer to the Company's Manual on Corporate Governance and Audit Committee Charter. http://www.vivant.com.ph/wp-content/uploads/2016/12/VVT-Manual-on-Corporate-Governance-2017.pdf (see page 33) http://www.vivant.com.ph/wp-content/uploads/2018/09/Audit-Committee-Charter.pdf (see page 3-External Audit)	
2. The appointment, reappointment, removal, and fees of the external auditor is recommended by the Audit Committee, approved by the Board and ratified by the shareholders.	COMPLIANT	Please refer to the Company's Manual on Corporate Governance and Audit Committee Charter. http://www.vivant.com.ph/wp-content/uploads/2016/12/VVT-Manual-on-Corporate-Governance-2017.pdf (see page 33) http://www.vivant.com.ph/wp-content/uploads/2018/09/Audit-Committee-Charter.pdf (see page 3-External Audit)	

3. For removal of the external auditor, the reasons for removal or change are disclosed to the regulators and the public through the company website and required disclosures.	COMPLIANT		There has been no removal of the external auditor that required the disclosure for the reason/s therefor.
Supplement to Recommendation 9.1			
1. Company has a policy of rotating the lead audit partner every five years.	NON-COMPLIANT		Vivant Corporation has no written policy on rotation of lead audit partner, but its external auditor has been implementing its policy on rotation of lead partner every five years.
Recommendation 9.2			
1. Audit Committee Charter includes the Audit Committee's responsibility on: i. assessing the integrity and independence of external auditors; ii. exercising effective oversight to review and monitor the external auditor's independence and objectivity; and iii. exercising effective oversight to review and monitor the effectiveness of the audit process, taking into consideration relevant Philippine professional and regulatory requirements.	COMPLIANT	Please refer to the Company's Audit Committee Charter http://www.vivant.com.ph/wp-content/uploads/2018/09/Audit-Committee-Charter.pdf (see page 3: External Audit)	
2. Audit Committee Charter contains the Committee's responsibility on reviewing and monitoring the external auditor's suitability and effectiveness on an annual basis.	NON-COMPLIANT		The Audit Committee Charter does not require review and monitoring of the suitability and effectiveness of the external auditor on an annual basis, but there is such a responsibility to review the performance and independence of the external auditor.

			http://www.vivant.com.ph/wp-content/uploads/2018/09/Audit-Committee-Charter.pdf (see page 3: External Audit)
Supplement to Recommendation 9.2			
1. Audit Committee ensures that the external auditor is credible, competent and has the ability to understand complex related party transactions, its counterparties, and valuations of such transactions.	COMPLIANT	Please refer to the Company's Audit Committee Charter. http://www.vivant.com.ph/wp-content/uploads/2018/09/Audit-Committee-Charter.pdf (see page 3: External Audit)	
2. Audit Committee ensures that the external auditor has adequate quality control procedures.	COMPLIANT	Please refer to the Company's Audit Committee Charter. http://www.vivant.com.ph/wp-content/uploads/2018/09/Audit-Committee-Charter.pdf (see page 3: External Audit)	
Recommendation 9.3			
1. Company discloses the nature of non-audit services performed by its external auditor in the Annual Report to deal with the potential conflict of interest.	COMPLIANT	Please refer to the Company's Annual Report https://www.vivant.com.ph/wp-content/uploads/2022/04/2022-SEC-17-A-VVT.pdf(see page 91: External Audit Fees and Services)	
2. Audit Committee stays alert for any potential conflict of interest situations, given the guidelines or policies on non-audit services, which could be viewed as impairing the external auditor's objectivity.	COMPLIANT	Please refer to the Company's Audit Committee Charter and Manual Corporate Governance. http://www.vivant.com.ph/wp-content/uploads/2018/09/Audit-	

		Committee-Charter.pdf (see page 3: External Audit) http://www.vivant.com.ph/wp-content/uploads/2016/12/VVT-Manual-on-Corporate-Governance-2017.pdf (see page 20, clause 2.12.2 (g))	
Supplement to Recommendation 9.3			
1. Fees paid for non-audit services do not outweigh the fees paid for audit services.	COMPLIANT	Please refer to the Company's Annual Report. http://vivant.com.ph/wp-content/uploads/2021/04/Vivant-Corporation-SEC-Form-17-A_FY2020_Final_Execution-Version.pdf (see page 76: External Audit Fees and Services)	
1. Company's external auditor is duly accredited by the SEC under Group A category.	COMPLIANT	Please refer to the Company's Annual Report http://www.vivant.com.ph/wp-content/uploads/2021/10/VVT-GIS-2021.pdf http://www.vivant.com.ph/wp-content/uploads/2021/08/VVT-GIS-2020-1st-Amended.pdf	
2. Company's external auditor agreed to be subjected to the SEC Oversight Assurance Review (SOAR) Inspection Program	COMPLIANT	The SOAR has not been conducted. But once it will be conducted, the external auditor will agree thereto.	

conducted by the SEC's Office of the General Accountant (OGA).			
Principle 10: The company should ensure that the material and reportable non-financial and sustainability issues are disclosed.			
Recommendation 10.1			
1. Board has a clear and focused policy on the disclosure of non-financial information, with emphasis on the management of economic, environmental, social and governance (EESG) issues of its business, which underpin sustainability.	COMPLIANT	Please refer to the Company's Annual Report and Sustainability Report https://www.vivant.com.ph/wp-content/uploads/2022/04/2022-SEC-17-A-VVT.pdf (see pages 64-65: Business of Issuer) https://www.vivant.com.ph/wp-content/uploads/2022/04/Vivant-Corporation-Sustainability-Report-2021.pdf	
2. Company adopts a globally recognized standard/framework in reporting sustainability and non-financial issues.	COMPLIANT	Please refer to the Company's Sustainability Report https://www.vivant.com.ph/wp-content/uploads/2022/04/Vivant-Corporation-Sustainability-Report-2021.pdf	
Principle 11: The company should maintain a comprehensive and cost-efficient communication channel for disseminating relevant information. This channel is crucial for informed decision-making by investors, stakeholders and other interested users.			
Recommendation 11.1			
1. Company has media and analysts' briefings as channels of communication to ensure the timely and accurate dissemination of public, material and	COMPLIANT		In 2021, a press briefing was conducted immediately after the Annual Stockholders' Meeting.

relevant information to its shareholders and other investors.			
Supplemental to Principle 11			
1. Company has a website disclosing up-to-date information on the following:	COMPLIANT	Please refer to the Company's website. http://www.vivant.com.ph/	
a. Financial statements/reports (latest quarterly)	COMPLIANT	Please refer to the Company's website. http://www.vivant.com.ph/sec-filings/	
b. Materials provided in briefings to analysts and media	COMPLIANT	The press materials given to the media during annual stockholders' meetings are posted in the website. https://www.vivant.com.ph/annual-stockholders-meeting-2021/	
c. Downloadable annual report	COMPLIANT	Please refer to the Company's Annual Report. https://www.vivant.com.ph/wp-content/uploads/2022/04/2022-SEC-17-A-VVT.pdf	
d. Notice of ASM and/or SSM	COMPLIANT	https://www.vivant.com.ph/sec-filings/notice-of-meetings/	
d. Minutes of ASM and/or SSM	COMPLIANT	https://www.vivant.com.ph/sec-filings/minutes-of-meetings/	
e. Company's Articles of Incorporation and By-Laws	COMPLIANT	https://www.vivant.com.ph/our-company/articles-of-incorporation-and-by-laws/	
Additional Recommendation to Principle 11			
1. Company complies with SEC-prescribed website template.	COMPLIANT	Please refer to the Company's website.	

		http://www.vivant.com.ph/	
Internal Control System and Risk Management Framework			
Principle 12: To ensure the integrity, transparency and proper governance in the conduct of its affairs, the company should have a strong and effective internal control system and enterprise risk management framework.			
Recommendation 12.1			
1. Company has an adequate and effective internal control system in the conduct of its business.	COMPLIANT	http://www.vivant.com.ph/wp-content/uploads/2016/12/VVT-Manual-on-Corporate-Governance-2017.pdf (see pages 33-34)	
2. Company has an adequate and effective enterprise risk management framework in the conduct of its business.	COMPLIANT	http://www.vivant.com.ph/wp-content/uploads/2016/12/VVT-Manual-on-Corporate-Governance-2017.pdf (see pages 35-37)	
Supplement to Recommendations 12.1			
1. Company has a formal comprehensive enterprise-wide compliance program covering compliance with laws and relevant regulations that is annually reviewed. The program includes appropriate training and awareness initiatives to facilitate understanding, acceptance and compliance with the said issuances.	COMPLIANT	http://www.vivant.com.ph/corporate-governance/enterprise-risk-management/	
Optional: Recommendation 12.1			
1. Company has a governance process on IT issues including disruption, cyber security, and disaster recovery, to ensure that all key risks are identified, managed and reported to the board.	COMPLIANT	The Company discussed the IT Roadmap or the information systems strategic plans and the recommended improvements to its IT system. Please see attached Minutes of the Risk Committee Meeting dated November 26, 2020, attached hereto as Annex "M".	
Recommendation 12.2			

1. Company has in place an independent internal audit function that provides an independent and objective assurance, and consulting services designed to add value and improve the company's operations.	COMPLIANT	http://www.vivant.com.ph/wp-content/uploads/2016/12/VVT-Manual-on-Corporate-Governance-2017.pdf (see pages 34-35) http://www.vivant.com.ph/our-company/organizational-chart/ Note that Internal Audit reports directly to the Chairman of the Board.	
Recommendation 12.3			
1. Company has a qualified Chief Audit Executive (CAE) appointed by the Board.	NON-COMPLIANT		There is no appointed CAE yet, but the Manual on Corporate Governance provides for such position. http://www.vivant.com.ph/wp-content/uploads/2016/12/VVT-Manual-on-Corporate-Governance-2017.pdf (see page 35)
2. CAE oversees and is responsible for the internal audit activity of the organization, including that portion that is outsourced to a third-party service provider.	NON-COMPLIANT		
3. In case of a fully outsourced internal audit activity, qualified independent executive or senior management personnel is assigned the responsibility for managing the fully outsourced internal audit activity.	NON-COMPLIANT		
Recommendation 12.4			
1. Company has a separate risk management function to identify, assess and monitor key risk exposures.	COMPLIANT	http://www.vivant.com.ph/wp-content/uploads/2016/12/VVT-Manual-on-Corporate-Governance-2017.pdf (see pages 35-37) http://www.vivant.com.ph/our-company/organizational-chart/	
Supplement to Recommendation 12.4			

1. Company seeks external technical support in risk management when such competence is not available internally.	COMPLIANT	Vivant Corporation engaged the services of JLT to assist the Risk Department in the Business Continuity Management exercise.	
Recommendation 12.5			
1. In managing the company's Risk Management System, the company has a Chief Risk Officer (CRO), who is the ultimate champion of Enterprise Risk Management (ERM).	COMPLIANT	Please refer to the Company's website. http://www.vivant.com.ph/wp-content/uploads/2021/08/2021-SEC-Form-17-C-Results-of-ASM-and-OBM.pdf https://www.vivant.com.ph/our-company/bod-and-officers/	
2. CRO has adequate authority, stature, resources and support to fulfill his/her responsibilities.	COMPLIANT	Please refer to the Company's Definitive Information Sheet. https://www.vivant.com.ph/wp-content/uploads/2022/05/Vivant-Corporation_SEC-Form-20-IS-FY2021_Definitive-Information-Statement_Clean_Updated.pdf (see page 24)	
Additional Recommendation to Principle 12			
1. Company's Chief Executive Officer and Chief Audit Executive attest in writing, at least annually, that a sound internal audit, control and compliance system is in place and working effectively.	COMPLIANT	Please see notarized Certification attached as Annex "N".	
Cultivating a Synergic Relationship with Shareholders			
Principle 13: The company should treat all shareholders fairly and equitably, and also recognize, protect and facilitate the exercise of their rights.			
Recommendation 13.1			
1. Board ensures that basic shareholder rights are disclosed in the Manual on Corporate Governance.	COMPLIANT	http://www.vivant.com.ph/wp-content/uploads/2016/12/VVT-Manual-on-Corporate-Governance-	

		2017.pdf (see pages 37-41: Promoting Shareholder Rights)	
2. Board ensures that basic shareholder rights are disclosed on the company's website.	COMPLIANT	http://www.vivant.com.ph/wp-content/uploads/2016/12/VVT-Manual-on-Corporate-Governance-2017.pdf (see pages 37-41: Promoting Shareholder Rights)	
Supplement to Recommendation 13.1			
1. Company's common share has one vote for one share.	COMPLIANT	Please refer to the Company's Definitive Information Sheet. https://www.vivant.com.ph/wp-content/uploads/2022/05/Vivant-Corporation_SEC-Form-20-IS-FY2021_Definitive-Information-Statement_Clean_Updated.pdf (see page 7-8)	
2. Board ensures that all shareholders of the same class are treated equally with respect to voting rights, subscription rights and transfer rights.	COMPLIANT	Please refer to the Company's Definitive Information Sheet. https://www.vivant.com.ph/wp-content/uploads/2022/05/Vivant-Corporation_SEC-Form-20-IS-FY2021_Definitive-Information-Statement_Clean_Updated.pdf (see page 7-8)	
3. Board has an effective, secure, and efficient voting system.	COMPLIANT	Please refer to the Company's Definitive Information Sheet. https://www.vivant.com.ph/wp-content/uploads/2022/05/Vivant-Corporation_SEC-Form-20-IS-	

		FY2021_Definitive-Information-Statement_Clean_Updated.pdf (see page 40)	
4. Board has an effective shareholder voting mechanisms such as supermajority or "majority of minority" requirements to protect minority shareholders against actions of controlling shareholders.	NON-COMPLIANT		Vivant Corporation implements one-share one-vote rule in accordance with law, other than for cumulative voting where minority shareholders may cumulate their votes to elect a director.
5. Board allows shareholders to call a special shareholders' meeting and submit a proposal for consideration or agenda item at the AGM or special meeting.	COMPLIANT	Please refer to the Company's website. http://www.vivant.com.ph/wp-content/uploads/2016/12/July-2015-Vivant-Corp-Amended-By-Laws.pdf (see Article II, Section 2)	
6. Board clearly articulates and enforces policies with respect to treatment of minority shareholders.	COMPLIANT	Please refer to the Company's Manual on Corporate Governance. http://www.vivant.com.ph/wp-content/uploads/2016/12/VVT-Manual-on-Corporate-Governance-2017.pdf (see pages 37-41)	
7. Company has a transparent and specific dividend policy.	NON-COMPLIANT		Vivant Corporation does not have a dividend policy. After determining the unrestricted retained earnings available for possible dividend declaration, the company assesses its future need to fund future investments. For fiscal year 2021, cash dividends were paid on June 23, 2021 after the Board declared dividends on May 12, 2021.

			https://www.vivant.com.ph/wp-content/uploads/2022/04/2022-SEC-17-A-VVT.pdf (see page 76: Dividends)
Optional: Recommendation 13.1			
1. Company appoints an independent party to count and/or validate the votes at the Annual Shareholders' Meeting.			
Recommendation 13.2			
1. Board encourages active shareholder participation by sending the Notice of Annual and Special Shareholders' Meeting with sufficient and relevant information at least 28 days before the meeting.	COMPLIANT		The 2021 Annual Shareholders' Meeting was conducted via video conferencing through Zoom. Pursuant to SEC Memorandum No. 6, the Notice of Annual Shareholders' Meeting were published in the newspaper (print and on-line) of general circulation for two (2) consecutive days specifically on May 18 and 19, 2021 and posted on the company's website at least twenty-eight (28) calendar days before the Meeting.
Supplemental to Recommendation 13.2			
1. Company's Notice of Annual Stockholders' Meeting contains the following information:	COMPLIANT	Please refer to the Company's Definitive Information Sheet. https://www.vivant.com.ph/wp-content/uploads/2022/05/Vivant-Corporation_SEC-Form-20-IS-FY2021_Definitive-Information-Statement_Clean_Updated.pdf Please refer to the Company's Definitive Information Sheet.	
a. The profiles of directors (i.e., age, academic qualifications, date of first appointment, experience, and directorships in other listed companies)	COMPLIANT		
b. Auditors seeking appointment/re-appointment	COMPLIANT		
c. Proxy documents	COMPLIANT		

		https://www.vivant.com.ph/wp-content/uploads/2022/05/Vivant-Corporation_SEC-Form-20-IS-FY2021_Definitive-Information-Statement_Clean_Updated.pdf	
Optional: Recommendation 13.2			
1. Company provides rationale for the agenda items for the annual stockholders meeting	COMPLIANT	Please refer to the Company's Definitive Information Sheet. https://www.vivant.com.ph/wp-content/uploads/2022/05/Vivant-Corporation_SEC-Form-20-IS-FY2021_Definitive-Information-Statement_Clean_Updated.pdf	
Recommendation 13.3			
1. Board encourages active shareholder participation by making the result of the votes taken during the most recent Annual or Special Shareholders' Meeting publicly available the next working day.	COMPLIANT	The results of the shareholder votes taken at the last Annual Shareholders' Meeting were disclosed on the following working day. The minutes were posted on the website. http://www.vivant.com.ph/sec-filings/minutes-of-meetings/	
2. Minutes of the Annual and Special Shareholders' Meetings were available on the company website within five business days from the end of the meeting.	COMPLIANT	The minutes of the Annual Shareholders' Meeting were posted on the website on the following day of the Meeting. http://www.vivant.com.ph/sec-filings/minutes-of-meetings/	

Supplement to Recommendation 13.3			
1. Board ensures the attendance of the external auditor and other relevant individuals to answer shareholders questions during the ASM and SSM.	COMPLIANT	The results of the shareholders votes taken at the last Annual Shareholders' Meeting were disclosed on the following working day. The minutes were posted in the website. http://vivant.com.ph/sec-filings/minutes-of-meetings/	
Recommendation 13.4			
1. Board makes available, at the option of a shareholder, an alternative dispute mechanism to resolve intra-corporate disputes in an amicable and effective manner.	COMPLIANT	Please refer to the Company's Manual on Corporate Governance. http://www.vivant.com.ph/wp-content/uploads/2016/12/VVT-Manual-on-Corporate-Governance-2017.pdf (see pages 40-41)	
2. The alternative dispute mechanism is included in the company's Manual on Corporate Governance.	COMPLIANT	Please refer to the Company's Manual on Corporate Governance. http://www.vivant.com.ph/wp-content/uploads/2016/12/VVT-Manual-on-Corporate-Governance-2017.pdf (see pages 40-41)	
Recommendation 13.5			
1. Board establishes an Investor Relations Office (IRO) to ensure constant engagement with its shareholders.	COMPLIANT	Please refer to the Company's Manual on Corporate Governance.	

		http://www.vivant.com.ph/wp-content/uploads/2016/12/VVT-Manual-on-Corporate-Governance-2017.pdf (See page 41, clause 12.6) However, nobody has been appointed as the IRO.	
2. IRO is present at every shareholder's meeting.	NON-COMPLIANT		While the Manual on Corporate Governance provides for an IRO, there is yet no appointed IRO.
Supplemental Recommendations to Principle 13			
1. Board avoids anti-takeover measures or similar devices that may entrench ineffective management or the existing controlling shareholder group	COMPLIANT	There has been no attempt to takeover Vivant Corporation, thus, there was no need to avoid such effort.	
2. Company has at least thirty percent (30%) public float to increase liquidity in the market.	NON-COMPLIANT		As of April 13, 2022 Vivant Corporation had a public float of 24.01%. https://edge.pse.com.ph/companyPage/stockData.do?cmpy_id=79
Optional: Principle 13			
1. Company has policies and practices to encourage shareholders to engage with the company beyond the Annual Stockholders' Meeting		,	
2. Company practices secure electronic voting in absentia at the Annual Shareholders' Meeting.	COMPLIANT	For 2021, the Company utilized the platform of Convene for the conduct of the Annual Shareholders' Meeting and online voting portal. Reference: https://www.vivant.com.ph/wp-content/uploads/2021/08/Notice-	

		and-Agenda-of-Annual-Meeting-of-Stockholders-2021.pdf	
Duties to Stakeholders			
Principle 14: The rights of stakeholders established by law, by contractual relations and through voluntary commitments must be respected. Where stakeholders' rights and/or interests are at stake, stakeholders should have the opportunity to obtain prompt effective redress for the violation of their rights.			
Recommendation 14.1			
1. Board identifies the company's various stakeholders and promotes cooperation between them and the company in creating wealth, growth and sustainability.	COMPLIANT	Please refer to the Company's Manual on Corporate Governance. http://www.vivant.com.ph/wp-content/uploads/2016/12/VVT-Manual-on-Corporate-Governance-2017.pdf (see page 41)	
Recommendation 14.2			
1. Board establishes clear policies and programs to provide a mechanism on the fair treatment and protection of stakeholders.	COMPLIANT	Please refer to the Company's Manual on Corporate Governance. http://www.vivant.com.ph/wp-content/uploads/2016/12/VVT-Manual-on-Corporate-Governance-2017.pdf (see page 41)	
Recommendation 14.3			
1. Board adopts a transparent framework and process that allow stakeholders to communicate with the company and to obtain redress for the violation of their rights.	COMPLIANT	http://www.vivant.com.ph/wp-content/uploads/2016/12/VVT-Manual-on-Corporate-Governance-2017.pdf (see page 18, clause 2.76) While the Manual on Corporate Governance provides for an IRO, there is yet no appointed IRO.	
Supplement to Recommendation 14.3			
1. Company establishes an alternative dispute resolution system so that conflicts and differences with key stakeholders is settled in a fair and expeditious manner.	COMPLIANT	Please refer to the Company's Manual on Corporate Governance.	

		http://www.vivant.com.ph/wp-content/uploads/2016/12/VVT-Manual-on-Corporate-Governance-2017.pdf (see pages 39-41)	
Additional Recommendations to Principle 14			
1. Company does not seek any exemption from the application of a law, rule or regulation especially when it refers to a corporate governance issue. If an exemption was sought, the company discloses the reason for such action, as well as presents the specific steps being taken to finally comply with the applicable law, rule or regulation.	COMPLIANT	Vivant Corporation has not sought for any exemption from the application of a law, rule or regulation, especially pertaining to corporate governance issue.	
2. Company respects intellectual property rights.	COMPLIANT	There has been no instance where the respect for intellectual property rights has been compromised.	
Optional: Principle 14			
1. Company discloses its policies and practices that address customers' welfare			
2. Company discloses its policies and practices that address supplier/contractor selection procedures			
Principle 15: A mechanism for employee participation should be developed to create a symbiotic environment, realize the company's goals and participate in its corporate governance processes.			
Recommendation 15.1			
1. Board establishes policies, programs and procedures that encourage employees to actively participate in the realization of the company's goals and in its governance.	COMPLIANT	Please refer to the Company's Manual on Corporate Governance. http://www.vivant.com.ph/wp-content/uploads/2016/12/VVT-	

		Manual-on-Corporate-Governance-2017.pdf (see pages 41-42)	
Supplement to Recommendation 15.1			
1. Company has a reward/compensation policy that accounts for the performance of the company beyond short-term financial measures.	NON-COMPLIANT		Vivant Corporation has no existing policy, but only the practice of the Discretionary Bonus (page 13 of Handbook on "Other Bonuses"(Attached as Annex "E")
2. Company has policies and practices on health, safety and welfare of its employees.	COMPLIANT	See "Schedule of Corrective Actions. Table V: Safety, Health, Security and Public Order" of the Employee Handbook – Code of Good Behavior (Attached as Annex "O")	
3. Company has policies and practices on training and development of its employees.	COMPLIANT	See attached "Training Request Authorization Form – HR 2016-02." (Attached as Annex "P")	
Recommendation 15.2			
1. Board sets the tone and makes a stand against corrupt practices by adopting an anti-corruption policy and program in its Code of Conduct.	COMPLIANT	Please refer to the Company's Anti-corruption Policy. http://vivant.com.ph/wp-content/uploads/2019/06/Anti-Corruption-Policy-and-Program.pdf	
2. Board disseminates the policy and program to employees across the organization through trainings to embed them in the company's culture.	COMPLIANT	http://vivant.com.ph/wp-content/uploads/2019/06/Anti-Corruption-Policy-and-Program.pdf	
Supplement to Recommendation 15.2			
1. Company has clear and stringent policies and procedures on curbing and penalizing employee involvement in offering, paying and receiving bribes.	COMPLIANT	Please refer to the Company's Anti-corruption Policy. http://vivant.com.ph/wp-content/uploads/2019/06/Anti-Corruption-Policy-and-Program.pdf	
Recommendation 15.3			

1. Board establishes a suitable framework for whistleblowing that allows employees to freely communicate their concerns about illegal or unethical practices, without fear of retaliation	COMPLIANT	Please refer to the Company's Manual on Corporate Governance and Whistleblowing Policy. http://www.vivant.com.ph/wp-content/uploads/2016/12/VVT-Manual-on-Corporate-Governance-2017.pdf http://vivant.com.ph/wp-content/uploads/2019/06/Whistleblowing-Policy.pdf	
2. Board establishes a suitable framework for whistleblowing that allows employees to have direct access to an independent member of the Board or a unit created to handle whistleblowing concerns.	COMPLIANT	Please refer to the Company's Manual on Corporate Governance. http://www.vivant.com.ph/wp-content/uploads/2016/12/VVT-Manual-on-Corporate-Governance-2017.pdf http://vivant.com.ph/wp-content/uploads/2019/06/Whistleblowing-Policy.pdf	
3. Board supervises and ensures the enforcement of the whistleblowing framework.	COMPLIANT	While Vivant Corporation has a Whistleblowing Policy, it has not had an instance of whistleblowing that gave the Board the opportunity to supervise and ensure the policy's enforcement.	
Principle 16: The company should be socially responsible in all its dealings with the communities where it operates. It should ensure that its interactions serve its environment and stakeholders in a positive and progressive manner that is fully supportive of its comprehensive and balanced development.			
Recommendation 16.1			

1. Company recognizes and places importance on the interdependence between business and society, and promotes a mutually beneficial relationship that allows the company to grow its business, while contributing to the advancement of the society where it operates.	COMPLIANT	Please refer to the Company's website. http://www.vivant.com.ph/csr/employee-volunteerism/ http://www.vivant.com.ph/csr/	
Optional: Principle 16			
1. Company ensures that its value chain is environmentally friendly or is consistent with promoting sustainable development	COMPLIANT	Please refer to the Company's website. http://www.vivant.com.ph/csr/employee-volunteerism/ http://www.vivant.com.ph/csr/	
2. Company exerts effort to interact positively with the communities in which it operates	COMPLIANT	Please refer to the Company's website. http://www.vivant.com.ph/csr/employee-volunteerism/ http://www.vivant.com.ph/csr/	

C05968-2021

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-C

CURRENT REPORT UNDER SECTION 17 OF THE SECURITIES REGULATION CODE AND SRC RULE 17.2(c) THEREUNDER

1. Date of Report (Date of earliest event reported)
   Sep 1, 2021
2. SEC Identification Number
   175222
3. BIR Tax Identification No.
   242-603-734-000
4. Exact name of issuer as specified in its charter
   Vivant Corporation
5. Province, country or other jurisdiction of incorporation
   Mandaluyong City
6. Industry Classification Code(SEC Use Only)

7. Address of principal office
   9th floor, Oakridge IT Center 2, Oakridge Business Park, A.S. Fortuna Street, Barangay Banilad, Mandaue City, Cebu
   Postal Code
   6014

8. Issuer's telephone number, including area code
   (032) 234-2256; (032) 234-2285
9. Former name or former address, if changed since last report
   Not applicable
10. Securities registered pursuant to Sections 8 and 12 of the SRC or Sections 4 and 8 of the RSA

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
Common shares	1,023,456,698

11. Indicate the item numbers reported herein
    9

The Exchange does not warrant and holds no responsibility for the veracity of the facts and representations contained in all corporate disclosures, including financial reports. All data contained herein are prepared and submitted by the disclosing party to the Exchange, and are disseminated solely for purposes of information. Any questions on the data contained herein should be addressed directly to the Corporate Information Officer of the disclosing party.

Vivant Corporation
VVT

PSE Disclosure Form 4-30 - Material Information/Transactions
References: SRC Rule 17 (SEC Form 17-C) and Sections 4.1 and 4.4 of the Revised Disclosure Rules

Subject of the Disclosure
Attendance of Directors and Officers at an Advanced Corporate Governance Training
Background/Description of the Disclosure
Directors and Officers of Vivant Corporation attended an Advanced Corporate Governance Training last August 13, 2021
Other Relevant Information
The Training was conducted virtually by the Institute of Corporate Directors (ICD).

Filed on behalf by:

Name	Minuel Carmela Franco
Designation	Vice President for Finance and Treasury

ICD

Institute of Corporate Directors

presents this

Certificate of Participation

to

Ramontito E. Garcia

Vivant Corporation

for having completed the online course

Advanced Corporate Governance Training

held on

August 13, 2021 | 1:00 PM - 5:10 PM

through ZOOM Meetings

Leonardo M. Berba

Chief Executive Officer

ICD

Institute of Corporate Directors

presents this

Certificate of Participation

to

Arlo Angelo G. Sarmiento

Vivant Corporation

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Chief Executive Officer

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Emil Andre M. Garcia

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Elbert M. Zosa

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Jose Marko Anton G. Sarmiento

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Laurence R. Rogero

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Charles Sylvestre A. Garcia

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Ellen S. Baladya

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Dyan Ramona S. Olegario

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Grant Clark

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Jess Anthony N. Garcia

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Chief Executive Officer



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Joan G. Baron

Vivant Corporation

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Ma. Cielita C. Aniga

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Maria Victoria E. Sembrano

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Mark D. Habana

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Chief Executive Officer



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Michael B. Velasco

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Minuel Carmela N. Franco

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Ronnel E. De Leon

Vivant Corporation

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Ruselle D. Jorbina

Vivant Corporation

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Shem Jose W. Garcia

Vivant Corporation

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Brigette Cecile N. Garcia

Vivant Corporation

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Carlos F. Bargamento, Jr

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Catherine S. Bringas

Vivant Corporation

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August 13, 2021 | 1:00 PM - 5:10 PM

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Chief Executive Officer

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Denise Mae D. Blanco

Vivant Corporation

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Advanced Corporate Governance Training

held on

August 13, 2021 | 1:00 PM - 5:10 PM

through ZOOM Meetings

Leonardo M. Berba

Chief Executive Officer

VIVANT CORPORATION
Minutes of the Regular Meeting of the Board of Directors
Ranudo Room, 9th Floor, Oakridge IT Center 3
Oakridge Business Park, Mandaue City (Via Zoom)
March 26, 2021 at 9:00 A.M.

PRESENT:

Mr. Ramontito E. Garcia	-	Chairman
Mr. Edgar John A. Garcia	-	Vice Chairman
Mr. Arlo A. G. Sarmiento	-	Member
Mr. Emil Andre M. Garcia	-	Member
Mr. Charles A. Garcia	-	Member
Mr. Gil A. Garcia II	-	Member
Mr. Jose Marko Anton G. Sarmiento	-	Member
Mr. Carmelo Maria L. Bautista	-	Independent Director
Atty. Jesus B. Garcia, Jr.	-	Independent Director
Mr. Rogelio Q. Lim	-	Independent Director
Mr. Raul Ch. Rabe	-	Independent Director

Others Present:

Ms. Minuel Carmela N. Franco	-	SVP – Corporate and Shared Services
Atty. Jess Anthony N. Garcia	-	SVP – Infrastructure; Corporate Secretary;
Ms. Cielita C. Aniga	-	VP-Human Resource
Ms. Maria Victoria E. Sembrano	-	SAVP-Controllership
Ms. Dyan Ramona S. Olegario	-	AVP-Accounting
Atty. Catherine S. Bringas	-	AVP-Legal
Ms. Brigette Cecile N. Garcia	-	AVP-Corporate Planning
Mr. Douglas E. Subang		
Mr. Michael B. Velasco		
Atty. Macario C. Padullo, Jr.		

I. CALL TO ORDER

The Chairman of the Board of Directors (the "Board") of Vivant Corporation ("Vivant"), Mr. Ramontito E. Garcia ("REG"), called to order the meeting at 9:08 o'clock in the morning and presided over the same. The Acting Corporate Secretary, Atty. Catherine S. Bringas ("CSB"), recorded the minutes of the proceedings.

II. CERTIFICATION OF QUORUM

CSB certified that notices of the meeting were given in accordance with the By-Laws, and with the presence of at least majority of the Board, there was a quorum to transact business.

Pursuant to the guidelines under Securities and Exchange Commission ("SEC") Memorandum Circular No. 6, Series of 2020, CSB made a roll call and requested all parties participating in the meeting (whether through videoconference, or teleconference) to state, for the record their full name, position, and location. CSB then informed the attendees who participated in the meeting through videoconference or teleconference call to confirm the following:

1. That they could completely and clearly hear others who could clearly hear them at the end of the line;
2. That they received the agenda and all materials for the meeting; and
3. That they attended the meeting through videoconference or teleconference using the devices below:

Name	Device	Location
Mr. Ramontito E. Garcia	Laptop	
Mr. Edgar John A. Garcia	Laptop	
Mr. Arlo A.G. Sarmiento	Laptop	
Mr. Gil A. Garcia II	Laptop	
Mr. Charles S.A. Garcia	Laptop	
Mr. Jose Marko Anton G. Sarmiento	Laptop	
Mr. Emil Andre M. Garcia	Laptop	
Mr. Rogelio Q. Lim	Laptop	
Mr. Carmel Maria L. Bautista	Laptop	
Atty. Jesus B. Garcia, Jr.	Laptop	
Amb. Raul Ch. Rabe	Laptop	
Ms. Minuel Carmela N. Franco	Laptop	
Ms. Brigette Cecile N. Garcia	Laptop	
Atty. Jess Anthony N. Garcia	Laptop	
Atty. Catherine S. Bringas	Laptop	
Atty. Macario C. Padullo, Jr.	Laptop	
Ms. Dyan Ramona S. Olegario	Laptop	
Mr. Michael B. Velasco	Laptop	
Mr. Douglas E. Subang	Laptop	

Having satisfied themselves that the participants could hear each other completely and clearly and that the materials have been received by the directors participating through videoconference or teleconference call, the Acting Corporate Secretary certified that with at least a majority of the members of the Board present at the meeting by videoconference or teleconference call, a quorum existed for the transaction of official business by the Board.

III. APPROVAL OF THE PREVIOUS MEETING'S MINUTES

Upon motion duly made and seconded, the reading of the minutes of the previous Board meeting was dispensed with, since the members were furnished with copies thereof ahead of the meeting, with sufficient time to peruse. Thereafter, upon further motion duly made and seconded, the minutes of the previous Board meeting were approved and adopted.

IV. MATTERS ARISING FROM PREVIOUS MEETING

CSB discussed the matters arising from the previous meeting.

4.1 Project investments with premium (acquisition of shares over par value), Mr. Carmelo Maria L. Bautista ("CLB") said that the equity accounted income should be adjusted based on premium paid for the shares. Ms. Minuel Carmela N. Franco ("MNF*") to look into this and to consult SGV*", Ms. Dyan Ramona S. Olegario ("DSO") said that they consulted SyCip Gorres Velayo & Co. ("SGV") about the take up of goodwill in terms of the equitized earnings, particularly for because these investments have premium. She said that SGV opined that equitized earnings will be taken to the extent of the equity stake in these companies.

DSO added that in the 2021 Budget and the 2021 Actuals, management will maintain the accounting standards. In their presentation to the Board, even for subsidiaries, what was being used was equitized earnings. Atty. Jesus B. Garcia, Jr. ("JBG") asked why premiums were being equitized considering that generally, investment in a company was an asset and premiums paid was part of the asset base. DSO then explained the accounting of business combination involving a subsidiary. CLB said that with the options presented earlier, he will go with SGV's opinion on this matter.

JNG then explained the NWRB water permit requirement and process. Management was requesting approval for a supplementary budget of for the and capital infusion. JNG explained that this amount formed part of the total EPC cost , and it was not an additional cost. Rather, it was a request for an earlier release.

Amb. Raul Ch. Rabe ("RCR") asked why was the request for a supplementary budget if it was only for the early release of the budgeted amount. Ms. Maria Victoria E. Sembrano ("MES") explained that management presented to the Board the expected disbursements for the year and requested infusions for the first two quarters. However, the was not considered. RCR commented that it was not really supplementary but more of a carve-out.

RCR asked whether it was accurate to continue using the term “supplemental budget” in the request for approval. CLB agreed and pointed out that the is already part of the budget. EMG said that it was actually a request for an earlier release since it was already part of the EPC price.

VI. VIVANT ENERGY UPDATES

VII. FINANCIAL STATEMENT

7.3 Distribution Income Contribution

Mr. Douglas E. Subang ("DES") reported on the Distribution Income Contribution. Visayan Electric's 2020 Actual was , which is lower than the 2020 Budget of and 26% lower than the 2019 Actual of Php785.10Mn. DES explained that the 2020 Budget did not include Depreciation on Appraisal. Taking this into account, the 2020 Budget was reduced to . The negative variance from the 2020 Budget was due to: (i) 2% lower volume sold to customers for the period, (ii) change in the sales mix for the period, and (iii) higher operating cost due to the retrenchment program.

JBG asked about depreciation on appraisal. DES explained that when the 2020 Budget was drafted, management failed to include the Depreciation on Appraisal. Both 2020 Actual and 2019 Actual were already net of Depreciation on Appraisal. JBG further asked if Depreciation on Appraisal was only for internal reporting. DSO explained that the Depreciation on Appraisal was not a tax deductible item.

7.4 Generation Income Contribution

The 2020 Actual Income Contribution of was P , which was lower than the 2020 Budget of and 2019 Actual of . The negative variance from the 2020 Budget was due to lower demand from customers. Nonetheless, the 2020 Actual total contracted capacity was higher than the 2020 Budget.

RQL commented that income contribution from Generation were primarily caused by price and volume variances. He then asked if management has numbers on the operational efficiency and maintenance cost variances of the generation companies. DES explained that based on the heat rate, availability, and reliability factors of the power plants, most generation companies have high marks except for EMG suggested circulating to the Board copies of efficiency number that management has been tracking.

7.6 Infrastructure Income Contribution

7.7 Consolidated Financials

Financial Ratios

As of December 2020 the Parent Debt/Consolidated Equity ratio was , which met the debt covenant level requirement of . Current Ratio was , which met the debt covenant level requirement of .

DSO reported that the DE ratio with the full contingent liability for the Vivant group was . While the DE Ratio, excluding contingent liabilities that will fall away within 1 year, was .

CLB asked if there were any covenant for DSCR to which DSO replied that there was none.

AGS commented that another factor that the Board might be interested in as they move to proper gearing in the future, was how much of the liquidity was actually reliable year-in and year-out. CLB asked if the plan was to gear up at the parent level or at the operating company level. AGS replied that all of the operating companies were sufficiently geared up already .

On the gearing, AGS added that there were some operating companies that did not have proper gearing, i.e., those that did not have reliable cash flows or were in energy sectors that banks were still not comfortable with. CLB asked if the parent borrowed on behalf of these operating companies, to which AGS answered in the affirmative. CLB asked if Vivant was open to a recourse or guarantee to parent such that the banks will have the same comfort level, AGS agreed and commented that this was a matter than can be looked into by the Finance Committee.

X. OTHER MATTERS

XI. ADJOURNMENT

There being no matter to be discussed, upon motion duly made and seconded, the Board meeting was adjourned at 12:03 p.m.

Prepared by:

ATTY. CATHERINE S. BRINGAS
Acting Corporate Secretary

Attested by:

MR. RAMON ITO E. GARCIA
Chairman and CEO

MR. JOSE MARKO ANTON SARMIENTO
Member

MR. EDGAR JOHN A. GARCIA
Vice Chairman

MR. ARLO A.G. SARMIENTO
Member

MR. CHARLES SYLVESTRE A. GARCIA
Member

MR. EMIL ANDRE M. GARCIA
Member

MR. GIL A. GARCIA II
Member

MR. ROGELIO Q. LIM
Independent Director

AMB. RAUL CH. RABE
Independent Director

MR. CARMELO MARIA LUZA BAUTISTA
Independent Director

ATTY. JESUS B. GARCIA, JR.
Independent Director

2021 VIVANT STRATEGIC PLANNING








Capital Availability
Presentation

Schedule IV

VIVANT CORPORATION
RETIREMENT PLAN

RULES AND REGULATIONS

ARTICLE I
NAME, PURPOSE AND EFFECTIVE DATE

Section 1. NAME

The name of this Plan shall be the **VIVANT CORPORATION RETIREMENT PLAN.**

Section 2. PURPOSE

This Plan shall establish the **VIVANT CORPORATION RETIREMENT TRUST FUND** which will provide retirement, death, disability, and severance benefits for all eligible employees of the Company.

Section 3. DATE AND EFFECTIVITY

The Plan shall be in effect on November 1, 2013.

ARTICLE II
DEFINITION OF TERMS

Section 1. DEFINITIONS

The following words or phrases used in the Plan shall be defined as follows:

a) "Company" shall mean **VIVANT CORPORATION.**

b) "Plan" shall mean the Retirement Plan adopted herein together with any amendments or further amendments duly adopted by the Company.

c) "Fund" shall mean the Retirement Trust Fund established under this Plan, and shall mean generally the Company's contributions together with all income, gains and other additions thereto, less any losses, expenses, and benefit payments therefrom.

d) "Trustee" or "Trustees" shall mean the entity, person or persons appointed by the Company responsible for the assets of the fund and general administration of the Plan.

MARIA VICTORIA SEMBRANO

ARLO A.G. SARMIENTO

e) "Member" shall mean any officer or employee who has qualified for membership under Article III and whose membership has not been terminated as provided therein.

f) "Plan Salary" or "Pay" shall mean the latest monthly salary paid to the Member, or if paid daily shall be converted to monthly, for services rendered during normal working days and hours excluding allowances, overtime pay, commissions, bonuses and/or profit-sharing payments and other fluctuating emoluments or monetary benefits which are not considered as part of or integrated into the regular salary of the employee.

g) "Service" shall mean the period of service rendered by a Member as determined from the records of the Company. Period of service shall be reckoned from date of hire to date of retirement, death, permanent disability, or severance.

h) "Credited Service" shall mean the number of years and completed months of Service rendered by the Member. For purposes of determining the number of years of Credited Service, leave of absence without pay shall not be considered while a fraction of six (6) months or more shall be considered as one (1) year and a fraction of less than six (6) months shall be in accordance with Company policy.

i) "Regular Employment Status" shall mean an employee who is under the regular payroll of the Company on a full-time basis.

j) "Beneficiary" shall mean the person or persons who shall receive the death benefit provided for herein. The nomination of beneficiaries shall be in accordance with Article VI Section 2.

k) "Actuarial Advisor" shall mean a person who is accredited with the Insurance Commission as an actuary or a consulting firm with an accredited actuary in its staff.

Section 2. GENDER

The masculine pronoun shall include the feminine gender and the single number shall include the plural unless the context indicates otherwise.

ARTICLE III
MEMBERSHIP

Section 1. MEMBERSHIP

Membership in the Plan shall be automatic for all officers and employees of the Company who are considered having Regular Employment Status. Membership in the Plan will commence retroactively on the first day of the month coincident with or next following his attainment of Regular Employment Status. Upon commencement of membership the Company may require the Member to execute a pledge to the effect that he has read and is in conformity with this Plan and that he shall abide by its provisions and with any amendments and supplementary rules thereto.

MARIA VICTORIA SEMBRANO ARLO A.G. SARMIENTO

Section 2. TERMINATION

Membership in the Plan shall cease automatically upon termination of the Member's service to the Company.

Section 3. RE-EMPLOYMENT

A Member whose membership in the Plan is terminated and is subsequently employed by the Company shall, upon re-admission to the Plan, be treated as a new Member.

Section 4. LEAVE OF ABSENCE

Membership in the Plan shall continue during any period over which a Member is on leave of absence approved by the Company in writing, and during any period of absence due to furlough, sickness, accident or other causes not constituting a severance of the employer-employee relationship.

ARTICLE IV
THE FUND

Section 1. NON-CONTRIBUTORY PLAN

No Member shall be required to make any contribution to the Fund.

Section 2. FUNDING

The funding of the Plan shall be determined by the Actuarial Advisor and payment of the benefits thereunder shall be provided for through the medium of a Fund held by a Trustee under an appropriate Trust Agreement. The contributions to the Fund so created together with gains and losses realized and unrealized plus contributed accrued liabilities, if any, shall constitute the Fund.

Section 3. VALUATION

The contributions to the Fund shall be actuarially determined at least once every two or three years.

Section 4. PROCEDURE FOR PAYMENT

Application for the payment of the retirement benefits under Article V must be made in writing in the form and manner prescribed by the Trustee and must be filed with the Trustee at least thirty (30) days in advance of the date of actual retirement, resignation or separation without cause. Decision of the Trustee shall be final and binding upon all parties.

MARIA VICTORIA SEMBRANO

ARLO A.G. SARMIENTO

Section 5. MANNER OF PAYMENT

At the option of the Trustee, all benefits under the Plan shall be payable to the withdrawing Member in the form of a single sum payable anytime within sixty (60) days from the date of such withdrawal from the Plan. Such benefit shall be payable directly to the Member or to his beneficiary as the circumstances of each case may warrant.

Section 6. NON-DIVERSION OF FUNDS

All contributions made to the Fund shall be held solely and exclusively for the benefit of the Members or their beneficiaries and no part of the said Fund shall be used for, or diverted to, purposes other than for the exclusive benefit of the members or their beneficiaries.

Section 7. WAIVER OF CLAIMS

Receipt of any benefit by any Member of the Plan shall be deemed a final settlement of any and all claims that the Member may have under the Plan. The Member shall hereby waive, quitclaim and release the Company and the Plan from any and all claims, actions and liabilities arising from this Plan.

ARTICLE V
RETIREMENT DATES AND BENEFITS

Section 1. COMPULSORY RETIREMENT

The Normal Retirement Date of a Member shall be the first day of the month coincident with or next following his sixtieth (60th) birthday. The Member's Compulsory Retirement Benefit shall be a sum equal to 100% of Plan Salary for every year of Credited Service.

Section 2. OPTIONAL RETIREMENT

A Member may elect to retire prior to his Compulsory Retirement Date provided he has completed at least ten (10) years of Service and is at least age fifty-five (55). The Member's Optional Retirement Benefit shall be a sum equal to a 100% of Plan Salary for every year of Credited Service.

Section 3. EARLY RETIREMENT

With the consent of the Company, a Member may elect to retire prior to his Optional or Compulsory Retirement Date provided he has completed at least ten (10) years of Service and is at least age fifty (50). The Member's Early Retirement Benefit shall be a sum equal to a 100% of Plan Salary for every year of Credited Service.

MARIA VICTORIA SEMBRANO ARLO A.G. SARMIENTO

Section 4. DISABILITY BENEFIT

In the event that a Member is retired by the Company due to permanent total incapacity or disability or due to sickness, as determined by a competent physician appointed by the Company, his disability retirement benefit shall be a single sum equal to 100% of Plan Salary for every year of Credited Service.

Section 5. SEVERANCE BENEFIT

A Member who is involuntarily separated by the Company due to a retrenchment program not due to serious business losses or financial reverses or redundancy or for causes not due to his own fault, misconduct, or material neglect shall be entitled to a benefit determined in accordance with the Termination Pay provision under the Labor Code or similar legislation on involuntary termination or if applicable, the amount of retirement benefits due to him hereunder, whichever is greater but shall not be entitled to all or any combination of all.

Section 6. TAX EXEMPTION OF BENEFITS

In accordance with the provisions for tax qualification under Republic Act No. 4917 (as reiterated by Section 32 (B) (6) (a) of the Tax Code of 1997), any retirement benefit received from the Plan shall be wholly exempt from tax provided the Member has served the Company for at least ten (10) years and is at least age fifty (50) at the time of retirement. It is further provided that any amount received under the Plan due to death, disability, or for any cause beyond the Member's control shall likewise be exempt from all taxes.

Section 7. DISMISSAL FOR CAUSE

A Member who is dismissed by the Company for cause shall not be entitled to any benefit under the Plan.

Section 8. FORFEITURES

The portion of the amount standing to the credit of a separated Member which is not paid to him by virtue of the limitations specified in this Plan shall be retained in the Fund and shall be used to reduce future contributions of the Company. Such forfeitures, which may arise from severance of employment, death or any other reason, shall not be applied to increase the benefits any Member would otherwise receive under the Plan at any time prior to the termination of the Plan or the complete discontinuance of Company contributions thereunder.

MARIA VICTORIA SEMBRANO

ARLO A.G. SARMIENTO

ARTICLE VI
DEATH BENEFIT

Section 1. BENEFIT

In the event that a Member dies from any cause except self-inflicted injuries, his beneficiaries shall be entitled to receive a death benefit in a lump sum equal to 100% of Plan Salary for every year of Credited Service.

Section 2. NOMINATION OF BENEFICIARY

Procedure. Each employee shall, upon eligibility to participate in the Plan, forthwith nominate in writing, in such forms as shall be prescribed by the Trustee, a person or persons entitled to succeed such Member, by testate or intestate succession under existing laws, to receive the amount which may be due the Member in case of his death or inability to receive in person any sum due him from the Fund.

Every nomination or appointment shall remain in force until the death of the nominee or appointee or until revoked or amended by the Member making it by delivering to the Trustee another nomination or appointment in the prescribed form.

In the event of death of a designated or appointed beneficiary during the lifetime of the designating or appointing Member, said Member shall forthwith nominate or appoint another person in place of the deceased beneficiary.

Failure to Nominate. If at the death of the Member there shall exist no valid nomination by him of a beneficiary, the existing laws on succession shall prevail.

If the person or persons from among those enumerated in the existing laws on succession do not exist at the time of the member's death, no death benefit shall be paid by the Plan. The death benefit which should have been paid shall be forfeited in favor of the Fund.

Minor / Incompetent Beneficiary. In case the beneficiary is a minor or under any disability to give legal discharge for payment of the benefits, then payment of the benefits shall not be made until a legal guardian is appointed in behalf of the minor or person under disability, but the beneficiary shall not be entitled to any income on the amount of the accrued benefits during the period that the payment was deferred because of the absence of a legal guardian; provided further that if the amount of benefit is such that existing laws would allow the payment thereof to the surviving parent of the minor or incompetent beneficiary, then benefit payments for the account of said beneficiary shall be made to the surviving parent of said beneficiary.

MARIA VICTORIA SEMBRANO

ARLO A. G. SARMIENTO

ARTICLE VII
ADMINISTRATION

Section 1. THE PLAN

The Plan shall be administered by a Trustee appointed by the Company who shall be responsible for the general administration of the Plan and the management of the Fund. The Company may create a Retirement Committee which will coordinate with the Trustee in the implementation of this Plan. The Trustee may seek the advice of counsel and may appoint an investment manager or managers to manage the Fund, an independent accountant to audit the Fund and an actuary to value the Fund. Fees and expenses incurred in the investing and accounting and / or actuarial audit, amendment and other services for the Plan may be charged to the Fund.

Section 2. TRUST AGREEMENT

The powers, authorities and discretion necessary or expedient for the Trustee to perform his / their duties shall be expressed in the Trust Agreement executed by the Company and the duly appointed person(s) or entity.

Section 3. RETIREMENT COMMITTEE

The duties of the retirement committee shall consist of the following functions solely as they relate to the Plan:

1. Implement the rules and procedures set forth in this Plan in filling applications for benefits, for furnishing proofs necessary to establish the Member's qualification, age and continuous service.

2. Recommend to the Trustee the appropriate payment of the amount due to the Member in accordance with the provisions of the Plan less accountabilities to the Company, if any.

3. Interpret together with the Trustee the meaning, coverage, interpretation and application of the provisions of the Plan.

ARTICLE VIII
AMENDMENT AND TERMINATION OF THE PLAN

Section 1. NON-FORFEITURE OF RIGHTS

Upon termination of the Plan or upon the complete discontinuance of contributions under the Plan, the rights of each Member to benefits accrued to the date of such termination or discontinuance, to the extent then funded, or the rights of each Member to the amounts credited to his account, if any, are non-forfeitable.

MARIA VICTORIA SEMBRANO

ARLO A.G. SARMIENTO

Section 2. AMENDMENT

The Company may amend or modify this Plan at any time. Any amendment should conform to Republic Act Nos. 4917 and 7641 and their implementing regulations. Said amendments shall be immediately communicated to the trustee and the Members of the Plan.

Section 3. TERMINATION BY LIQUIDATION

The Company reserves the right at any time on account of business necessity to terminate, withdraw, amend, or modify the Plan in whole or in part, at the discretion of the Company. In the event of the termination of the Plan, the liability of the Company to make contributions shall cease, and the assets of the Fund shall be allocated, subject to provisions for expenses of administration or liquidation.

The Trustee shall pay all debts and obligations of the Fund and settle or dispose of any claims then outstanding against the Fund, and thereafter allocate the property remaining in the Fund to the employees or their beneficiaries, as follows:

a. A sum in full or pro-rata to provide for the payment to members who are eligible for normal and late retirement, or for death and disability benefits, but who have not received their benefit payments by the date of termination of the plan.

b. If any amount remains after (a) above, a sum, in full or pro-rata, to provide for the payment of benefits to employees who are eligible for early retirement by the date of termination of the Plan.

c. If any amount remains after (b) above, a sum, in full or pro-rata, to provide for the payment of benefits to employees who remain and who may have contingent benefit interest as the Trustee/Retirement Committee may determine on the termination of the Plan.

d. Any amount remaining in the Fund after making the above allocations and after paying all liabilities shall revert to the Company.

Section 4. TERMINATION BY TRANSFER

In the event the Company terminates the Plan by transferring it to any other Fund which is similar, in the opinion of the Trustee, to the purpose and terms of this Plan, each Member shall be entitled to the same benefits as they would have had from this Plan had this Plan not been terminated.

ARTICLE IX
EFFECT OF LEGISLATION

Section 1. SOCIAL SECURITY SYSTEM AND WORKMEN'S COMPENSATION

Except as otherwise provided, whatever benefits may be due the Member on account of the Social Security Law shall not be deducted from the benefits under this Plan.

MARIA VICTORIA SEMBRANO

ARLO A.G. SARMIENTO

Section 2. NON-DUPLICATION OF BENEFITS

In the event existing or future laws, including the Collective Bargaining Agreement, require the Company to pay similar or analogous benefits to those already herein provided, the Member concerned shall not be entitled to receive both what the law, legislation or CBA requires the Company to give but shall be entitled only to whichever benefit is the greater among them; or, the Company may exercise the right to reduce its current contributions or benefits under this Plan by the amount of any amount of any payments required by the subsequent legislation or CBA in accordance with the regulations promulgated by the Company.

ARTICLE X
MISCELLANEOUS PROVISIONS

Section 1. IRREVOCABILITY

The Company shall have no right, or interest in the contributions made by them to the Trust and no part of the Fund shall revert to the Company except after satisfaction of all liabilities of the Plan; however, such contributions as may have been made by the Company as a result of overpayment may revert to the Company.

Section 2. NON-TRANSFERABILITY OF RIGHTS

No benefit payable under the Plan shall be subject in any manner to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance or change; and any action by way of anticipating, alienating, selling, transferring, assigning, pledging, encumbering, changing the same shall be void and of no effect.

Section 3. LIEN OF THE COMPANY

The Company shall have the first lien upon the amount standing to the credit of its employee-member to cover all liabilities of the Member to the Company. Said amount of liability shall be deducted by the Trustee from the benefit payment to the Member and shall be remitted to the Company.

Section 4. EMPLOYMENT

The establishment of the Plan shall not be construed as conferring any right upon any Member or any person to a continuation of employment.

MARIA VICTORIA SEMBRANO

ARLO A. SARMIENTO

APPROVED:

VIVANT CORPORATION

By:

Name : MARIA VICTORIA SEMBRANO
EVP-FINANCE

Position : _____

Date : _____

ARLO A.G. SARMIENTO
EVP & COO

(Please sign each page of the Plan Rules.)

COMPENSATION AND BENEFITS

PAYROLL

Payroll cut-off is on the 10th and 25th of every month. The payroll period will be on a twice a month basis, every 15th and end of the month. Payroll may be paid in cash, check, or credited automatically to an employee's payroll bank account, at management's discretion. Payslips will be available in the Human Resource Information System (HRIS)

COMPANY BENEFITS

The Company is committed to provide all employees the benefits due them in accordance with the Labor Code of the Philippines and or any other Philippine laws. In addition, the following benefits accrue to employees starting on the date of regularization and depending on the position they hold in the Company.

14th MONTH PAY
Regular employees are entitled to 14th month pay or a pro rata thereof to be disbursed before the Christmas vacation of the applicable year. This benefit is given pro rata if regularization happens in the middle of the year or if the employee terminates his employment prior to the end of the year.

OTHER BONUSES
Regular employees may also be granted additional bonuses on top of the statutory 13th month pay and the 14th month pay.

LEAVE BENEFITS
The Company provides each employee twenty four (24) working days as Service Incentive Leave (SIL) with pay every year. Employees start to earn SIL credits upon successful completion of the probationary period subject to the necessary approval process. Upon regularization, leave credits are earned monthly counting from the date of regularization, so employees who join the Company in the middle of the year are entitled to pro rata SIL.

Application for Service Incentive Leave
An employee may apply for the SIL by filing online through the HRIS. The employee's immediate manager will be notified through electronic mail of the filed SIL for approval.

1. Leaves must be used in no less than half day, or four (4)-hour increments for morning and five (5) hours in the afternoon.
2. As a general rule, one (1)-day leaves may be availed of only when filed on the HRIS at least one (1) day prior to the intended date of leave. An exception to the rule would be for those leaves availed for sickness or emergency. In such case, employee must file it upon return to work.
3. Leaves of more than two (2) days, when warranted, should be filed at least three (3) days in advance. Failure to follow this procedure would warrant the denial of the leave of absence and if the employee concerned nonetheless goes on leave, such would be considered AWOL (Absence Without Leave).
4. SILs due to sickness of three (3) days or more will be approved only if duly supported by a doctor's certificate. Said certification should have the following characteristics:
    a. Issued by a physician/specialist
    b. Indicate the employee's illness
    c. Indicate employee's fitness for work and/or full recovery from illness.

VIVANT CORPORATION
Minutes of the Regular Meeting of the Board of
Held on August 11, 2017 at 9:00 A.M.
Vivant Corporation Boardroom
Unit 907-908 Ayala Life-FGU Center, Cebu Bus

PRESENT:

Mr. Ramontito E. Garcia	-	President
Mr. Gil A. Garcia II	-	Member
Mr. Charles Sylvestre A. Garcia	-	Member
Mr. Carmelo Maria Luza Bautista	-	Member
Mr. Jose Marko Anton G. Sarmiento	-	Member
Mr. Emil Andre M. Garcia	-	Member; VP for Operations and Business Dev't
Mr. Arlo A.G. Sarmiento	-	Member; EVP and COO
Mr. Rogelio Q. Lim	-	Independent Director
Atty. Jesus B. Garcia, Jr.	-	Independent Director
Amb. Raul Ch. Rabe	-	Independent Director

ALSO PRESENT:

Atty. Jess Anthony N. Garcia	-	Corporate Secretary/General Counsel
Ms. Minuel Carmela N. Franco	-	Treasurer/Vice President for Finance
Mr. Mark D. Habana	-	VP for Commercial Affairs
Atty. Macario C. Padullo, Jr.	-	AVP for Corporate Management Systems
Ms. Maria Victoria E. Sembrano	-	AVP for Finance

NOT PRESENT:

Mr. Dennis N. A. Garcia	-	Chairman of the Board

I. Call to Order

The President, Mr. Ramontito E. Garcia ("REG"), acted as Chairman for the Regular Meeting of the Board of Directors (the "Board") of Vivant Corporation ("Vivant"), called the meeting to order at 9:00 o'clock in the morning and presided over the same. The Corporate Secretary, Atty. Jess Anthony N. Garcia ("JNG"), recorded the minutes of the proceedings.

II. Certification of Quorum

JNG certified that notices of the meeting have been sent to all members of the Board, and that with the presence of at least a majority of its members, there was a quorum to transact business.

VII. Corporate Updates

(a) Updates

i. Risk Committee

Ms. Minuel Carmela N. Franco ("MNF") reported on updates on the Risk Committee ("Riskcom").

The Riskcom held its first meeting on June 5, 2017. The key decisions to be made pertain to the Enterprise Risk Management ("ERM") Framework based on ISO 31000, Risk Architecture, Scope, Risk Calendar, and Compliance.

MNF then presented the framework and process for managing risks based on ISO 31000 which is an international standard for risk management principles. She presented the Risk Architecture, showing the reporting and monitoring lines between and among the Board, Riskcom, Audit Committee, Risk Management Unit, Departments and Business Units.

The following were then presented as members of the Riskcom:

Amb. Raul Ch. Rabe – Chairman
Dennis N. A. Garcia – Member
Ramontito E. Garcia – Member
Charles Sylvestre A. Garcia – Member
Rogelio Q. Lim – Advisor
Arlo A. G. Sarmiento – *Ex Officio*
Emil Andre M. Garcia – *Ex Officio*
Minuel Carmela N. Franco – *Ex Officio*
Atty. Jess Anthony N. Garcia – *Ex Officio*

The Risk Management Unit shall be composed of the Chief Risk Officer and Risk Team.

The Risk Owner/Business Unit shall be the relevant Department Heads, Business Unit BoDs and Heads.

With Vivant being a holding company, risk management ("RM") will be undertaken at two (2) levels: Parent level and Group/Business Unit level. RM in each level will be dependent on identified critical risk areas resulting from the evaluation of respective business models and process mapping. RM will cover: Strategic, Operational, Hazard, and Financial types of risks.

The 2017 – 2018 Calendar for Riskcom activities was then presented to the Board.

IX. Adjournment

Upon motion duly made and seconded, the regular meeting of the Board of Vivant was adjourned at 12:00 P.M..

Prepared by:

ATTY. JESS ANTHONY N. GARCIA
Corporate Secretary

Attested by:

MR. RAMONTITO E. GARCIA
Acting Chairman

Not Present
MR. DENNIS N.A. GARCIA
Chairman

MR. JOSE MARKO ANTON G. SARMIENTO
Member

MR. CHARLES SYLVESTRE A. GARCIA
Member

MR. ARLO A.G. SARMIENTO
Member

MR. GIL A. GARCIA
Member

MR. CARMELO MARIA LUZA BAUTISTA
Member

MR. EMIL ANDRE M. GARCIA
Member

MR. ROGELIO Q. LIM
Independent Director

ATTY. JESUS B. GARCIA, JR.
Independent Director

AMB. RAUL CH. RABE
Independent Director

IX. Adjournment

Upon motion duly made and seconded, the regular meeting of the Board of Vivant was adjourned at 12:00 P.M..

Prepared by:

ATTY. JESS ANTHONY N. GARCIA
Corporate Secretary

Attested by:

MR. RAMONTITO E. GARCIA
Acting Chairman

Not Present
MR. DENNIS N.A. GARCIA
Chairman

MR. JOSE MARKO ANTON G. SARMIENTO
Member

MR. CHARLES SYLVESTRE A. GARCIA
Member

MR. ARLO A.G. SARMIENTO
Member

MR. GIL A. GARCIA
Member

MR. CARMELO MARIA LUZA BAUTISTA
Member

MR. EMIL ANDRE M. GARCIA
Member

MR. ROGELIO Q. LIM
Independent Director

ATTY. JESUS B. GARCIA, JR.
Independent Director

AMB. RAUL CH. RABE
Independent Director

MEMORANDUM

For: ***All Directors, Officers and Employees of Vivar Corporation***

From: ***The Corporate Secretary***

Subject: ***Disclosure of Transactions and "Blackout" of Transactions by Directors, Officers, Employees, and Related Individuals of Vivant Corporation Shares***

Date: ***30 June 2014***

A. Disclosure of Transactions Involving Shares of Vivant Corporation

Section 23 of the Securities Regulation Code and Section 13 of the Revised Disclosure Rules of the Philippine Stock Exchange ("PSE") require that all directors and officers of Vivant Corporation should disclose any transaction (purchase or sale) involving shares of Vivant Corporation.

In this connection, all transactions (purchase or sale) of Vivant shares must be reported to the Corporate Secretary **not later than one (1) trading day from the date of the transaction**. This will give sufficient time for the Corporate Secretary to disclose the transaction to the Securities and Exchange Commission (SEC) and PSE on the following trading day.

B. "Blackout" Period for Transacting Shares of Vivant Corporation

To avoid the perception of "insider trading", all directors, officers, employees (and their Related Individuals) of Vivant Corporation must avoid purchasing or selling shares, or in any way dealing, with shares of Vivant Corporation during the following periods, which are hereby adopted and declared as **"blackout" periods**:

(1) Quarterly Report blackout period – 10 trading days before and until 2 trading days after the following dates of each year:

   a. April 15
   b. August 15
   c. October 15

(2) Annual Report blackout period – 10 trading days before and until 2 trading days after April 15 of each year.

(3) Material Transaction blackout period – 10 trading days before and until 2 trading days after Vivant's disclosure of each the material transaction or event.

"Related Individuals" shall include the director's/officer's/employee's spouse (or live-in partner), relatives by affinity (by blood) or consanguinity (in-laws) within the second degree, legitimate or common-law.

Specifically, Related Interest includes:

- The director, officer, and employee of Vivant Corporation
- The legal spouse (or live-in partner) of such director, officer, and employee
- The director's, officer's, or employee's sibling
- The sibling of the legal spouse (or live-in partner) of such director, officer, and employee

Any transaction during the blackout period may be treated by the Securities Regulation Code as insider trading and may subject the director, officer, or employee to civil (monetary) liability in a suit brought by any investor who, contemporaneously with the purchase or sale of securities that is the subject of the violation, purchased or sold securities of the same class unless such director, officer, or employee, proves that such investor knew the information or would have purchased or sold at the same price regardless of disclosure of the information to him.

Please be guided accordingly.

-Nothing follows-

REPUBLIC OF THE PHILIPPINES)
Mandaue City) S.S.

CERTIFICATION

I, **JESS ANTHONY N. GARCIA**, Filipino, of legal age and with office address at 9th Floor, Oakridge IT Center 3, Oakridge Business Park, A.S. Fortuna Street, Barangay Banilad, Mandaue City, Cebu, Philippines, after being duly sworn in accordance with law, depose and state that:

1. I am the Corporate Secretary of **VIVANT CORPORATION** (the "Corporation"), a corporation duly organized and existing pursuant to and under the laws of the Republic of the Philippines, with principal business address at 9th Floor, Oakridge IT Center 3, Oakridge Business Park, A.S. Fortuna Street, Barangay Banilad, Mandaue City, Cebu, Philippines;

2. For the year ending December 31, 2021, the Board of Director of the Corporation held six (6) regular meetings with the following members in attendance:

2021 REGULAR MEETING OF THE BOARD OF DIRECTOR							
NAME	POSITION	January 29, 2021	March 26, 2021	May 12, 2021	June 17, 2021	August 13, 2021	November 12, 2021
Ramontito E. Garcia	Chairman of the Board	Present	Present	Present	Present	Present	Present
Emil Andre M. Garcia	Vice Chairman	Present	Present	Present	Present	Present	Present
Arlo Angelo G. Sarmiento	Member	Present	Present	Present	Present	Present	Present
Charles Sylvestre A. Garcia	Member	Present	Present	Present	Present	Present	Present
Gil A. Garcia II	Member	Present	Present	Present	Present	Present	Present
Jose Marko Anton G. Sarmiento	Member	Present	Present	Present	Present	Present	Present
Elbert M. Zosa[1]	Member	-	-	-	Present	Present	Present
Rogelio Q. Lim	Independent Director	Present	Present	Present	Present	Present	Present
Carmel Maria L. Bautista	Independent Director	Present	Present	Present	Present	Present	Present
Laurence R. Rogero[2]	Independent Director	-	-	-	Present	Present	Present
Jose Carlitos G. Cruz[3]	Independent Director	-	-	-	Present	Present	Present

[1] *Appointed on June 17, 2021*
[2] *Appointed on June 17, 2021*
[3] *Appointed on June 17, 2021*

Executed this MAY 2 6 2022 in Mandaue City, Philippines.

ATTY. JESS ANTHONY N. GARCIA
Corporate Secretary

SUBSCRIBED AND SWORN TO before me this ____ day of MAY 2 6 2022 in Mandaue City, Philippines. Affiant personally exhibited to me his Passport with no. P4404705B, issued at DFA Cebu on January 16, 2020, as competent proof of his identity.

ATTY. KRISBEN ZILNER P. BUOT
Notarial Commission No. 2022-03 until 12/31/2023
City of Mandaue and the Municipalities under its Jurisdiction
Unit 2 903, 9th Floor, OITC-2 Bldg., Ouerlige Business Park,
A.S. Fortuna St., Banilad, Mandaue City, 6014
Roll of Attorneys No. 63880
PTR No. 1367661/01-14-2022/Mandaue City
IBP No. 195611/01-14-2022/Cebu Chapter
MCLE Compliance No.VII-0008175; 01/13/2022

ATTY. KRISBEN ZILNER P. BUOT
ROLL NO. 63880
NOTARY PUBLIC
MANDAUE CITY, PHILIPPINES

Doc. No. 12
Page No. 3
Book No. I
Series of 2022.

Minutes of the Regular Meeting of the Board of Directors
Held on February 9, 2022 at 2:00 P.M.
Vivant Boardroom, 9th Floor, Oakridge IT Center 3
Oakridge Business Park, Mandaue City
(Via Zoom)

PRESENT:

Mr. Ramontito E. Garcia	-	Chairman
Mr. Arlo A. G. Sarmiento	-	Director
Mr. Emil Andre M. Garcia	-	Director
Mr. Charles S.A. Garcia	-	Director
Mr. Gil A. Garcia II	-	Director
Mr. Elbert M. Zosa	-	Director
Mr. Jose Marko Anton G. Sarmiento	-	Director
Mr. Carmelo Maria Luz Bautista	-	Independent Director
Mr. Jose Carlitos G. Cruz	-	Independent Director
Mr. Rogelio Q. Lim	-	Independent Director
Atty. Laurence R. Rogero	-	Independent Director

ALSO PRESENT:

Ms. Minuel Carmela N. Franco	-	EVP & CCO
Atty. Jess Anthony N. Garcia	-	SVP – Infrastructure; Corporate Secretary
Ms. Maria Victoria E. Sembrano	-	VP - Controllership
Ms. Dyan Ramona S. Olegario	-	AVP - Accounting
Atty. Catherine S. Bringas	-	AVP - Legal
Ms. Brigette Cecile N. Garcia	-	SAVP - Corporate Planning
Mr. Douglas E. Subang	-	AVP – CMS
Mr. Erickson B. Omamalin	-	SAVP – BD Power, Vivant Energy

I. CALL TO ORDER

The Chairman of the Board of Directors (The "Board") of Vivant Corporation ("Vivant"), Mr. Ramontito E. Garcia ("REG"), called to order the meeting at 2:03 o'clock in the afternoon and presided over the same. The Acting Corporate Secretary, Atty. Catherine S. Bringas ("CSB"), recorded the minutes of the proceedings.

II. CERTIFICATION OF QUORUM

CSB certified that notices of the meeting were given in accordance with the By-Laws, and with the presence of at least majority of the Board, there was a quorum to transact business.

Pursuant to the guidelines under Securities and Exchange Commission ("SEC") Memorandum Circular No. 6, Series of 2020, CSB made a roll call and requested all parties participating in the meeting (whether through videoconference, or teleconference) to state, for the record their full name, position, and location. CSB then informed the attendees who participated in the meeting through videoconference or teleconference call to confirm the following:

1. That they could completely and clearly hear others who could clearly hear them at the end of the line;
2. That they received the agenda and all materials for the meeting; and
3. That they attended the meeting through videoconference or teleconference using the devices below:

Name	Device
Mr. Ramontito E. Garcia	Laptop
Mr. Charles S.A. Garcia	Laptop
Mr. Elbert M. Zosa	Laptop
Atty. Laurence R. Rogero	Laptop
Mr. Jose Marko Anton G. Sarmiento	Laptop
Mr. Emil Andre M. Garcia	Laptop
Mr. Arlo A.G. Sarmiento	Laptop
Mr. Gil A. Garcia II	Laptop
Mr. Jose Carlitos G. Cruz	Laptop
Mr. Rogelio Q. Lim	Laptop
Mr. Carmelo Maria L. Bautista	Laptop
Ms. Minuel Carmela N. Franco	Laptop
Atty. Catherine S. Bringas	Laptop
Ms. Maria Victoria E. Sembrano	Laptop
Ms. Brigette Cecile N. Garcia	Laptop
Ms. Dyan Ramona S. Olegario	Laptop
Mr. Douglas E. Subang	Laptop
Mr. Erickson B. Omamalin	Laptop

Having satisfied themselves that the participants could hear each other completely and clearly and that the materials have been received by the Board participating through videoconference or teleconference call, CSB certified that with at least a majority of the members of the Board present at the meeting by videoconference or teleconference call, a quorum existed for the transaction of official business by the Board.

III.

155

182

397

404

X. CORPORATE MATTERS

10.1 2022 Board and Committees Schedules

CSB showed the meeting schedules of the Board and the various committees as follows:

Executive Committee	Vivant Board (P.M.)
February 8 (A.M.)	February 9
March 16 (A.M.)	March 18
April 20 (P.M.)	April 22
May 13 (P.M.)	May 13
June 14 (A.M.)	June 16
July 13 (A.M.)	July 15
August 10 (A.M.)	August 12
September 13 (A.M.)	September 16
October 12 (A.M.)	October 4
November 9 (A.M.)	November 11
December 7 (A.M.)	December 9

Corporate Governance Committee ("CG Com")	Related Party Transaction Committee ("RPT Com")	Board Risk Oversight Committee ("RiskCom") (AM)
February (Special)	March 18 (10:30-12:00)	March 18 (9:00-10:30)
March 17 (2:00-5:00)	August 11 (10:30-12:00)	May 13 (10:30-12:00)
April 22 (10:00-12:00)		August 11 (9:00-10:30)
		October 14 (10:00-12:00)
		December 9 (10:00-12:00)

CSB said that the meeting schedules of the FinCom and Audit Committee will be sent to the Board and their respective memberships in the different committees.

Upon motion duly made and seconded, the Board approved the schedules.

XII. ADJOURNMENT

There being no matter to be discussed, upon motion duly made and seconded, the Board meeting was adjourned at 11:30 o'clock in the morning.

Certified true and correct:

ATTY. CATHERINE S. BRINGAS
Acting Corporate Secretary

Attested by:

MR. RAMONTITO E. GARCIA
Chairman

MR. EMIL ANDRE M. GARCIA
Member

MR. ARLO A.G. SARMIENTO
Member

MR. ELBERT M. ZOSA
Member

MR. JOSE MARKO G. SARMIENTO
Member

MR. CHARLES S.A GARCIA
Member

MR. CARMELO M.L. BAUTISTA
Member

MR. GIL A. GARCIA II
Member

MR. ROGELIO Q. LIM
Member

MR. JOSE CARLITOS G. CRUZ
Member

ATTY. LAURENCE R. ROGERO
Member

corporatesecretary@vivant.com.ph

From: MSRD COVID19 <msrd_covid19@sec.gov.ph>
Sent: Monday, April 4, 2022 1:37 PM
To: corporatesecretary@vivant.com.ph
Subject: Fwd: VIVANT CORPORATION_SEC Form 17-A and Sustainability Report
Attachments: Vivant Corporation SEC Form 17-A_Annual Report and Sustainability Report 2021 .pdf

Sir/Madam,

We acknowledge receipt of your email. The same has been forwarded to our Handling Specialist.

Thank you.

Regards,

MARKETS AND SECURITIES REGULATION DEPARTMENT
PHILIPPINE SECURITIES AND EXCHANGE COMMISSION

---------- Forwarded message ---------
From: **Corporate Secretary** <corporatesecretary@vivant.com.ph>
Date: Mon, Apr 4, 2022 at 1:24 PM
Subject: VIVANT CORPORATION_SEC Form 17-A and Sustainability Report
To: <ictdsubmission@sec.gov.ph>, MSRD COVID19 <msrd_covid19@sec.gov.ph>
Cc: Carmela Franco <carmela.franco@vivant.com.ph>, Catherine Bringas <catherine.bringas@vivant.com.ph>, <jbaron@jpgarcialaw.com>, Emirjane Comique <legal.cebu@vivant.com.ph>, Gwen Dela Rosa <legal.admin@vivant.com.ph>, <dyan.olegario@vivant.com.ph>

Gentlemen:

I hereby submit on behalf of **Vivant Corporation** its SEC Form 17-A : Annual Report for year 2021, Consolidated Audited Financial Statement 2021, Sustainability Report for year 2021.

The Exhibits to the Annual Report, Vivant Corporation's Revised Manual on Corporate Governance, and SEC Form i-ACGR for year 2021 may be accessed through this link: https://drive.google.com/drive/folders/1X-DkGz2r-Q7cGnJHuJPIs1C4dW5ixjvR

The documents in the drive are summarized as follows:

- Exhibit A – Corporate Structure
- Exhibit B.1 – SMR for Consolidated Audited Financial Statement
- Exhibit B.2 – Consolidated Audited Financial Statement 2021
- Exhibit B.3 – Index to CFS2021 and Supplementary Schedules

- Exhibit B.4.1 – Schedules A – H
- Exhibit B.4.2 – Reconciliation of Retained Earnings
- Exhibit B.4.3 – Map of Relationships 2021
- Exhibit B.5 – Schedule of Financial Soundness
- Exhibit C – Consolidated Financial Statement 2020
- Exhibit D – Consolidated Financial Statement 2019
- Exhibit E – Executive Committee Report to the Board of Directors
- Exhibit F – Audit Committee Report to the Board of Directors
- Exhibit G – Finance Committee Report to the Board of Directors
- Exhibit H – Corporate Governance Committee Report to the Board of Directors
- Exhibit I – Related Party Transactions Committee Report to the Board of Directors
- Exhibit J – Board Risk Oversight Committee Report to the Board of Directors
- Vivant Corporation i-ACGR for Fiscal Year 2021
- Vivant Corporation Revised Manual on Corporate Governance

I hereby certify that all information set forth in the Corporation's SEC Form 17-A: Annual Report, Sustainability Report and all attachments thereto have been made in good faith and to the best of my knowledge, are true and correct. I further commit to submit physical versions of the exact same submitted documents to the Securities and Exchange Commission once the state of public health emergency is lifted.

We hope you find everything in order.

Warm Regards,

OFFICE OF THE CORPORATE SECRETARY

VIVANT CORPORATION

9th Floor, Oakridge IT Center 3,
Oakridge Business Park, A.S.Fortuna St.
Brgy. Banilad, Mandaue City, Cebu
Philippines 6014
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This email and any files transmitted with it are confidential and intended solely for the use of the individual or entity to whom they are addressed. If you have received this email in error please notify the system manager.

You may access our full disclaimer at http://www.vivant.com.ph/disclaimer.html.

SECURITIES AND EXCHANGE COMMISSION
Secretariat Building, PICC Complex, Roxas Boulevard, Pasay City, 1307 Metro Manila Philippines
Tel: (632) 818-0921 Fax: (632) 818-5293 Email: mis@sec.gov.ph

The following document has been received:

Receiving: Ryan Piramide
Receipt Date and Time: April 04, 2022 01:30:45 PM

Company Information

SEC Registration No.: 0000175222
Company Name: VIVANT CORPORATION
Industry Classification: J66940
Company Type: Stock Corporation

Document Information

Document ID: OST1040420228280952
Document Type: Financial Statement
Document Code: FS
Period Covered: December 31, 2021
Submission Type: Consolidated, Annual
Remarks: None

MEMORANDUM

For:	***All Directors, Officers and Employees of Vivant Corporation***
From:	***Office of the Corporate Secretary***
Subject:	***Disclosure of Transactions and "Blackout" of Transactions by Directors, Officers, Employees, and Related Individuals of Vivant Corporation Shares***
Date:	***2 July 2014***

A. Disclosure of Transactions Involving Shares of Vivant Corporation

Section 23 of the Securities Regulation Code (the "Code") and Section 13 of the Revised Disclosure Rules of the Philippine Stock Exchange ("PSE") require that all directors and officers of Vivant Corporation should disclose any transaction (purchase or sale) involving directly-owned or beneficially-owned shares of Vivant Corporation.

As defined by the Code, "Beneficial Ownership" means any person who, directly or indirectly, through any contract, arrangement, understanding, relationship or otherwise, has or shares voting power, which includes the power to vote, or to direct the voting of such security; and/or investment returns or power, which includes the power to dispose of, or to direct the disposition of such security; provided, however, that a person shall be deemed to have an **indirect beneficial ownership** interest in any security which is:

i. held by members of his immediate family sharing the same household;
ii. held by a partnership in which he is a general partner;
iii. held by a corporation of which he is a controlling shareholder; or
iv. subject to any contract, arrangement or understanding which gives him voting power or investment power with respect to such securities;

A person shall also be deemed to be the beneficial owner of a security if that person has the right to acquire beneficial ownership, within thirty (30) days, including, but not limited to, any right to acquire, through the exercise of any option, warrant or right; through the conversion of any security; pursuant to the power to revoke a trust, discretionary account or similar arrangement; or pursuant to automatic termination of a trust, discretionary account or similar arrangement.

In this connection, all transactions (purchase or sale) of Vivant shares, whether directly or indirectly owned, must be reported to the Corporate Secretary **not later than two (2) trading days from the date of the transaction**. This will give sufficient time for the Corporate Secretary to disclose the transaction to the Securities and Exchange Commission (SEC) and PSE on the following trading day.

B. "Blackout" Period for Transacting Shares of Vivant Corporation

To avoid the perception of "insider trading", all directors, officers and employees deemed to have access to material and non-public information on Vivant Corporation must not purchase or sell shares, or in any way deal, with shares of Vivant Corporation during the following periods, which are hereby adopted and declared as **"blackout" periods**:

(1) Quarterly Report blackout period – 10 trading days before and until 2 trading days after the date of disclosure to the PSE and SEC

(2) Annual Report blackout period – 10 trading days before and until 2 trading days after the date of disclosure to the PSE and SEC.

(3) Material Transaction blackout period – 10 trading days before and until 2 trading days after Vivant's disclosure to the PSE and SEC of each of the material transaction or event.

The blackout periods also apply to the directors, officers and relevant employees' Related Individuals, which include the following:

1. The legal spouse (or live-in partner) of such director, officer, or employee
2. The director's, officer's, or employee's sibling
3. The sibling of the legal spouse (or live-in partner) of such director, officer, or employee
4. Any member of the immediate family of the director, officer or employee sharing the same household
5. A partnership in which the director, officer or employee in which he/she is a general partner
6. A corporation of which the director, officer or employee is the controlling shareholder
7. Any natural individual or juridical entity who gives the director, officer or employee voting power or investment power with respect to the Vivant shares, under any contract or arrangement

The Office of the Corporate Secretary shall send an e-mail to advise the directors, officers and relevant employees of any blackout period at least two (2) trading days before said period begins.

Any transaction during the blackout period may be treated by the Securities Regulation Code as insider trading and may subject the director, officer, or employee to civil (monetary) liability in a suit brought by any investor who, contemporaneously with the purchase or sale of securities that is the subject of the violation, purchased or sold securities of the same class unless such director, officer, or employee, proves that such investor knew the information or would have purchased or sold at the same price regardless of disclosure of the information to him.

Please be guided accordingly.

-Nothing follows-

VIVANT CORPORATION
Minutes of the Meeting of the
BOARD RISK OVERSIGHT COMMITTEE
Ranudo, 9th Floor, Oakridge IT Center 3
Oakridge Business Park, Mandaue City (Via Zoom)
November 26, 2020 at 10 o'clock in the morning

Present:

Amb. Raul Ch. Rabe	-	Chairman
Mr. Ramontito E. Garcia	-	Member
Atty. Jesus B. Garcia, Jr.	-	Member
Mr. Jose Marko G. Sarmiento	-	Member
Mr. Rogelio Q. Lim	-	Member

Also Present:

Ms. Minuel Carmela N. Franco	-	SAVP – Corporate and Shared Services/ Chief Risk Officer
Mr. Grant Clark	-	AVP - Information Technology
Atty. Catherine S. Bringas	-	Acting Corporate Secretary
Mr. Nilo Aribas	-	IT Consultant

I. CALL TO ORDER

Amb. Raul Ch. Rabe ("RCR") called to order the meeting of the Board Risk Oversight Committee ("RiskCom") of Vivant Corporation ("Vivant") at ten o'clock in the morning and presided over the same. The Acting Corporate Secretary, Atty. Catherine S. Bringas ("CSB") took the minutes of the meeting.

II. CERTIFICATION OF QUORUM

CSB certified that notices of the meeting were given in accordance with the By-Laws, and with the presence of at least majority of the RiskCom, there was a quorum to transact business.

Pursuant to the guidelines under Securities and Exchange Commission ("SEC") Memorandum Circular No. 6, Series of 2020, CSB made a roll call and requested all parties participating in the meeting (whether through videoconference, or teleconference) to state, for the record their full name, position, and location. CSB then informed the attendees who participated in the meeting through videoconference or teleconference call to confirm the following:

1. That they could completely and clearly hear others who could clearly hear them at the end of the line;
2. That they received the agenda and all materials for the meeting; and
3. That they attended the meeting through videoconference or teleconference using the devices below:

Name	Device	Location
Mr. Ramontito E. Garcia	Laptop	Cebu City
Mr. Jose Marko Anton G. Sarmiento	Laptop	Cebu City
Mr. Rogelio Q. Lim	Laptop	Cebu City
Atty. Jesus B. Garcia, Jr.	Laptop	Dipolog City
Amb. Raul Ch. Rabe	Laptop	Muntinlupa City
Ms. Minuel Carmela N. Franco	Laptop	Cebu City
Atty. Catherine S. Bringas	Laptop	Pasig City
Mr. Grant Clark	Laptop	Cebu City
Mr. Nilo Aribas	Laptop	Cebu City

Having satisfied themselves that the participants could hear each other completely and clearly and that the materials have been received by the directors participating through videoconference or teleconference call, the Acting Corporate Secretary certified that with at least a majority of the members of the RiskCom present at the meeting by videoconference or teleconference call, a quorum existed for the transaction of official business by the RiskCom.

III. READING AND APPROVAL OF MINUTES OF PREVIOUS MEETING

After motion duly made and seconded, the reading of the minutes of the previous meeting was dispensed with. After a subsequent motion that was duly seconded, the minutes were approved without revisions.

IV. MATTERS ARISING FROM PREVIOUS MEETING

V. IT ROADMAP

Mr. Grant Clark ("GC") introduced the presentation as the IT Roadmap or the information systems strategic plans for Vivant and the recommended improvements to its IT system.

GC introduced the speaker, who was engaged by Vivant almost a year ago. Mr is an IT Consultant with over twenty-five years of experience. He was engaged to perform a thorough review of the IT systems, processes, and the organization of the people in the IT Department. He was also tasked to recommend a roadmap on how to implement the improvements. GC informed the RiskCom about Mr. educational and work background.

Mr. then presented *"IT Roadmap: Information System Strategic Plan"* ("ISSP"). The presentation covered updates on the ISSP and provide context on the topic on IT risks, information system policies, relevant to business continuity and overall security posture.

The approach will cover three (3) phases of the IT process – people, organization, and infrastructure. There will be holistic view and not limited to specific areas. First was to identify the IT services. The next step was to organize and structure, and maybe reinforce the people to deliver the services. The necessary tools and infrastructure are then determined. This was the core of the review of the IT of the organization. The policies and procedures were also tracked. From there, the IT security posture will be continuously looked. Movements from one location to another may cause a change in security posture and surface exposure.

The IT Department Assumptions for ISSP were identified and enumerated, as follows:

1. The IT Department will continue to provide corporate IT shared services
2. Enterprise Resiliency (through IT Business Continuity) initiative will be given priority in response to operational challenges brought about by COVID-19.
3. The current IT staff/complement will be retained, but roles will be redefined based on restructured IT organization. This also means updating the skills of the people.
4. Workstations and laptops will continue to be the primary work area of Vivant's workforce including work from home ("WFH").
5. IT/Information System ("IS") project management and technical will be enhanced to support the need of the business growth.
6. Cybersecurity will be strengthened has a consequence of the changing computing environment such as WFH and cloud computing.

Mr. discussed the goal to simplify the ISSP while making sure that key areas were covered. He came up with a strategy based on the assumptions. The IT Strategies were as follows:

1. Centralized IT infrastructure such as back-end servers, back-up, storage.
2. Establish IT systems for policy enforcement and control.
3. Strengthen program on disaster recovery and business continuity. He said this was a key topic area. The critical portion, as discussed earlier, is a situation that the Company is not prepared for. While possible scenarios are being recognized, the reality is that everything cannot be predicted. The best that can be done is to ensure that systems in place: how incidents are handled, how they are escalated, and how they are responded to. It must be ensured that each contributor in the Department must be able to respond consistent with the business recovery strategies and plans. This will be part of equipping them for their role in business continuity.
4. Restructure IT Organization, take advantage of external resources, develop training and development program for internal team.

The Proposed Sequencing of IT Projects based on ISSP was presented. Vivant must establish capability by moving critical equipment/system in the office to the cloud, a structure known to withstand disruption. He gave as an example the quarantine resulting from COVID-19, when the workforce was unable to report to work. The most important aspect of the

workspace was getting access to the system. The gray boxes in the presentation material showed the people and processes, which work hand in hand with the green boxes - infrastructure. The policies and procedures must also be updated, as well as the ability of the people who will enforce them. Then there will be enterprise back-up and recovery infrastructure. After which, there will be a simulation on IT Business Continuity Plan Execution. Each member of the organization becomes conscious of his/her tasks. This is followed by the development of Authorization Schema that pertains to establishing the effective authorizations of the users – i.e., who will have access to what. Once authorization schemes are established, this may be used by IT to enforce the policy. There is a way to audit the in the future whether the approved policy was the one actually implemented.

"The Processes: IT Services" was discussed.

There were two areas: front-end services, what the use experience (laptops and dektops), and back-end services, accessed by all users in the data center. Vivant has two data centers, one in Cebu and another in Makati. The set-up was geographically implemented. Thus, the workforce in Makati accesses the data center in Makati, and the workforce in Cebu accesses the data center in Cebu. However, Mr. Arabis noted that the geographical locations do not provide covering services across the two systems. He said this was not ideal because the system should be able to support the entire workforce regardless of where they were. He said the current set-up was not designed to sustain operations when there was disruption in place. He said that migration to cloud would allow for work to continue 24/7.

He then presented the "Proposed Consolidation/Migration to Cloud." The infrastructure was consolidated in a location that can be accessed by all the users from anywhere. The office was just one of the locations where they can access the services. This was very convenient considering the new norm. The moment information was moved to the cloud, there will be only one back up and will be centralized. There will be weekly backups and daily incremental backups.

The IT Organization/Staffing was discussed. The current set-up was that the assignment of people followed the same arrangement. There was one IT staff in Makati and two in Cebu. The IT in Makati was a single point of failure, because he was the only person able to support the Makati group. Post-migration, the roles may be consolidated to ensure that they were performed. There will be duplicate roles. As data was accumulated, the people handling the network or servers will have different focus from the ones handling the data. IT services will also be enhanced because focus on managing data will be managed by a database administrator.

One of the key changes to be incorporated was the IT Incident Response and Management. It was how the incidents will be captured and how it will be handled by the staff. Within IT, incidents, big or small are captured. It was processed either for information, alert, or crisis level reporting.

IT Business Continuity Planning Cycle was reported next. There was Assessment, where risk was assessed; Analysis, where impact was analyzed; Design and Implementation

of the strategy; and Simulate, Measure and Monitor. Simulation will allow the Company to establish a baseline based on the response, if acceptable.

Mr. continued to report on IT Organizational Set Up. The current set-up was that there were infrastructure staff, who work on the back-end servers, network administration, who provide support for desktops and laptops, and the development group, which refers to outside partners who work on the software. He said that this should be considered as a critical IT component.

He presented an illustration showing the IT system infrastructure. It gives an idea on what is affected when a certain component of the IT system was down. The lower portion showed the hardware or physical asset in the office. The top-most showed the users who do not usually see what was beneath the system that they access. These are assigned to the physical devices/assets, which, if affected, will impact the users.

Mr. also discussed crisis response from an IT perspective. In the current set-up, if an IT personnel was assigned to handle the physical assets in the premises, hints or signs of anomaly, even at the first level, must be escalated. By having an early warning of what was expected, the IT group will know how to respond accordingly.

In the cloud set-up, however, when any anomaly happens, the IT group was not constrained to the specific components earlier mentioned. Vivant was more flexible in addressing the inherent issues such as hardware failure. Most of the cloud service providers' systems are more tolerant. Since they have more servers, they can afford to bring down some of the servers without affecting the services in the top tiers.

On the process side, once the information was captured at the IT level, it may be escalated further up where it will connect to the overall Business Continuity Plan of the organization. It becomes easier for the Crisis Management Team to handle problem.

The IT Organizational Set-up was presented to the RiskCom. The current team showed that the Development Team, which was usually outsourced, also handles projects. It was between the other teams, Infrastructure and Front-end Services. They strive to ensure that the systems continue to work. The Development Team work on systems in-progress, not yet in production. Normally, operations and work-in-progress systems were not mixed. The critical functions should not be affected by any glitches by those that still needs to be polished or perfected.

The proposed set-up highlights a clear delineation between operations and the projects under business services, between those running the system and those creating the system. By having specific focus areas, as the organization grows, it will not be affected by the peculiarities of development and of operations.

RCR asked if the new system will render the regional offices or entities unnecessary. Mr. answered that the idea behind migrating to the cloud was for accessibility for operational needs. Older data which are required to be mandated for legal or other purposes,

are not intended to be stored in the cloud. He said there was still a necessity to develop systems for in-house purposes like maintaining these older data.

RCR pointed out that once the cloud is used, the full operations of the data centers in Cebu and Makati will no longer be necessary. Mr. Arabis agreed and said that there will only be one entity needed for the historical archive, either in Cebu or in Makati.

Mr. Jose Marko Anton G. Sarmiento ("JGS") asked which cloud services will be used – independent or third-party, e.g. Amazon, Google, etc. Mr. Arabis said part of Vivant's data were with Amazon and its email, with Google. He said that it was up to Vivant to determine which will be the best fit. If it will store voluminous data, Google is cheaper.

JGS asked about data security when information is dumped on the cloud. Mr. said that Vivant can opt to have the data pass through Vivant before it may be accessed through the cloud – like a re-routing of data traffic. He said this encrypted "tunnel" can be implemented. Effectively, the cloud is not public since it was not exposed. Vivant will just capitalize on the inherent availability features of the cloud provider. All the policies existing will still be enforced; only the traffic was being re-routed. JGS pointed out the risks involved in using the cloud, but if risks were mitigated, then it will be a good thing.

Atty. Jesus B. Garcia, Jr. ("JBG") critiqued the presentation. He said the presentation was very good in terms of people, organization, and infrastructure. He recalled that he was asked to give a critique of a thesis in UP Manila a long time ago relative to IT, which pointed that IT was the essence of management. At every stage of the management process, IT was necessary because of the data involved. IT still has limitations. It is merely the supplier of information, on which management acts. He said that the presentation was weak on the product which was to be produced. Since IT primarily provides information for management to base its decisions, the more important aspect is how IT will integrate information (or package information) to make the information "usable" or "chewable" by management. He said that management should be apprised of this as the more important thing. The road map should also consider artificial intelligence ("AI"). He said that management should be look into how IA can be utilized to package data into usable information.

He summarized that what should be considered were the following: 1) generation of data and integrated probably with the use of AI and 2) immediate feedback for management to address.

MATTERS ARISING:

5.1.1 Management: JBG asked management to look into how AI can be utilized to package data into usable information for management.

VI. IT SECURITY POSTURE

Mr. continued his report on IT Security Posture. Over the last months, an external scan was conducted, and the following were concluded:

1. WFH transformed enterprise to fragments of computing tools.
2. The diversity of devices, alternative connections, in multiple locations creates complexity.
3. Disruption of supply chains accelerated transformation to online.
4. Everything that touches the enterprise exposes it to potential risk.
5. There is a significant increase in cybercrime as a consequence of COVID-19.

An internal scan was made to review the risks faced by Vivant. Higher risks include hardware failure. There were also concerns on the process side, such as identity theft. A threat actor can actually assume one's identity, usually online. This is made in the form of *phishing,* where the user is manipulated to provide personal information. There were also concerns on malware and ransomware, the latter depriving one access to data. Some of these viruses are not destructive but are still disruptive. There was also the issue of the IT staff not being able to report to the office, especially during the initial stages of the quarantine. However, the staff were slowly already able to perform their jobs, even remotely.

The risks were being grouped under Infrastructure, Processes, and People. In order to address theses risks, there were short-term and long-term forms of mitigation. One of the strategies adapted for purposes of security was --- Defense in Depth ("DiD"). The concept of this was that the overall security posture of an organization depended on a series of security measures put in place.

DiD layers were discussed as follows: (1) Data Asset; (2) Application Layer, secured by username and password; (3) Host/Device, which the application must be downloaded in before it can be launched; (4) Internal Network (Vivant's network is compartmentalized, which provides control.); (5) Perimeter Network, which is the firewall gone through before one can access the internet; (6) Physical Access Control, which is the physical office providing a layer of protection; it can ensure that the people accessing are employees of the Company; and (7) Policies and Awareness.

The challenge in relying solely on DiD is that the moment the situation changes, such as the WFH arrangement, which removes the Physical Layer, the other measures may be rendered irrelevant. There was a need to reinforce the set-up since the working environment has changed. This is where the strategy on Defense in Breadth ("DiB") comes into play. The layers are made wider to allow not only preventive capability, but also detection and response.

An illustration of a DiB is called a multi-factor defense in security. For instance, one the username and password are compromised, there can already be accessed. In DiB, there is another layer added, two-factor authentication. Users will be required two things: 1) what they know – username and password, and 2) what they have – the username and password can only be used in a specific device. This gives the user a "situational awareness". Whenever someone else tries to access the system, the legitimate user will be prompted about it. Something that was prevented was also escalated with the prompt.

RCR then summarized the presentation. He asked how Vivant can be protected from scammers since it is vulnerable, being a holding company with a diverse portfolio.

Mr. Arabis said that the elements of security posture were in place. It was just having the right visibility on what was going on to make the response. He noted that the ability to prosecute is also based on the ability to gather evidence. He mentioned that one of the measures they would want to implement was a Directory System. Through this, the identity will be tied to or connected with the Infrastructure to ensure that the individual is one of Vivant's employees. He emphasized the importance of having visibility and knowledge on what was happening.

RCR added that the important thing was to note how to know the matters that were getting to Vivant's system. At a higher level, a program can be developed a program to protect Vivant. Ms. Minuel Carmela M. Franco ("MNF") clarified that part of the engagement of Mr. Aribas was to review processes and functions. Functions not in place will also be implemented. There were still a lot of internal things to be done as well, not just external.

JBG restated the importance of determining what data will be generated by management. Information was being looked at as a commodity. What was important was not the generation or location of the disparate data, rather, the integration. Instead of discussion on the levels access of data, he was keener on the discussion on the levels of information to be accessed. He was asking if it were feasible to manage or integrate data through an application which was accessible only to management.

Mr. agreed with JBG's concerns and shared some similarities to his experience working on the naval security data or information management. So much data was being gathered. However, 95% of the intelligence gathered were open-sourced. The value of the information is really on the analysis. He also emphasized the need for these systems to be in place.

Mr. Rogelio Q. Lim ("RQL") said that some of the information presented were confidential. He asked if it would be possible to come up with a presentation that cannot be saved. He added that the people who has access to the information real-time must also be determined. Some people may not need real-time data. On the utilization of AI, the ideal AI should be something that can detect inputs due to creativity and emotion. Current AI technology merely involves anticipatory decision-making.

RCR said the RiskCom should continue more discussions on IT and other related matters.

VII. OTHER MATTERS

There were no other matters to be discussed.

VIII. ADJOURNMENT

Upon a motion duly made and seconded, the meeting of the RiskCom was adjourned at 11:50 A.M.

Prepared by:

ATTY. CATHERINE S. BRINGAS
Acting Corporate Secretary

Attested by:

AMB. RAUL Ch. RABE
Chairman of the Board Risk Oversight Committee

Republic of the Philippines)
Makati City) S.S.

ATTESTATION

I, **ARLO A.G. SARMIENTO,** Filipino, of legal age and with business address at 3rd Floor, La Paz Centre Building, Salcedo Street Corner V.A. Rufino Street, Legaspi Village, Makati City, Philippines, after having been duly sworn in accordance with law hereby attest that:

1. I am the Chief Executive Officer of **VIVANT CORPORATION** (the "Corporation"), a corporation duly organized and existing pursuant to the law of the Republic of the Philippines, with principal office address at 9th Floor, Oakridge IT Center 3, Oakridge Business Park, A.S. Fortuna Street, Brgy. Banilad, Mandaue City, Cebu, Philippines ("Vivant").

2. The Corporation has a sound internal audit, control and compliance system in place and is working effectively.

3. The foregoing statements are in accordance with the records of Vivant.

IN WITNESS WHEREOF, I have hereunto affixed my signature on this 25 MAY 2022 day of May 2022 in Makati City, Philippines.

ARLO A. G. SARMIENTO
Chief Executive Officer

SUBSCRIBED AND SWORN to before me this 25 MAY 2022, affiant exhibiting to me his Philippine Passport No. P6592337A issued on March 28, 2018 at the DFA Cebu Consular Office.

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Book No. I
Series of 2022.

MA. ROFIL E. CARPESO
Notary Public for Makati City
Appointment No. M-092 (R) (2022-2023)
Roll No. 71003; IBP No. 196109 / 04-Jan-2022 / Makati City
PTR No. 8373378 / 20-Jan-2022 / Makati City
MCLE Compliance No. VII-0014625 / 06/04/2022
3rd Floor, La Paz Centre Building Salcedo
corner V.A. Rufino Street Legaspi Village,
Makati City

b. Any act constituting disrespect and disregard of authority of Company superiors and officers.	15 days Suspension	30 days Suspension	Dismissal		
c. Any act which constitutes resistance, threat, intimidation or assault against a person of authority in the Company or any of this agent.	15 days Suspension	30 days Suspension	Dismissal		
d. Any other act constituting insubordination not included in the preceding sections.	15 days Suspension	30 days Suspension	Dismissal		
e. Willful disobedience of the lawful orders of the Company and any of its officers.	15 days Suspension	30 days Suspension	Dismissal		
SECTION 13 Posting on or removing from Company bulletins any material without authority.	Written Warning	6 days Suspension	15 days Suspension	30 days Suspension	Dismissal
SECTION 14 Immoral conduct or indecent / lascivious acts.	Dismissal				
SECTION 15 Removal of any Company property without proper authorization.	Written Warning	6 days Suspension	15 days Suspension	30 days	Dismissal
SECTION 16 Gambling					
a. During working hours	15 days Suspension	30 days	Dismissal		
b. On off-work time but in Company premises	15 days Suspension	30 days Suspension	Dismissal		

V. SAFETY, HEALTH, SECURITY AND PUBLIC ORDER

A clean and safe working environment benefits all employees and the Company. Therefore, it is the responsibility of each employee to follow appropriate hygienic practices; undergo annual physical examination; wear identification cards, prescribed uniforms and safety equipment; contribute to the good housekeeping and follow safety and security rules and regulations at the work place.

OFFENSE	PENALTIES				
	1st	2nd	3rd	4th	5th
SECTION 1 Failure to undergo the annual physical examination as scheduled with clinic/medical. Upon serving of Counseling or suspension, the employee shall have thirty (30) days within which to comply with his physical examination, it shall be construed as another violation.	Written Warning	3 days Suspension	6 days Suspension	15 days Suspension	30 days Suspension
NOTE: For sixth (6th) Offense – Dismissal					
SECTION 2 Reporting for work or working without ID Card for more than two times per calendar month	Written Warning	3 days Suspension	6 days Suspension	15 day Suspension	30 days Suspension
NOTE: For sixth (6th) Offense – Dismissal					
SECTION 3 Unauthorized carrying or possession of firearms, explosives, or other deadly weapons within Company premises.	Dismissal				
SECTION 4 Smoking in "No Smoking" areas or violation of other safety and security rules and regulations.					
a. If no damage or injury caused	Written Warning	6 days Suspension	15 days Suspension	30 days Suspension	Dismissal
b. If there is damage or injury caused	15 days Suspension	30 days Suspension	Dismissal		
NOTE: One (1) to thirty (30) days suspension depending on the extent of damage or injury and other aggravating and mitigating circumstances.					
SECTION 5 Committing acts against proper sanitation and good housekeeping such as littering, hanging of personal belongings in common areas and so forth.	Written Warning	3 days Suspension	6 days Suspension	15 days Suspension	30 days Suspension
SECTION 6 Willful disregard of office directive relating to sanitary conditions, cleanliness and orderli-	Written Warning	6 days Suspension	15 days Suspension	30 days Suspension	Dismissal

ness of the office, security of office supplies and equipment or performing any act contributing to unsanitary condition or practice on Company premises or job sites.					
SECTION 7 Unauthorized possession, duplication, or use of false keys, pick locks or similar devices which can open lockers, drawers, cabinets etc., or other property of the Company or those of other employee	Written Warning	6 days Suspension	15 days Suspension	30 days Suspension	Dismissal
SECTION 8 Reporting for work while having a contagious disease which may endanger the health of other employees, knowing about it, yet failing to report or willfully withholding information thereof to Company authorities.	Written Warning	6 days Suspension	15 days Suspension	30 days Suspension	Dismissal
SECTION 9 Reckless, improper, and unsafe driving/maneuvering of Company vehicles inside or outside Company premises.	Written Warning	6 days Suspension	15 days Suspension	30 days Suspension	Dismissal
NOTE: Offenses or violations of any Company Policy, Rules and Regulations not included among the foregoing will be subject to disciplinary action in accordance with the circumstances of each case.					

VI. ANTI-SEXUAL HARASSMENT

The Company is committed to upholding the rights and dignity of all its employees through the creation of a work environment characterized by professionalism, openness, respect, and trust.

The Company values the dignity of every individual, enhances the development of its human resources, guarantees full respect for human rights and upholds the dignity of its employees and applicants for employment. Towards the end, all forms of sexual harassment in the workplace are hereby declared unlawful.

OFFENSE	CORRECTIVE ACTION				
	1st	2nd	3rd	4th	5th
1. Persistently telling smutty jokes to a co-employee who has indicated that he/she finds them offensive;	Written Warning	6 days Suspension	15 days Suspension	30 days Suspension	Dismissal
2. Taunting a co-employee with constant talk of sex or sexual innuendoes;	Written Warning	6 days Suspension	15 days Suspension	30 days Suspension	Dismissal

VIVANT

TO : ALL CONCERNED

Ref. No. HR 2019-02

FROM : HR

RE : Training Request Guidelines

DATE : May 2, 2019

This is to reiterate that all trainings shall be linked to the approved Individual Development Plan (IDP). A copy of the IDP shall be attached to the Training Request Authorization (TRA) form to facilitate training approvals.

Please see process flow below:

1. The requesting employee shall fill out the TRA and attach a copy of their approved IDP to better facilitate approvals.
2. The immediate manager shall check if said training matches the employee's IDP then approves the TRA. Once approved, it will be forwarded by the requesting employee to his Department Head or Group Head for final approval.
3. HR will verify,then determine whether said training falls within the approved training plan. If unbudgeted and/or not indicated in the approved IDP, employee is required to seek approval from the Budget Office (Corporate Planning) and the EVP (VVT) or EVP-COO (VEC).
4. Accounting will only process disbursements upon completion of the duly approved TRA.
5. HR shall facilitate training registration and payment settlement. However, forecasting of training payment will be the responsibility of the requesting employee.

The Training Brief and all materials obtained from the training event are still expected to be submitted by the employee to HR within fourteen (14) calendar days from the end of training. Failure to submit said requirements shall bar the rest of his Department from further training enrollments.

Managers are encouraged to send only up to two (2) team members to any particular training to maximize the training budget.

MINDEL CARMELA N. FRANCO
SVP – Corporate and Shared Services