



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: September 21, 2022 10:42:25 AM

Company Information

SEC Registration No.: CS200909233

Company Name: ALTERNERGY HOLDINGS CORPORATION

Industry Classification: J66940

Company Type: Stock Corporation

Document Information

Document ID: OST1092120228776654

Document Type: Financial Statement

Document Code: FS

Period Covered: June 30, 2022

Submission Type: Consolidated

Remarks: None

Acceptance of this document is subject to review of forms and contents

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR CONSOLIDATED FINANCIAL STATEMENTS

The management of **Alternergy Holdings Corporation** (the Group) is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the Six-months period ended June 30, 2022 and December 31, 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 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.

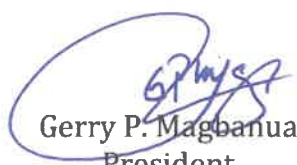
The Board of Directors is responsible for overseeing the Group's financial reporting process.

The Board of Directors reviews and approves the financial statements including the schedules attached therein, and submits the same to the stockholders or members.

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



Vicente S. Perez Jr.
Chairman



Gerry P. Magbanua
President



Luisito S. Pangilinan
Treasurer

Signed this 10th day of September 2022

ACKNOWLEDGMENT

REPUBLIC OF THE PHILIPPINES)

CITY OF MAKATI)S.S

SEP 16 2022

Before me a Notary Public for and in _____ this day of _____ personally
appeared the following:

NAME	Passport No.	Date / Place of Issue
Vicente S. Perez Jr.	P3490051B	January 15, 2020/DFA Manila
Gerry P. Magbanua	P4909380B	February 21, 2020/DFA Manila
Luisito S. Pangilinan	P3789685B	November 9, 2019/DFA Manila

Doc. No. 89 :

Page No. 181 :

Book No. XXVIII :

Series of 2022

ATTY. GERVACIO B. ORTIZ JR.

Notary Public City of Makati
Until December 31, 2022

IBP No. 05729-Lifetime Member
MCLE Compliance No. VI-0024312
Appointment No. M-82-(2021-2022)
PTR No. 8852511 Jan. 3, 2022
Makati City Roll No. 40091
101 Urban Ave. Campos Rueda Bldg.
Brgy. Pio Del Pilar, Makati City

COVER SHEET

for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

C	S	2	0	0	9	0	9	2	3	3
---	---	---	---	---	---	---	---	---	---	---

COMPANY NAME

A	L	T	E	R	N	E	R	G	Y		H	O	L	D	I	N	G	S		C	O	R	P	O	R	A	T	I	O
N																													

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

L	E	V	E	L		3	B	,		1	1	1		P	A	S	E	O		D	E		R	O	X	A	S		B
U	I	L	D	I	N	G	,		P	A	S	E	O		D	E		R	O	X	A	S		C	O	R	N	E	R
	L	E	G	A	Z	P	I		S	T	R	E	E	T	,		L	E	G	A	S	P	I		V	I	L	L	A
G	E	,		M	A	K	A	T	I		C	I	T	Y															

Form Type

A	A	F	S
---	---	---	---

Department requiring the report

C	R	M	D
---	---	---	---

Secondary License Type, If Applicable

N	/	A	
---	---	---	--

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number	Mobile Number
contact@alternergy.com	(632) 7759-4327	N/A
No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
12	Last Tuesday of May	6/30

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
Gerry P. Magbanua	gerry.magbanua@alternergy.com	(632) 7759-4327	N/A

CONTACT PERSON'S ADDRESS

Level 3B, 111 Paseo de Roxas Building, Paseo de Roxas corner Legazpi Street, Legazpi Village, Makati City

NOTE 1 In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.

2 All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.



INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Stockholders
Alternergy Holdings Corporation
Level 3B, 111 Paseo de Roxas Building
Paseo de Roxas corner Legazpi Street
Legaspi Village, Makati City

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Alternergy Holdings Corporation and its subsidiaries (collectively, the Group), which comprise the consolidated statements of financial position as at June 30, 2022 and December 31, 2021 and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the six-month periods ended June 30, 2022 and 2021 and year ended December 31, 2021, and notes to the 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 June 30, 2022 and December 31, 2021, and its financial performance and its consolidated cash flows for the six-month periods ended June 30, 2022 and 2021 and year 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 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.

Other Matter

We have previously issued our auditors' report dated August 29, 2022 on the consolidated financial statements of the Group as at June 30, 2022 and December 31, 2021 and for the six-month periods ended June 30, 2022 and 2021 and year ended December 31, 2021 and expressed an unqualified opinion on those consolidated financial statements. As discussed in Note 35 to the consolidated financial statements, the Group reissued its consolidated financial statements as at June 30, 2022 and December 31, 2021 and for the six-month periods ended June 30, 2022 and 2021 and year ended December 31, 2021 to update the disclosure in Note 19 to the consolidated financial statements in relation to the actual status and Securities



and Exchange Commission's approval of the Parent Company's application for equity restructuring, and to restate the property, plant and equipment and recognize contract asset, construction revenue and construction costs as at and for the six-month period ended June 30, 2022 in accordance with Philippine Interpretation IFRIC 12, *Service Concession Arrangements*.

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 the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.



- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

SYCIP GORRES VELAYO & CO.



Leovina Mae V. Chu

Partner

CPA Certificate No. 99910

Tax Identification No. 209-316-911

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

SEC Partner Accreditation No. 99910-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. 08-001998-096-2020, November 27, 2020, valid until November 26, 2023

PTR No. 8854385, January 3, 2022, Makati City

September 10, 2022



ALTERNERGY HOLDINGS CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	June 30, 2022 (As restated, Note 35)	December 31, 2021
ASSETS		
Current Assets		
Cash and cash equivalents (Note 7)		
Unrestricted	₱581,598,605	₱93,578,018
Restricted	43,323,904	—
Trade and other receivables (Note 8)	19,254,442	989,395
Due from related parties (Note 20)	150,959,940	100,032,228
Prepayments and other current assets (Note 9)	18,397,936	15,237,789
Total Current Assets	813,534,827	209,837,430
Noncurrent Assets		
Property, plant and equipment (Note 10)	898,479,949	100,290,264
Contract asset (Notes 33 and 35)	574,883,490	—
Investments in and advances to associates (Note 11)	150,792,648	179,160,706
Intangible assets (Note 12)	747,518,082	226,616,105
Right-of-use asset (Note 24)	59,345,077	—
Deferred tax assets - net (Note 26)	—	1,319
Other noncurrent assets (Note 15)	15,881,815	10,187,764
Total Noncurrent Assets	2,446,901,061	516,256,158
TOTAL ASSETS	₱3,260,435,888	₱726,093,588
LIABILITIES AND EQUITY		
Current Liabilities		
Short-term loan (Note 17)	₱92,650,373	₱91,077,895
Current portions of:		
Long-term debt (Note 18)	57,810,359	—
Lease liability (Note 24)	2,883,913	—
Accounts payable and accrued expenses (Note 16)	108,261,437	16,443,598
Payable to a subsidiary's former shareholder (Note 13)	279,771,496	—
Advances from a third party (Note 16)	214,000,000	—
Dividend payable (Note 11)	18,750,000	—
Income tax payable	798,726	1,430,769
Due to related parties (Note 20)	194,495,338	50,635,421
Total Current Liabilities	969,421,642	159,587,683
Noncurrent Liabilities		
Long-term debt - net of current portion (Note 18)	1,248,824,823	148,602,470
Lease liability - net of current portion (Note 24)	47,035,794	—
Asset retirement obligation (Note 25)	14,445,032	—
Deferred tax liabilities - net (Note 26)	2,433,560	8,737,369
Total Noncurrent Liabilities	1,312,739,209	157,339,839
Total Liabilities	2,282,160,851	316,927,522

(Forward)



	June 30, 2022 (As restated, Note 35)	December 31, 2021
Equity		
Capital stock (Note 19)	₱36,349	₱34,203
Additional paid-in capital (Note 19)	440,865,245	440,865,245
Deposit for future stock subscription (Note 19)	297,879,779	–
Share in remeasurement loss on retirement benefit obligation of an associate (Note 11)	(15,557)	(15,557)
Cumulative translation adjustment (Note 2)	3,307,045	(11,255)
Equity reserve (Note 14)	13,018,406	–
Deficit	(240,277,656)	(82,926,074)
Equity Attributable to Equity Holders of the Parent Company	514,813,611	357,946,562
Non-controlling Interests	463,461,426	51,219,504
Total Equity	978,275,037	409,166,066
TOTAL LIABILITIES AND EQUITY	₱3,260,435,888	₱726,093,588

See accompanying Notes to Consolidated Financial Statements.



ALTERNERGY HOLDINGS CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Six-Month Periods Ended June 30	Year Ended December 31,
	2022 (As restated, Note 35)	2021 2021
REVENUE FROM SALE OF ELECTRICITY (Note 33)	₱9,330,967	₱—
COST OF SALE OF ELECTRICITY (Note 10)	3,002,238	—
GROSS PROFIT	6,328,729	—
EQUITY IN NET EARNINGS OF ASSOCIATES (Note 11)	16,435,855	20,225,585
GENERAL AND ADMINISTRATIVE EXPENSES (Note 21)	53,238,196	21,358,810
OTHER INCOME (CHARGES)		
Construction revenue (Notes 33 and 35)	574,883,490	—
Construction costs (Notes 33 and 35)	(574,883,490)	—
Project cost recovery (Note 23)	36,586,861	133,612,997
Finance costs (Notes 17, 18, 24 and 25)	(11,684,885)	(17,871,124)
Net foreign exchange gains (losses)	9,098,059	8,270,984
Advisory fees (Note 20)	3,416,667	6,600,000
Day 1 gain on short-term loan (Note 17)	1,599,627	3,172,105
Interest income (Note 7)	442,174	66,503
Restructuring related charges - net (Notes 13 and 22)	(173,034,032)	2,099,138
	(133,575,529)	135,950,603
INCOME (LOSS) BEFORE INCOME TAX	(164,049,141)	117,794,996
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 26)	(5,941,796)	218,645
NET INCOME (LOSS)	(158,107,345)	112,768,082
OTHER COMPREHENSIVE INCOME <i>Other comprehensive income to be reclassified to profit or loss in subsequent periods:</i>		
Cumulative translation adjustment (Note 2)	19,992,187	20,301
TOTAL COMPREHENSIVE INCOME (LOSS)	(₱138,115,158)	₱112,788,383
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:		
Equity holders of the Parent Company	(₱154,033,282)	₱113,998,605
Non-controlling interests	15,918,124	(1,210,222)
	(₱138,115,158)	₱112,788,383
Basic/Diluted Earnings (Loss) per Share (Note 27)	(₱760)	₱594

See accompanying Notes to Consolidated Financial Statements.



ALTERNERGY HOLDINGS CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE SIX-MONTH PERIODS ENDED JUNE 30, 2022 AND 2021 AND YEAR ENDED DECEMBER 31, 2021

	Capital Stock		Additional	Deposit for	Share in Re-measurement	Cumulative	Equity	Deficit	Equity	Non-controlling	Total
	Preferred	Common	Paid-in Capital	Future Stock	Obligation of	Translation	Reserve		Attributable to Equity	Interests	
				Subscription	an Associate	Adjustment			Holders of the Parent Company		
At January 1, 2022	₱15,000	₱19,203	₱440,865,245	₱–	(₱15,557)	(₱11,255)	₱–	(₱82,926,074)	₱357,946,562	₱51,219,504	₱409,166,066
Total comprehensive income (loss)	–	–	–	–	–	3,318,300	–	(157,351,582)	(154,033,282)	15,918,124	(138,115,158)
Issuance of new shares (Note 19)	–	2,146	–	–	–	–	–	–	2,146	–	2,146
Deposit for future stock subscription (Note 20)	–	–	–	297,879,779	–	–	–	–	297,879,779	–	297,879,779
Change in non-controlling interests:											
Issuance of new shares of a subsidiary (Note 14)	–	–	–	–	–	–	13,018,406	–	13,018,406	286,667,594	299,686,000
Step acquisition to a subsidiary (Notes 11 and 13)	–	–	–	–	–	–	–	–	–	106,590,649	106,590,649
Disposal of subsidiaries (Note 13)	–	–	–	–	–	–	–	–	–	3,065,555	3,065,555
At June 30, 2022	₱15,000	₱21,349	₱440,865,245	₱297,879,779	(₱15,557)	₱3,307,045	₱13,018,406	(₱240,277,656)	₱514,813,611	₱463,461,426	₱978,275,037
At January 1, 2021	₱15,000	₱19,203	₱440,865,245	₱–	(₱15,557)	(₱21,608)	₱–	(₱196,914,326)	₱243,947,957	₱52,429,726	₱296,377,683
Total comprehensive loss	–	–	–	–	–	–	–	(9,952,945)	(9,952,945)	(1,467,706)	(11,420,651)
At June 30, 2021	₱15,000	₱19,203	₱440,865,245	₱–	(₱15,557)	(₱21,608)	₱–	(₱206,867,271)	₱233,995,012	₱50,962,020	₱284,957,032
At January 1, 2021	₱15,000	₱19,203	₱440,865,245	₱–	(₱15,557)	(₱21,608)	₱–	(₱196,914,326)	₱243,947,957	₱52,429,726	₱296,377,683
Total comprehensive income	–	–	–	–	–	10,353	–	113,988,252	113,998,605	(1,210,222)	112,788,383
At December 31, 2021	₱15,000	₱19,203	₱440,865,245	₱–	(₱15,557)	(₱11,255)	₱–	(₱82,926,074)	₱357,946,562	₱51,219,504	₱409,166,066

See accompanying Notes to Consolidated Financial Statements.



ALTERNERGY HOLDINGS CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Six-Month Periods Ended June 30		Year Ended December 31
	2022	2021	2021
CASH FLOWS FROM OPERATING ACTIVITIES			
Income (loss) before income tax	(P164,049,141)	(P11, 202,006)	P117,794,996
Adjustments for:			
Restructuring related charges - net (Note 22)	173,034,032	(2,099,138)	(2,099,138)
Equity in net earnings of associates (Note 14)	(16,435,855)	(20,225,585)	(35,961,849)
Finance costs (Notes 17, 18, 24 and 25)	11,684,885	10,016,450	17,871,124
Net unrealized foreign exchange losses (gains)	(6,500,174)	(808,581)	976,466
Depreciation and amortization (Notes 10, 21 and 24)	2,659,494	389,712	458,775
Day 1 gain on short-term loan (Note 17)	(1,599,627)	—	(3,172,105)
Provision for impairment losses (Note 21)	1,230,055	810,000	2,894,844
Interest income (Note 7)	(442,174)	(21,972)	(66,503)
Loss on disposal of property, plant and equipment (Note 10)	—	—	31,101
Income (loss) before working capital changes	(418,505)	(23,141,120)	98,727,711
Decrease (increase) in:			
Trade and other receivables (Note 8)	(10,495,250)	1,341,930	897,803
Prepayments and other current assets (Notes 9 and 13)	2,352,262	11,956,876	10,411,587
Other noncurrent assets (Notes 13 and 15)	(6,838,006)	5,583,133	(1,793,284)
Increase (decrease) in accounts payable and accrued expenses (Notes 13 and 16)	34,874,584	(5,396,973)	(7,312,376)
Net change in accounts with related parties (Notes 13 and 20)	(46,416,546)	93,256,575	104,282,591
Cash generated from (used in) operations	(26,941,461)	83,600,421	205,214,032
Income tax paid	(1,349,228)	(87,453)	(87,453)
Interest received	313,864	21,972	66,503
Net cash flows from (used in) operating activities	(27,976,825)	83,534,940	205,193,082
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to:			
Contract asset (Notes 33 and 35)	(574,883,490)	—	—
Project development costs (Note 12)	(58,432,419)	(2,663,027)	(53,755,173)
Investments in and advances to associates (Note 11)	(40,009,761)	—	(201,444)
Property, plant and equipment (Notes 10 and 13)	(221,007)	(2,093,452)	(1,853,386)
Net cash inflow (outflow) from:			
Acquisition of a subsidiary (Note 13)	79,260,546	—	—
Deconsolidated subsidiaries (Note 13)	62,679	(149,082)	(149,082)
Proceeds from redemption of preferred shares of an associate (Note 11)	—	—	7,723,166
Cash dividends received (Note 11)	—	—	16,269,500
Net cash flows used in investing activities	(594,223,452)	(4,905,561)	(31,966,419)

(Forward)



	Six-Month Periods Ended June 30		Year Ended December 31
	2022	2021	2021
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from:			
Long-term debt (Note 18)	₱577,365,000	₱—	₱150,000,000
Issuance of shares by a subsidiary to non-controlling interest (Note 14)	299,686,000		
Advances from a third party (Note 14)	214,000,000	—	—
Deposit for future stock subscription (Note 19)	37,732,500	—	—
Issuance of shares to parent equity holder	2,146	—	—
Payments of:			
Deferred financing charges (Note 18)	(32,668,315)	—	(1,526,520)
Interest	(4,592,224)	(10,126,601)	(31,862,053)
Short-term loans (Note 17)	—	—	(140,000,000)
Long-term debt (Note 18)	—	(97,517,993)	(97,517,993)
Lease liability (Note 24)	—	—	(378,953)
Net cash flows from (used in) financing activities	1,091,525,107	(107,644,594)	(121,285,519)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	18,695,757	808,581	(19,059)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	488,020,587	(28,206,634)	51,922,085
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD (Note 7)	93,578,018	41,655,933	41,655,933
CASH AND CASH EQUIVALENTS AT END OF PERIOD (Note 7)	₱581,598,605	₱13,449,299	₱93,578,018

See accompanying Notes to Consolidated Financial Statements.



ALTERNERGY HOLDINGS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information

Alternergy Holdings Corporation (AHC; the Parent Company) was incorporated in the Philippines and registered with the Securities and Exchange Commission (SEC) on June 18, 2009 primarily to invest in, purchase or otherwise acquire and own, hold, use, sell, assign, transfer, mortgage, pledge, exchange, or otherwise dispose real and personal property of every kind and description in particular, shares of stocks, voting trust certificate, bonds, debentures, notes, evidence of indebtedness, associations, domestic or foreign, including those of Government of the Republic of the Philippines, or any of its instrumentalities, without being a stockholder or dealer, and to issue in exchange therefore shares of the capital stock, bonds, notes or other obligations of the Group and while the owner thereof, to exercise all the rights, powers and privileges of ownership, including the right to vote any shares of stock or voting trust certificates so owned, and to do every act and thing that may generally be performed by entities known as “holding companies” except as broker and dealer of securities.

The Parent Company’s registered address and principal place of business is Level 3B 111 Paseo de Roxas Building, Paseo de Roxas corner Legazpi Street, Legaspi Village, Makati City.

The ultimate parent of the Parent Company is Vespers Holdings Corporation (VHC), a company incorporated in the Philippines.

On April 26, 2022, the Parent Company’s Board of Directors (BOD) and shareholders approved the change of the Parent Company’s fiscal year from the first day of January ending on the last day of December each year to the first day of July ending on the last day of June of the following year. On May 27, 2022, the SEC approved the change in the Parent Company’s fiscal year and accounting period. On June 20, 2022, the Bureau of Internal Revenue (BIR) approved the change in the Parent Company’s accounting period from calendar year ending December 31 to fiscal year ending June 30, effective July 1, 2022. Accordingly, the Group prepared the consolidated financial statements as at June 30, 2022 and for the six-month period ended June 30, 2022 (see Note 3).

Authorization for Reissuance of the Consolidated Financial Statements

The BOD of the Parent Company has previously approved and authorized for issue on August 29, 2022 the consolidated financial statements of the Group as at June 30, 2022 and December 31, 2021 and for the six-month periods ended June 30, 2022 and 2021 and year ended December 31, 2021. The Group has amended the previously issued consolidated financial statements to update and reflect the actual status and SEC’s approval of the Parent Company’s equity restructuring and to restate the property, plant and equipment and recognize contract assets, construction revenue and construction costs as at and for the six-month period ended June 30, 2022 in accordance with Philippine Interpretation IFRIC 12, *Service Concession Arrangements* (see Notes 19 and 35). The accompanying consolidated financial statements of the Group as at June 30, 2022 and December 31, 2021 and for the six-month periods ended June 30, 2022 and 2021 and year ended December 31, 2021 were approved and authorized for reissuance by the Parent Company’s BOD on September 10, 2022.



2. Group Information

The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries (collectively referred to as “the Group”). The following are the subsidiaries as of June 30, 2022 and December 31, 2021:

	Nature of Business	Percentage of Ownership			
		June 30, 2022		December 31, 2021	
		Direct	Indirect	Direct	Indirect
Alternergy Tanay Wind Corporation (ATWC) ^(A)	Power generation	100	–	100	–
Pililla AVPC Corporation (PACO)	Investment holding	100	–	100	–
Alternergy Philippines Holdings Corporation (APHC) ^(B)	Investment holding	–	–	60	40
Alternergy Philippines Investments Corporation (APIC) ^(B)	Investment holding	–	–	50	50
Calavite Passage Wind Power Corporation (CPWPC) ^(A)	Power generation	–	100	–	–
Tablas Strait Offshore Wind Power Corporation (TSOWPC) ^(A)	Power generation	–	100	–	–
Alternergy Hydro Partners Corporation (AHPC)	Investment holding	100	–	100	–
Alternergy Mini Hydro Holdings Corporation (AMHC)	Investment holding	–	100	–	100
Ibulao Mini Hydro Corporation (IMHC) ^(A)	Power generation	–	100	–	100
Lamut Mini Hydro Corporation (LAMHC) ^(A)	Power generation	–	100	–	100
SolarPacific Energy Corp (SPEC) ^(E)	Investment holding	51	–	51	–
Kirahon Solar Energy Corporation (KSEC) ^{(D)(F)}	Power generation	50	13	–	–
Kirahon Two Energy Corporation (KTEC) ^{(A)(C)}	Power generation	–	–	–	75
Liberty Solar Energy Corporation (LSEC) ^{(A)(C)}	Power generation	–	–	–	100
Solar Pacific Pristine Power Inc. (SPPP) ^{(A)(G)}	Power generation	9	10	–	100
Solana Solar Alpha Incorporation (SSAI) ^(A)	Power generation	–	100	–	100
Green Energy Supply Solutions Inc. (GESSI) ^(A)	Energy retail supplier	100	–	100	–

(A) No commercial operations as of June 30, 2022

(B) Ceased to be a subsidiary effective June 21, 2022 (see Note 13)

(C) Ceased to be a subsidiary effective April 19, 2022 (see Note 13)

(D) Became a subsidiary effective June 10, 2022 (see Note 13)

(E) In 2022, NCP Advisors Philippines, Inc. (NAPI), a related party, granted a special proxy for AHC to represent and vote the preferred shares of NAPI in SPEC, thereby increasing the voting interest of AHC to 73% (see Note 35).

(F) Voting interest of AHC is 50% (direct) and 25% thru SPEC (indirect)

(G) In 2022, voting interest of AHC is 5.6% (direct) and 51% thru SPEC (indirect)

All of the foregoing subsidiaries are incorporated and registered with the Philippine SEC and operate in the Philippines except for SPPP that is incorporated in the Republic of Palau. SPPP’s functional currency is US Dollar.

3. Basis of Preparation, Basis of Consolidation and Statement of Compliance

Basis of Preparation

The accompanying consolidated financial statements of the Group have been prepared using the historical cost basis and are presented in Philippine Peso (₱), the Group’s functional currency. All amounts are rounded off to the nearest peso unless otherwise indicated.

In addition to the financial statements as at June 30, 2022 and December 31, 2021 and for the six-month period ended June 30, 2022 and year ended December 31, 2021, the accompanying consolidated statement of comprehensive income, consolidated statement of changes in equity, and consolidated statement of cash flows for the six-month period ended June 30, 2021 have been prepared for inclusion in the Group’s Registration Statement in relation to its planned initial public offering (IPO) of AHC (see Note 1). These have been prepared under the going concern assumption.

The consolidated balances as of and for the six-month period ended June 30, 2022 of the Group are not comparative with the consolidated balances as at and for the year ended December 31, 2021 due to the change in the fiscal year of the Parent Company.



Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Parent Company, its subsidiaries as of June 30, 2022 and December 31, 2021 and for the six-month periods ended June 30, 2022 and 2021 and year ended December 31, 2021.

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

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

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

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

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

Profit or loss and each component of other comprehensive income 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 in line with the Group's accounting policies. All intra-group assets, liabilities, equity, income, expenses, and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognizes the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognized in profit or loss.

The financial statements of the subsidiaries are prepared for the same reporting year as the Parent Company using consistent accounting policies.

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 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 of non-controlling interest is also recognized directly in equity.

Statement of Compliance

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

4. 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 in 2022. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Adoption of these new standards did not have an impact on the consolidated financial statements of the Group.

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

The amendments add 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 IFRIC 21, *Levies*, if incurred separately. The exception requires entities to apply the criteria in PAS 37 or IFRIC 21, respectively, instead of the Conceptual Framework, to determine whether a present obligation exists at the acquisition date.

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

The amendment prohibits entities from deducting from the cost of an item of property, plant and equipment, any proceeds of the sale of 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 that when assessing whether a contract is onerous or loss-making, an entity needs to include costs that relate directly to a contract to provide goods or services including both incremental costs (e.g., the costs of direct labour and materials) and an allocation of costs directly related to contract activities (e.g., depreciation of equipment used to fulfil the contract and costs of contract management and supervision). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

- *Annual Improvements to PFRSs 2018–2020 Cycle*

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



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

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

The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. There is no similar amendment proposed for PAS 39, *Financial Instruments: Recognition and Measurement*.

Standards Issued but not yet Effective

Pronouncements issued but not yet effective are listed below. The Group intends to adopt the following pronouncements when they become effective. The Group is currently assessing the impact of the pronouncements on its consolidated financial statements.

Effective beginning on or after January 1, 2023

- Amendments to PAS 12, *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*
- Amendments to PAS 8, *Definition of Accounting Estimates*
- Amendments to PAS 1 and PFRS Practice Statement 2, *Disclosure of Accounting Policies*

Effective beginning on or after January 1, 2024

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

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*

5. Summary of Significant Accounting Policies

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 the 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-related costs incurred are expensed and included in 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 profit or loss.

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 that is within the scope of PFRS 9 will be recognized either in profit or loss 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 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 as "bargain purchase gain" in profit or loss.

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 (CGUs) 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 or group of cash-generating units, to which the goodwill relates. Where the recoverable amount of the cash-generating unit or group of cash-generating units is less than the carrying amount, an impairment loss is recognized.



Current versus Noncurrent Classification

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

All other assets are classified as noncurrent.

A liability is current when:

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

The Group classifies all other liabilities as noncurrent.

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

Financial Instruments

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

Financial Assets

Initial Recognition and Measurement. Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, at fair value through other comprehensive income (FVOCI), and fair value through profit or loss (FVTPL).

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them.

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

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortized cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows while financial assets classified and measured at fair value through OCI are held within a business model with the objective of holding to collect contractual cash flows and selling.



Subsequent Measurement. For purposes of subsequent measurement, financial assets are classified in four (4) categories:

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

Financial Assets at Amortized Cost (Debt Instruments). The Group measures financial assets at amortized cost if both of the following conditions are met:

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

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

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

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

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

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

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



liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

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

Financial Liabilities

Initial Recognition and Measurement. Financial liabilities are classified, at initial recognition as financial liabilities at FVTPL, loans and borrowings and payables as appropriate.

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

Subsequent Measurement – Loans and Borrowings. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process.

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

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

Fair Value Measurement

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

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

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

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

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



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

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

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

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

Offsetting Financial Instruments

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

Cash and Cash Equivalents

Cash and cash equivalents in the statement of financial position comprise of cash on hand and in banks, and short-term, highly liquid investments that are readily convertible to known amounts of cash which are subject to an insignificant risk of changes in value. They are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

Restricted Cash

Restricted cash represent cash in banks earmarked for long-term debt principal and interest repayment maintained in compliance with loan agreements.

Prepayments

Prepayments comprises of prepaid operation and maintenance and prepaid insurance. These are expected to be realized and consumed within twelve months after reporting date.

VAT

Revenues, expenses, and assets are recognized net of the amount of VAT, if applicable. When VAT from sales of goods and/or services (output VAT) exceeds VAT passed on from purchases of goods or services (input VAT), the excess is recognized as payable in the statement of financial position. When VAT passed on from purchases of goods or services (input VAT) exceeds VAT from sales of goods and/or services (output VAT), the excess is recognized as an asset in the statement of financial position to the extent of the recoverable amount.



Property, Plant and Equipment

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

Land is carried at cost less any impairment in value. The initial cost of property, plant and equipment consists of its purchase price, including import duties, nonrefundable taxes and any directly attributable costs of bringing the property, plant and equipment to its working condition and location for its intended use. Such cost includes the cost of replacing part of such property and equipment when that cost is incurred if the recognition criteria are met.

Expenditures incurred after the property, plant and equipment have been put into operations, such as repairs and maintenance, are normally charged to expense in the period in which the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as additional costs of property and equipment. The present value of the expected cost for decommissioning of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met. Depreciation is computed using the straight-line method over the estimated useful lives of the assets.

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

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

Service Concession Arrangements

Public-to-private service concession arrangements where: (a) the grantor controls or regulates what services the Group must provide with the infrastructure to whom it must provide them, and at what price; and (b) the grantor controls through ownership, beneficial entitlement or otherwise any significant residual interest in the infrastructure at the end of the term of the arrangement are accounted for under the provisions of Philippine Interpretation IFRIC 12, *Service Concession Arrangements*.

Infrastructures used in a public-to-private service concession arrangement for its entire useful life (whole-of-life assets) are within the scope of this interpretation if the conditions in (a) and (b) are met. These infrastructures may be (a) constructed or acquired from a third party for the purpose of the service arrangement; and (b) existing infrastructure to which the grantor gives the Group access for the purpose of the service arrangement.

Where the operator receives the right (license) to charge users of public service, the Group accounts for such arrangement under the intangible asset model.



Construction Services. The Group recognizes revenue for construction in accordance with PFRS 15, *Revenue from Contracts with Customers*.

On-going construction services on concession arrangements under the scope of Philippine Interpretation IFRIC 12 are recorded as contract assets.

Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use are capitalized as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consists of interest and other costs that an entity incurs in connection with the borrowing of funds.

Project Development Cost

Project development cost is expensed as incurred until management determines that the project is technically, commercially and financially viable, at which time, project development cost is capitalized. Project viability generally occurs in tandem with management's determination that a project should be classified as an advanced project, such as when favorable results of a system impact study are received, interconnected agreements are obtained and project financing is in place.

Following initial recognition of the project development cost as an asset, the cost model is applied requiring the asset to be carried at cost less any accumulated impairment losses. During the period in which the asset is not yet available for use, the project development cost is tested for impairment annually, irrespective of whether there is any indication of impairment.

Investments in Associates

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.

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 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 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, 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 are eliminated to the extent of the interest in the associate.

The aggregate of the Group's share in the profit or loss of an associate is included in the balance shown on the face of the consolidated statement of income outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate or joint venture.



The financial statements of the associates 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 balance sheet date, the Group determines whether there is objective evidence that the investment in the associate is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognizes the loss in the consolidated statement of income.

Upon loss of significant influence over the associate, the Group measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the associate 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.

Impairment of Nonfinancial Assets

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

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

Decommissioning Liability

The Group records a provision for decommissioning liability for its project assets. Decommissioning costs are provided at the present value of expected costs to settle the obligation using estimated cash flows and are recognized as part of the cost of the particular asset. The cash flows are discounted at a current pre-tax rate that reflects the risks specific to the decommissioning liability. The unwinding of the discount is expensed as incurred and recognized in the consolidated statement of comprehensive income as finance costs. The estimated future decommissioning liability is reviewed annually and adjusted as appropriate. Changes in the estimated future costs or in the discount rate applied are added to or deducted from the cost of the asset.



Capital Stock and Additional Paid-in Capital

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

When the shares are sold at premium, the difference between the proceeds and the par value is credited to the “Additional paid-in capital” account in the consolidated statement of financial position. When shares are issued for a consideration other than cash, the proceeds are measured by the fair value of the consideration received. In case the shares are issued to extinguish or settle the liability of the Group, the shares shall be measured either at the fair value of the shares issued or fair value of the liability settled, whichever is more reliably determinable.

Deficit

The amount included in deficit includes cumulative profit or loss attributable to the Parent Company’s stockholders and reduced by dividends. Dividends are recognized as a liability and deducted from equity when they are approved by the Parent Company’s BOD. Dividends for the period that are approved after the end of the financial reporting date are dealt with as an event after the financial reporting period. Deficit may also include the effect of changes in accounting policy as may be required by the accounting standard’s transitional provisions.

Deposit for Future Stock Subscription

Deposit for future stock subscriptions represents the additional capital invested by the stockholders that will be credited to capital stock upon approval by the SEC of the Parent Company’s application for increase in its authorized capital stock.

Deposit for future stock subscription is accounted for as a separate account under equity when all of the following elements are present as at end of reporting period:

- the unissued authorized capital stock of the entity is insufficient to cover the amount of shares indicated in the contract,
- there is BOD approval on the proposed increase in authorized capital stock (for which a deposit was received by the Parent Company),
- there is stockholders’ approval of said proposed increase; and,
- the application for the approval of the proposed increase has been filed with SEC.

When one of the conditions above is not met, the amount is recorded as a liability.

Revenue Recognition

Revenue from Contracts with Customers

The Group has a contract with its sole customer in the form of a Power Supply Agreement (PSA).

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

Revenue from contracts with customers is consummated whenever the electricity generated by the Group is transmitted through the transmission line designated by the buyer, for a consideration.

Revenue from sale of electricity is recognized monthly based on the actual energy delivered.



The revenues, which correspond to the amount billed monthly, are presented as “Revenue from sale of electricity” in the consolidated statement of comprehensive income.

The Group has concluded that it is acting as a principal in all its revenue arrangements since it is the primary obligor in all the revenue arrangements.

Interest Income

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

Costs and Expenses

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

General and Administrative Expenses

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

Leases

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. If the lease transfers ownership of the underlying asset to the Group by the end of the lease term or if the cost of the right-of-use asset reflects that the Group will exercise a purchase option, it shall depreciate the right-of-use asset from the commencement date to the end of the useful life of the underlying asset, which is determined on the same basis as those of property and equipment.

Right-of-use assets is subject to impairment in accordance with the Group’s policy on impairment of nonfinancial assets.

Lease Liabilities

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group’s incremental borrowing rate. The Group uses its incremental borrowing rate as the discount rate.



The Group determines the incremental borrowing rate representing 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 incremental borrowing rate applied to the lease was determined taking into account the risk-free rate, adjusted for factors such as the credit rating of the Group and the terms and conditions of the lease.

Lease payments included in the measurement of the lease liability comprise the following:

1. fixed payments, including in-substance fixed payments less any lease incentives receivable;
2. variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
3. lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

Subsequent Measurement

The lease liability is measured at amortized cost using the effective interest method. 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. For remeasurements to lease liabilities, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Short-term Leases and Leases of Low-value Assets

The Group applies the short-term lease recognition exemption to its short-term leases for its employees' accommodation arrangements (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 that are considered of low value. 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 Transactions

The Group's consolidated financial statements are presented in Philippine Peso, which is the functional and presentation currency. Transactions in foreign currencies are initially recorded in the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the end of the reporting period. All differences are taken to profit or loss.

On consolidation, the assets and liabilities of foreign operations are translated into Philippine Peso at the rate of exchange prevailing at the reporting date and their statements of profit or loss are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on translation for consolidation are recognized in OCI. On disposal of a foreign operation, the component of OCI relating to that particular foreign operation is reclassified to profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the spot rate of exchange at the reporting date.

Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, the reimbursement is



recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in profit or loss, net of any reimbursement.

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

Income Taxes

Current Income Tax

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

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

Deferred Income Tax

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

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

- When the deferred income tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

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

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



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

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

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

Contingencies

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

Events after the Financial Reporting Date

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

6. Significant Accounting Judgments and Estimates

The Group's consolidated financial statements prepared in accordance with PFRS require management to make judgments and estimates that affect amounts reported in the consolidated financial statements and related notes. The judgments and estimates used in the consolidated financial statements are based upon management's evaluation of relevant facts and circumstances as of the date of the Group's consolidated financial statements. Actual results could differ from such estimates.

In response to the novel Coronavirus Disease 2019 (COVID-19), which has caused global economic disruption, the Group has implemented programs to minimize the risks related to COVID-19 and continue its operations.

Management has considered the potential impact of COVID-19 pandemic on the Group's significant accounting judgments and estimates and there are no changes to the significant judgements and estimates in the consolidated financial statements as at June 30, 2022 and December 31, 2021, and for the six-month periods ended June 30, 2022 and 2021 and year ended December 31, 2021 from those applied in previous financial years, other than for those disclosed under this section.

Judgments

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

Determination of Control over an Investee Company

Control is presumed to exist when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the



investee. Management has determined that by virtue of its majority ownership in its subsidiaries as of June 30, 2022 and December 31, 2021, the Group has the ability to exercise control over these investees (see Note 2).

While the Parent Company directly owns less than 50% of the voting rights in SPPP, the Group controls SPPP by virtue of SPEC who has 51% voting interest in SPPP. Both the Parent Company and SPEC have majority representation in SPPP's BOD as designated in the shareholder's agreement. Furthermore, the Parent Company's approval is required for all major operational decisions in SPPP through its control in SPEC.

Determination of Significant Influence over an Investee Company

As of June 30, 2022 and December 31, 2021, the Group considers its investments in Altenergy Wind One Corp (AWOC), Altenergy Sembrano Wind Corp (ASWC), Dupinga Mini Hydro Corporation (DMHC), Solar Pacific CitySun Corporation (SPCC) and Kiangang Mini Hydro Corporation (KMHC) as investments in associates. KMHC became an associate in 2021 (see Note 11). The Group owns less than 20% of the voting rights of AWOC, ASWC and DMHC but concluded that it has significant influence over the operating and financial policies of the associates due to the following:

- representation in the BOD;
- participation in policy-making processes, including participation in decisions about dividends and other distributions;
- material transactions between the investor and investee;
- interchange of managerial personnel; and
- provision of essential technical information.

KSEC used to be an associate of the Group until the acquisition of the Parent Company of additional shares in KSEC that resulted to control over the latter effective June 10, 2022 (see Note 13).

Service Concession Arrangement. The Group has determined that the power purchase agreement of SPPP with Palau Public Utilities Corporation (PPUC) is within the scope of IFRIC 12, *Service Concession Arrangements*. This is accounted for under the intangible asset model because SPPP receives the right to charge the users of the public service.

Capitalization of Project Development Costs. Careful judgment of management is applied when deciding whether the recognition requirements for project development costs relating to the Group's service contracts have been met. Capitalization of these costs is based, to a certain extent, on management's judgment of the degree to which the underlying project is determined to be technically, commercially and financially viable. Project viability generally occurs in tandem with management's determination that a project should be classified as an advanced project, such as when favorable results of a system impact study are received, interconnection agreements are obtained, when resource assessment is completed and project financing is in place. This is necessary as the economic success of the projects is uncertain and may be subject to future technical problems at the time of recognition. Judgments are based on the information available at end of each reporting period.

Determining the Lease Term of Contracts with Renewal and Termination Options - Group as a Lessee
The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.



The Group has several lease contracts that include termination options. The Group applies judgement in evaluating whether or not it is reasonably certain it will exercise the option to terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customization to the leased asset).

The Group did not include the renewal periods as part of the lease term as renewal is upon mutual agreement between the lessor and the lessee, hence, it is enforceable until agreed upon.

Estimates and Assumptions

Estimates is continually evaluated and is based on historical experiences and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The following item is of those matters which the Group assess to have significant risks arising from estimation uncertainties:

- *General Approach for Cash and Cash Equivalents, Other Receivables, Time Deposits, and Due from Related Parties.* ECL on cash and cash equivalents, other receivables, time deposits and due from related parties is measured on either a 12-month or lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit-impaired. The Group considers the probability of its counterparty to default its obligation and the expected loss at default after considering the effects of collateral, any potential value when realized and time value of money. The assumptions underlying the ECL calculation are monitored and reviewed at every reporting period.

The Group incorporates a forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. To do this, management considered a range of relevant forward-looking macro-economic assumptions for the determination of unbiased general industry adjustments and any related specific industry adjustments that support the calculation of ECLs.

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

No provision for ECL on the Group's financial instruments was recognized in 2022 and 2021. The aggregate amount of the Group's financial assets amounted to ₱808.84 million and ₱207.56 million as of June 30, 2022 and December 31, 2021, respectively (see Note 29).

The information about the ECLs on the Group's financial assets is disclosed in Note 29.

Estimating Impairment of Nonfinancial Assets

The Group assesses impairment on nonfinancial assets including property, plant and equipment, contract asset, prepayments and other current assets (excluding time deposits) and other noncurrent assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.



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

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

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

Total impairment losses recognized by the Group amounted to ₱1.23 million and ₱0.81 million for the six-month periods ended June 30, 2022 and 2021, respectively, and ₱2.57 million for the year ended December 31, 2021 (see Note 21). The aggregate carrying amounts of the Group's nonfinancial assets amounted to ₱1,493.78 million and ₱112.71 million as of June 30, 2022 and December 31, 2021, respectively (see Notes 9, 10 and 15).

Estimating Impairment of Intangible Asset not yet Available for Use

The Group's intangible asset not yet available for use as of June 30, 2022, and December 31, 2021 pertains to the various project development costs of its subsidiaries. The Group performs impairment review on this asset annually irrespective of whether there is any indication of impairment by comparing its carrying amount with its recoverable amount. This impairment review requires an estimation of the value-in-use of the CGUs to which the intangible asset would provide future cash flow. Estimating value-in-use requires the Group to estimate the expected future cash flows from the CGUs and discounts such cash flows using weighted average cost of capital to calculate the present value of those future cash flows. The pre-tax discount rates applied to cash flow projections ranges from 8.51%-9.57% in 2022 and 2021 and revenues beyond the five-year period are extrapolated using a growth rate ranging from 0.00%–2.80%.

No impairment of project development cost was recognized for the six-month period June 30, 2022 and year ended December 31, 2021. The carrying values of project development costs amounted to ₱263.86 million and ₱205.43 million as of June 30, 2022 and December 31, 2021, respectively (see Note 12).

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.

The recoverable amounts of goodwill 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. The revenue assumptions are based on the expected electricity to be sold taking into consideration the capacity of the plant and the tariff rates. The pre-tax discount rates applied to cash flow projections ranges from 8.57%–9.60% in 2022 and 2021 and revenues beyond the five-year period are extrapolated using a growth rate ranging from 1.39%–1.49%.



No impairment of goodwill was recognized in 2022 and 2021. The carrying amount of goodwill amounted to ₱483.66 million and ₱21.19 million as of June 30, 2022 and December 31, 2021, respectively (see Note 12).

Key assumptions used in estimating the recoverable amounts for the different CGUs, including sensitivity analysis, are disclosed in Note 12.

Estimating Realizability of Deferred Tax Assets

Deferred income tax asset is recognized for all deductible temporary differences to the extent that it is probable that sufficient future taxable income will be available in the future against which the deductible temporary differences can be utilized. Significant management estimate is required to determine the amount of deferred income tax asset that can be recognized, based upon the likely timing and level of future taxable income together with future tax planning strategies. The Group has recognized deferred income tax assets on carryforward benefits of unused NOLCO and temporary deductible differences amounting to ₱9.62 million and ₱3.52 million as of June 30, 2022 and December 31, 2021, respectively (see Note 26). The Group did not recognize deferred income tax assets on deductible temporary differences on unrealized foreign exchange losses, carryforward benefits of unused net operating loss carryover (NOLCO), and excess minimum corporate income tax (MCIT) totaling to ₱233.46 million and ₱101.86 million as of June 30, 2022 and December 31, 2021, respectively, as management believes that sufficient future taxable income will not be available to allow all or part of the deferred income tax asset to be utilized (see Note 26).

Estimating Provision for Asset Retirement Obligation

Under the land lease agreement of SPPP, SPPP has a legal obligation to decommission or dismantle all Project assets located on the leased property and return the leased property to its original state at the end of the term or no later than 12 months from the end of the term, provided that SPPP shall pay rent for each month required to perform the obligation. In addition, KSEC has a legal obligation to decommission or dismantle the Kirahon Solar Power Project assets at the end of its contract period under the Environmental Compliance Certificate (ECC) and Solar Energy Service Contract (SESC). The Group recognizes the present value of the obligation to dismantle the project assets and capitalizes the present value of this cost as part of the of the related right-of-use assets and property, plant and equipment accounts, which are being depreciated and amortized on a straight-line basis over the contract period of the related asset or estimate useful life of the assets, whichever is shorter.

Cost estimates, expressed at current price levels at the date of the estimate, are discounted using a pre-tax rate that reflects current market value assessments of the time value of money and the risks specific to the liability. Each year, the provision is increased to reflect the accretion of discount and to accrue an estimate for the effects of inflation, with the charges being recognized as accretion expense, included in the “Finance costs” account in the consolidated statements of comprehensive income.

Changes in the asset retirement obligation that result from a change in the current best estimate of cash flow required to settle the obligation or a change in the discount rate are added to or deducted from the cost of the asset provided the amount deducted from the cost of the asset shall not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess shall be recognized immediately in profit or loss.

While the Group has made its best estimate in establishing the decommissioning provision, because of potential changes in technology as well as safety and environmental requirements, plus the actual time scale to complete decommissioning activities, the ultimate provision requirements could either increase or decrease significantly from the Group’s current estimates.



The carrying value of the asset retirement obligation amounted to ₱14.44 million and nil as of June 30, 2022 and December 31, 2021, respectively. Accretion expense recognized in the consolidated statements of comprehensive income amounted to ₱0.15 million for the six-month periods ended June 30, 2022 and nil for the six-month period ended June 30, 2021 and year ended December 31, 2021 (see Note 25).

Estimating the Incremental Borrowing Rate for Leases

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 (such as for companies that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the Group's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the Group's stand-alone credit rating).

7. Cash and Cash Equivalents

Unrestricted Cash and Cash Equivalents

	June 30		December 31,
	2022	2021	2021
Cash in banks and on hand	₱505,545,387	₱13,449,299	₱93,578,018
Cash equivalents	76,053,218	—	—
	₱581,598,605	₱13,449,299	₱93,578,018

Cash in banks earn interest at the respective bank deposit rates. Cash equivalents are made for varying periods of up to three months depending on the immediate cash requirements of the Group.

Restricted Cash and Cash Equivalents

Restricted cash and cash equivalents amounting to ₱43.32 million and nil as of June 30, 2022 and December 31, 2021, respectively, which are deposited in banks and invested in money market placements, pertains to debt reserve account which is periodically maintained to a minimum amount equivalent to the debt service due and payable on the next payment date. The Group does not have restricted cash and cash equivalents as of December 31, 2021.

The Group earned interest at rates ranging from 0.050%–2.00% for the six-month period ended June 30, 2022 and 0.050%–0.625% for the six-month period ended June 30, 2021 and December 31, 2021. Total interest earned amounted to ₱0.44 million and ₱0.02 million for the six-month periods ended June 30, 2022 and 2021, respectively, and ₱0.06 million for the year ended December 31, 2021.



8. Trade and Other Receivables

	June 30, 2022	December 31, 2021
Trade	₱16,873,057	₱—
Advances to employees	1,896,396	647,426
Interest receivable	187,950	59,640
Others	297,039	282,329
	₱19,254,442	₱989,395

Trade receivables represent receivables arising from sale of electricity and are within normal credit term of 30 days.

Advances to employees represents cash advances used for expenditures in relation to the project development costs of certain subsidiaries. These are subject for liquidation within 30 days.

9. Prepayments and Other Current Assets

	June 30, 2022	December 31, 2021
Time deposits (see Note 33)	₱13,862,866	₱13,003,153
Spare parts and supplies	3,100,522	—
Prepaid insurance	1,422,076	280,621
Input VAT	—	14,182,849
Others	12,472	380,460
	18,397,936	27,847,083
Less allowance for impairment losses on input VAT	—	12,609,294
	₱18,397,936	₱15,237,789

Time deposits represent dollar denominated account of subsidiaries. Time deposits are made for a period of more than three months (but less than one year) and earn annual interest at 1.00% and 0.25% for the six-month periods ended June 30, 2022 and 2021, respectively, and 0.125%–0.25% for the year ended December 31, 2021. Total interest income from the time deposit amounted to ₱0.25 million and ₱0.02 million for the six-month periods ended June 30, 2022 and 2021, respectively, and ₱0.07 million for the year ended December 31, 2021.

Movements in allowance for impairment losses on input VAT are as follows:

	June 30, 2022	December 31, 2021
At beginning of period	₱12,609,294	₱10,694,329
Reclassification to other noncurrent assets (see Note 15)	(12,609,294)	—
Provision (see Note 21)	—	1,914,965
At end of period	₱—	₱12,609,294



10. Property, Plant and Equipment

								June 30, 2022 Total (As restated, Note 35)
	Land	Leasehold Improvements	Office Equipment	Furniture and Fixtures	Software	Solar Power Plant	Construction in Progress	
Cost								
At January 1	₱100,241,765	₱157,677	₱866,843	₱29,451	₱249,331	₱—	₱—	₱101,545,067
Step acquisition to a subsidiary (see Note 13)	122,124,970	—	—	—	—	685,946,173	—	808,071,143
Additions	—	—	221,007	—	—	—	574,883,490	575,104,497
Rescission of deed of sale	(8,000,000)	—	—	—	—	—	—	(8,000,000)
At June 30, as previously stated	214,366,735	157,677	1,087,850	29,451	249,331	685,946,173	574,883,490	1,476,720,707
Reclassification to contract asset (see Note 35)	—	—	—	—	—	—	(574,883,490)	(574,883,490)
At June 30, as restated	214,366,735	157,677	1,087,850	29,451	249,331	685,946,173	—	901,837,217
Accumulated Depreciation								
At January 1	—	157,677	828,538	29,451	239,137	—	—	1,254,803
Depreciation (see Note 21)	—	—	37,143	—	5,580	2,059,742	—	2,102,465
At June 30	—	157,677	865,681	29,451	244,717	2,059,742	—	3,357,268
Net Book Values, as previously stated	214,366,735	—	222,169	—	4,614	683,886,431	574,883,490	1,473,363,439
Reclassification to contract asset (see Note 35)	—	—	—	—	—	—	(574,883,490)	(574,883,490)
Net Book Values, as restated	₱214,366,735	₱—	₱222,169	₱—	₱4,614	₱683,886,431	₱—	₱898,479,949



	Land	Leasehold Improvements	Office Equipment	Furniture and Fixtures	Software	Solar Power Plant	December 31, 2021 Total
Cost							
At January 1	₱98,388,379	₱157,677	₱1,074,442	₱29,451	₱249,331	₱—	₱99,899,280
Additions	1,853,386	—	—	—	—	—	1,853,386
Disposals	—	—	(207,599)	—	—	—	(207,599)
At December 31	100,241,765	157,677	866,843	29,451	249,331	—	101,545,067
Accumulated Depreciation							
At January 1	—	147,093	900,033	29,451	216,598	—	1,293,175
Depreciation (see Note 21)	—	10,584	105,003	—	22,539	—	138,126
Disposals	—	—	(176,498)	—	—	—	(176,498)
At December 31	—	157,677	828,538	29,451	239,137	—	1,254,803
Net Book Values	₱100,241,765	₱—	₱38,305	₱—	₱10,194	₱—	₱100,290,264

On February 22, 2022, SPEC and the original owner of the property located in Sitio Batbat, Barangay Villa Libertad, El Nido, Palawan signed a Deed of Cancellation of Absolute Waiver of Rights to cancel, rescind and render null and void the Land Purchase Agreement (LPA) both parties signed on August 30, 2014. The cancellation of the LPA effectively grants the original owner the right to freely dispose of the property to third parties. The said property was originally intended to be the site of SPEC's proposed solar power project. However, in 2022, SPEC decided to forego its plan of pursuing a solar power project in El Nido, Palawan, which led to the cancellation of the LPA.

As of June 30, 2022 and December 31, 2021, the cost of fully depreciated property, plant and equipment that are still being used in the Group's operations amounted to ₱0.94 million and ₱0.26 million, respectively.

Property, plant and equipment of certain subsidiaries with net book value of ₱898.25 million and ₱92.24 million as of June 30, 2022 and December 31, 2021, respectively, have been mortgaged as security for their respective loans (see Notes 17 and 18).



11. Investments in and Advances to Associates

	June 30, 2022	December 31, 2021
Cost		
At beginning of period	₱132,197,539	₱139,719,261
Additions	—	201,444
Redemption	—	(7,723,166)
Step acquisition to a subsidiary (see Note 13)	(46,482,731)	—
At end of period	85,714,808	132,197,539
Accumulated Equity in Net Earnings		
At beginning of period	46,978,744	27,286,395
Equity in net earnings during the period	16,435,855	35,961,849
Dividends	(6,250,000)	(16,269,500)
Step acquisition to a subsidiary (see Note 13)	(32,080,943)	—
At end of period	25,083,656	46,978,744
Share in remeasurement loss on retirement benefit obligation of an associate	(15,577)	(15,577)
	110,782,887	179,160,706
Advances to an associate	40,009,761	—
	₱150,792,648	₱179,160,706

The Group's associates and the corresponding equity ownership as of June 30, 2022 and December 31, 2021 are as follows:

	Nature of Business	Percentage of Ownership	
		2022	2021
KMHC ^(A)	Power generation	30.00	30.00
SPCC	Power generation	12.75	12.75
AWOC	Power generation	5.00	5.00
ASWC	Power generation	5.00	5.00
DMHC	Power generation	4.00	4.00
KSEC ^(B)	Power generation	—	12.75

(A) Accounted for as a subsidiary in 2021 prior to its deconsolidation on April 24, 2021

(B) Accounted for as a subsidiary effective June 10, 2022 (see Note 13)

The principal place of business and country of incorporation of the Group's associates are in the Philippines. Investments in associates are accounted for using the equity method.

All ownership percentages presented in the table above are indirect ownership of the Group. The direct ownership of SPEC in KSEC and SPCC is 25% each while, the Group's direct ownership of SPEC is 51% resulting to the Group's effective ownership in KSEC and SPCC of 12.75% each. On June 10, 2022, the Parent Company acquired a direct ownership interest of 50% in KSEC resulting to a 62.75% effective ownership, hence, accounted for as a subsidiary as at acquisition date (see Note 13).

KMHC

KMHC owns, operates and manages the Kiangnan Mini Hydro Project with a combined net sellable capacity of 18 megawatt (MW) located in the Municipality of Kiangnan, Province of Ifugao. KMHC was incorporated on November 14, 2014.



On April 23, 2021, KMHC issued additional new shares to other investors resulting to the dilution of the Group's ownership interest in KMHC to 30%. Consequently, KMHC ceased to be a subsidiary of the Parent Company and the Group recognized a gain on deconsolidation of a subsidiary amounting to ₱2.10 million (see Note 22).

In March 2022, the AMHHC made additional advances for future subscription of shares in KMHC amounting to ₱40.01 million.

SPCC

SPCC owns, operates and manages the following projects with a combined sellable capacity of 4,069.68 kilowatt (kW) direct current (DC). SPCC was incorporated on June 26, 2015.

Project	Location	Capacity	Commercial Operations Date
CM Kabankalan SPP	Kabankalan, Negros Occidental	604.80 kW DC	25-Sep-18
CM Tagum SPP	Tagum City, Davao del Norte	1,110.00 kW DC	25-Sep-18
CM Victorias SPP	Victorias City, Negros Occidental	634.88 kW DC	25-Sep-18
CM Dumaguete SPP	Dumaguete City, Negros Oriental	265.60 kW DC	25-Sep-18
CM Boracay SPP	Malay, Aklan	362.56 kW DC	25-Sep-18
CM Kalibo SPP	Kalibo, Aklan	218.84 kW DC	25-Sep-18
CM Mandalagan SPP	Bacolod City, Negros Occidental	635.00 kW DC	12-Apr-19
CM Dau SPP	Angeles City, Pampanga	238.00 kW DC	29-May-19

AWOC

AWOC owns, operates and manages the Pililla Rizal Wind Project wind power facility and related transmission line with a net sellable capacity of 54 MW located in the Municipality of Pililla, Province of Rizal. AWOC was incorporated on June 29, 2011.

The Pililla Rizal Wind Project has been commercially operating since June 9, 2015.

ASWC

ASWC owns, operates and manages the Sembrano Wind Project wind power facility and related transmission line with a net sellable capacity of 80.4 MW located in the Municipality of Pililla, Province of Rizal and Municipality of Mabitac, Province of Laguna. ASWC was incorporated on August 25, 2011.

Starting in 2018, the Parent Company discontinued the recognition of its share in the losses of ASWC. The accumulated losses in ASWC reduced the carrying value of the Parent Company's investment in ASWC to zero. Once ASWC subsequently reports profits, the Parent Company will resume recognizing its share on these profits if the Parent Company's share on the cumulative unrecognized net profits exceeded the cumulative unrecognized net losses. Net cumulative unrecognized net losses amounted to ₱1.40 million and ₱0.99 million as of June 30, 2022 and December 31, 2021, respectively.

DMHC

DMHC owns, operates and manages the Dupinga Mini Hydro Project with a net sellable capacity of 4.86 MW located within Barangays Ligaya and Malanao, in the Municipality of Gabaldon, Province of Nueva Ecija. DMHC was incorporated on February 7, 2014.



KSEC

KSEC owns, operates and manages the Kirahon Solar Power Project Phase I Project solar photovoltaic facility with a rated output of 12.5 megawatts-peak (MWp) (10 MW alternating current) and is directly connected to the 34.5 kilovolt (kV) utility line of Cagayan Electric Power and Light Company (CEPALCO) located in Villanueva, Misamis Oriental occupying a total area of 15 hectares with a total of 40,740 solar panels and 12 inverters. KSEC was incorporated on November 5, 2013.

The Kirahon Solar Power Project Phase I has been commercially operating since October 25, 2015.

In 2021, KSEC redeemed its preferred shares owned by the Group amounting to ₱7.72 million. Furthermore, the Group received dividends from KSEC amounting to ₱6.25 million for the period from January 1, 2022 to June 9, 2022 and ₱16.27 million for the year ended December 31, 2021.

On June 10, 2022, the Parent Company acquired 50% direct interest in KSEC resulting to a 62.75% effective interest of the Group (see Note 13). Consequently, KSEC became a subsidiary of the Group.

Summarized Financial Information

The summarized financial information of the material associates are as follows:

	June 30, 2022	December 31, 2021
SPCC		
Current assets	₱51,839,392	₱48,452,493
Noncurrent assets	280,287,386	289,896,879
Current liabilities	3,586,734	3,505,091
Noncurrent liabilities	257,238,874	264,915,424
Equity	₱71,301,170	₱69,928,857

AWOC		
Current assets	₱1,856,528,946	₱1,296,241,066
Noncurrent assets	4,097,842,081	4,599,311,519
Current liabilities	469,136,416	366,865,169
Noncurrent liabilities	3,187,124,875	3,436,304,205
Equity	₱2,298,109,736	₱2,092,383,211

KSEC		
Current assets		₱126,388,625
Noncurrent assets		824,704,640
Current liabilities		74,453,761
Noncurrent liabilities		589,128,386
Equity		₱287,511,118



	Six-Month Periods Ended June 30		Year Ended December 31,
	2022	2021	2021
SPCC			
Revenue	₱16,824,048	₱23,394,027	₱45,804,965
Operating profit (loss)	1,372,313	988,113	(793,758)
Total comprehensive income (loss)	1,372,313	988,113	(793,758)
AWOC			
Revenue	553,880,328	613,071,988	1,121,599,598
Operating profit	205,726,525	273,875,744	421,430,445
Other comprehensive loss	—	—	311,151
Total comprehensive income	205,726,525	273,875,744	421,119,294
KSEC*			
Revenue	73,981,894	88,220,254	172,441,291
Operating profit	23,638,275	31,161,956	63,905,062
Total comprehensive income	23,638,275	31,161,956	63,905,062

* KSEC ceased to be an associate effective June 10, 2022 (see Note 13).

Accordingly, results of operations reflected here is from January 1 to June 9, 2022 only.

The associates have no contingent liabilities or capital commitments as of June 30, 2022 and December 31, 2021. As at June 30, 2022 and December 31, 2021, undistributed earnings of the associate in the Group's retained earnings are not available for distribution to shareholders unless declared by the associates.

12. Intangible Assets

	Project Development Costs	Goodwill	June 30, 2022 Total
Cost			
At January 1	₱207,593,569	₱21,186,258	₱228,779,827
Additions (see Note 33)	58,432,419	—	58,432,419
Step acquisition to a subsidiary (see Note 13)	—	462,469,558	462,469,558
At June 30	266,025,988	483,655,816	749,681,804
Allowance for Impairment			
Losses			
At January 1	2,163,722	—	2,163,722
Provision during the year	—	—	—
At June 30	2,163,722	—	2,163,722
	₱263,862,266	₱483,655,816	₱747,518,082



	Project Development Costs	Goodwill	December 31, 2021 Total
Cost			
At January 1	₱182,863,892	₱21,186,258	₱204,050,150
Additions	108,651,618	–	108,651,618
Deconsolidation of a subsidiary (see Note 13)	(82,077,185)	–	(82,077,185)
Write-off (see Note 33)	(1,844,756)	–	(1,844,756)
December 31	207,593,569	21,186,258	228,779,827
Allowance for Impairment			
Losses			
At January 1	4,008,478	–	4,008,478
Write-off (see Note 33)	(1,844,756)	–	(1,844,756)
At December 31	2,163,722	–	2,163,722
	₱205,429,847	₱21,186,258	₱226,616,105

Project Development Costs

Project development cost pertains to the costs incurred to conduct the assessment and field verification for the financing, construction and operation of the Projects (see Note 33).

Goodwill

Goodwill arose from the acquisition of SSAI in 2019 and KSEC in 2022 (see Note 13). Goodwill acquired through business combinations have been attributed to each business considered as cash-generating unit.

Impairment of Intangible Assets

The recoverable amounts of the Group's intangible assets have been determined based on value-in-use calculation using cash flow projections based on financial budgets approved by management covering the expected useful lives of the related project assets. The pre-tax discount rates applied to the cash flow projections in 2022 and 2021 range from 8.51%–9.60%. The cash flows beyond the remaining term of the existing agreements are extrapolated using a growth rate of 0.00%–2.80% in 2022 and 2021.

Following are the key assumptions used:

- *Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) Margin*
The EBITDA margin represents the operating margin achieved in the period immediately before the budget period and on estimated future development in the market. Committed operational efficiency programs are taken into consideration. Changes in the outcome of these initiatives may affect future estimated EBITDA margin.
- *Discount Rate*
Discount rate reflects the current market assessment of the risk specific to each CGU. The discount rate is based on the average percentage of the Group's weighted average cost of capital. This rate is further adjusted to reflect the market assessment of any risk specific to the CGU for which future estimates of cash flows have not been adjusted.
- *Growth Rate*
Average growth rates in revenues are based on the Group's expectation of market developments and the changes in the environment in which it operates.



There is no recognition of provision for impairment loss on project development costs and goodwill for the six-month periods ended June 30, 2022 and 2021 and year ended December 31, 2021.

13. Group Restructuring

Step Acquisition of KSEC

KSEC is a registered solar power generation company in Villanueva, Misamis. Prior to the acquisition, KSEC is accounted for as an investment in associate since it is 25%-owned by SPEC, the remaining shareholders being Sant Charitable Foundation (SANT) at 30%, MINERGY at 25%, Josan Farms, Inc. (Josan) at 10% and QBL at 10%.

On June 10, 2022, SANT, Josan and QBL, each as seller (collectively “the Sellers”), executed separate Share Purchase Agreements (SPA) with the Parent Company as the buyer, for the sale and purchase of the aggregated 50% direct interests of the Sellers on KSEC shares for a total consideration of ₱522.19 million. The Group acquired KSEC to be an anchor as it expands its investment portfolio in solar energy.

Effective June 10, 2022, the Parent Company now owns 62.75% (both direct and through SPEC) of KSEC. The transaction was accounted for as a business combination achieved in stages.

The accounting for business combination was determined provisionally based on the carrying amounts of the assets and liabilities as AHC is still finalizing the fair valuation of the financial assets and liabilities acquired. This will be finalized within one year from acquisition date as allowed by PFRS 3.

The assets and liabilities recognized as a result of the acquisition are as follows:

Assets:

Cash and cash equivalents	
Unrestricted	₱79,260,546
Restricted	43,323,904
Trade and other receivables	7,641,487
Prepayments and other current assets	5,557,917
Property, plant and equipment - net	808,071,143
Other noncurrent assets	86,100
	<u>943,941,097</u>

Liabilities:

Accounts payable and accrued expenses	39,132,121
Income tax payable	356,491
Long-term debt	612,807,221
Asset retirement obligation	5,495,871
	<u>657,791,704</u>
Total identifiable net assets acquired	286,149,393
Non-controlling interest	(106,590,649)
Fair value of previously held equity interest	(119,841,802)
Goodwill arising from acquisition (see Note 12)	462,469,558
Purchase consideration	<u>₱522,186,500</u>



Net cash flow on acquisition:

Unrestricted cash and cash equivalent acquired with subsidiary	₱79,260,546
Purchase consideration transferred	—
	<u>₱79,260,546</u>

The acquisition resulted to a goodwill of ₱462.47 million. None of the goodwill recognized is expected to be deductible for income tax purposes.

The gross amount of trade receivables is ₱7.64 million and it is expected that the full contractual amounts can be collected.

From the date of the acquisition, KSEC contributed ₱9.33 million to the consolidated revenue and income of ₱3.05 million to the consolidated net loss of the Group for the six-month periods ended June 30, 2022. Details are as follows:

Revenue from sale of electricity	₱9,330,967
Cost of sale of electricity	3,002,238
Gross profit	6,328,729
Expenses and taxes	3,280,983
Net income	<u>₱3,047,746</u>

If the combination had taken place at the beginning of 2022, consolidated revenue of the Group would have been ₱83.31 million and consolidated net loss would have been only ₱134.70 million instead of ₱158.11 million.

Payment of the acquisition of KSEC shares shall be due in nine (9) months from June 10, 2022. The purchase consideration remains unpaid as of June 30, 2022 and presented in the 2022 consolidated statement of financial position under “Payable to a subsidiary’s former shareholder” and “Due to related parties” accounts (see Notes 16 and 20).

Under the SPA, capital gains tax on the sale and transfer of the shares is for the account of the Sellers but shall be advanced by the Parent Company. Capital gains tax was paid on July 11, 2022. Under the SPA, the amount advanced by the Parent Company for the payment of capital gains tax shall be non-interest bearing and will be repaid through a deduction from the total consideration payable to the Sellers (see Note 16).

Remeasurement of the previously held interest in KSEC as at the date of acquisition follows:

Fair value of the previously held interest	₱119,841,802
Carrying value of the previously held interest	78,563,674
Gain on the remeasurement of previously held interest	<u>₱41,278,128</u>



Divestment of Subsidiaries

As part of its restructuring exercise, the Parent Company divested certain subsidiaries from the Group.

- a. SPEC subscribed to 487,496 common shares of stock of KTEC, with a par value of ₱1.00 per share for a total par value of ₱0.49 million, for which KTEC received the amount of ₱0.12 million as partial payment. SPEC was also the beneficial owner of 4 common shares of stock of KTEC, with a par value of ₱1.00 per share, which were registered under the name of its nominee directors. On April 19, 2022, the rights to the subscription and the four (4) common shares of KTEC were assigned to VHC.
- b. SPEC subscribed to 649,995 common shares of LSEC, with a par value of ₱1.00 per share for a total par value of ₱0.65 million, for which SPEC also subscribed to 649,995 common shares of LSEC for which LSEC received the amount of ₱0.16 million as partial payment. SPEC was also the beneficial owner of 5 common shares of stock of the LSEC, with a par value of ₱1.00 per share, which were registered under the name of its nominee directors. On April 19, 2022, SPEC assigned all its rights and obligations in respect of the subscription and the five (5) common shares to VHC.

Following the assignments, KTEC and LSEC ceased to be subsidiaries of AHC effective April 19, 2022.

- c. The Parent Company was the beneficial owner of a total of 458,887 preferred shares of the capital stock of APHC. It also held 15,170,913 Common A shares of the capital stock of APIC, as did PACO, which held 15,170,913 Common A shares and 3,034 Common B Shares. On June 21, 2022, AHC assigned its shares in APHC to VHC. Contemporaneously, AHC and PACO donated their shares in APIC to VHC.

Following the assignment and donations, APHC and APIC ceased to be subsidiaries of the Parent Company.

The disposal of the subsidiaries had the following effect on the consolidated financial statements:

Current assets	₱726,097
Current liabilities	(48,883,503)
Net liabilities	(48,157,406)
Non-controlling interest	3,065,555
Resulting gain on deconsolidation	45,835,119
Cash consideration	743,268
Cash disposed of	(680,589)
Net cash inflow	₱62,679

The Group recognized a gain on deconsolidation amounting to ₱45.84 million in 2022 arising from the abovementioned transfers of shares (see Note 22).



14. Material Partly Owned Subsidiaries

Financial information of subsidiaries that have material non-controlling interests is provided below:

Proportion of equity interest held by non-controlling interests as of June 30, 2022 and December 31, 2021

Company Name	Principal Place of Business	June 30, 2022	December 31, 2021
KSEC (see Note 11)	Minergy Business Park, PHIVIDEC Industrial Estate, Iligan-Cagayan de Oro-Butuan Road, Sitio Kirahon, Barangay San Martin, Villanueva, Misamis Oriental	37.25%	—
SPEC	Level 3B, 111 Paseo de Roxas Bldg., Paseo de Roxas Ave. cor. Legazpi St., Legaspi Village, Makati City	49.00%	49.00%
SPPP	P.O. Box 1860, Idid Hamlet, Koror, Republic of Palau 96940	83.54%	—
		June 30, 2022	December 31, 2021
Accumulated balances of material non-controlling interest:			
KSEC		₱107,725,934	₱—
SPEC		61,915,396	61,866,234
SPPP		302,218,910	—
Total comprehensive income allocated to material non-controlling interest:			
KSEC		1,135,285	—
SPEC		49,162	697,394
SPPP		15,551,316	—

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

	As of June 30, 2022			As of December 31, 2021
	KSEC	SPPP	SPEC	SPEC
Statements of Financial Position				
Current assets	₱144,765,416	₱252,097,162	₱44,548,057	₱56,994,346
Noncurrent assets	806,097,501	643,187,262	69,810,146	62,602,214
Current liabilities	101,306,164	8,098,926	10,106,096	16,717,218
Noncurrent liabilities	560,588,963	519,120,516	3,391	—
Total equity	₱288,967,790	₱368,064,982	₱104,248,716	₱102,879,342
Non-controlling interests	₱107,725,934	₱307,802,798	₱61,915,396	₱61,866,234



	For the Six-Month Period Ended June 30, 2022			For the Six-Month Period Ended June 30, 2021	For the Year Ended December 31, 2021
	KSEC	SPPP	SPEC	SPEC	SPEC
Statements of Comprehensive Income					
Income	₱9,330,967	₱202,130	₱12,133,245	₱6,697,245	₱23,607,627
Costs and expenses	6,283,221	1,545,883	11,672,220	8,337,930	22,111,777
Income (loss) before income tax	3,047,746	(1,343,753)	461,024	(1,640,685)	1,495,850
Provision for income tax	—	—	360,694	—	72,597
Net income (loss)	3,047,746	(1,343,753)	100,330	(1,640,685)	1,423,253
Other comprehensive income	—	19,992,187	—	—	—
Total comprehensive income (loss)	₱3,047,746	₱18,648,434	₱100,330	(₱1,640,685)	₱1,423,253
Total comprehensive income attributable to non-controlling interests					
	₱1,135,285	₱15,551,316	₱49,162	₱803,936	₱697,394

Statements of Cash Flows

Operating	(₱334,856)	₱3,723,402	₱10,077,260	(₱18,285,777)	(₱31,121,141)
Investing	—	3,078,320	(753,573)	11,227,366	23,992,666
Financing	—	245,295,440	(5,680,749)	(12,013)	(2,649,739)
Net increase (decrease) in cash and cash equivalents	(₱334,856)	₱252,097,162	₱3,642,938	(₱7,070,424)	(₱9,778,214)

There are no dividends paid to non-controlling interests in 2022 and 2021.

Change in Non-controlling Interest in SPPP

In April 2022, SPPP issued 6,763,370 new shares at \$1.00 per share to AHC, SPEC, SANT, QBL and Kea US Llc for a total consideration of \$6.76 million (₱349.46 million) resulting to a change in the economic ownership of SPEC from 100% to 12.67%. The change in the ownership did not result to a loss of control as the Group still holds majority of the BOD seats and voting rights as agreed with the new shareholders as stipulated in the Shareholders' Agreement. Non-controlling interests comprise 43% of voting rights. Hence, the transaction was accounted for as an equity transaction resulting to a recognition of non-controlling interest amounting to ₱286.67 million and equity reserve amounting to ₱13.02 million as follows:

Proceeds from sale of non-controlling interests	₱299,686,000
Net assets attributable to non-controlling interests	286,667,594
Difference recognized as equity reserve	₱13,018,406

15. Other Noncurrent Assets

	June 30, 2022	December 31, 2021
Input VAT	₱22,319,146	₱25,397,186
Security deposits (see Note 24)	3,078,320	—
Creditable withholding tax	4,237,598	3,658,612
Advances to contractors	—	2,061,450
Others	86,100	1,785
	29,721,164	31,119,033
Less allowance for impairment losses on input VAT	13,839,349	20,931,269
	₱15,881,815	₱10,187,764



Movements in allowance for impairment losses on input VAT are as follows:

	June 30, 2022	December 31, 2021
At beginning of period	₱20,931,269	₱19,951,390
Reclassification from other current assets (see Note 9)	12,609,294	—
Deconsolidation of subsidiaries (see Note 13)	(20,931,269)	—
Provision (see Note 21)	1,230,055	979,879
At end of period	₱13,839,349	₱20,931,269

16. Payables and Advances

Accounts Payable and Accrued Expenses

	June 30, 2022	December 31, 2021
Accounts payable	₱13,682,970	₱10,312,019
Accrued expenses:	—	—
Interest (see Notes 17 and 18)	17,464,239	1,631,582
Professional fees	15,623,176	2,850,002
Government payables:	—	—
Capital gains tax (see Note 13)	56,484,817	—
Withholding tax	1,931,662	530,048
Output VAT	525,600	—
Others	2,548,973	1,119,947
	₱108,261,437	₱16,443,598

Accounts payable pertains to the Group's liabilities for fees to be paid to its broker and coordinated arranger for the Group's fund raising, suppliers and service providers, audit fees, and project development costs already incurred but not yet paid by the Group. These are noninterest-bearing and are settled within 30 days.

Accounts payable includes advances from a subsidiary's previous shareholder prior to acquisition of said subsidiary in 2019 amounting to ₱8.9 million.

As of September 10, 2022, all government payables have been paid.

Advances from a Third Party

In March 2022, Exeter Portofino (Export) Holdings Inc. (Exeter), a third party, signified its intent to invest in LAMHC's hydro project. As part of the Investment Framework Agreement entered into by AHC and AMHHC with Exeter, LAMHC received ₱214.00 million from Exeter as deposit for future subscription in LAMHC's shares for a 40% economic ownership stake. The deposit is currently lodged as "Advances from a third party" account in the 2022 consolidated statement of financial position pending LAMHC's increase in authorized capital stock and confirmation by either the Group or a third party as equity partner in LAMHC for the remaining 60% economic ownership stake.



17. Short-term Loan

On December 23, 2020, SSAI entered into a noninterest-bearing loan agreement with Renova Renewables Asia Pte. Ltd (Renova) amounting to ₱94.25 million. The loan was availed for the Solana Solar Project. The loan, is payable in full on earlier of (1) December 31, 2021 (or maturity date), (2) the occurrence of financial close for the Solana Solar Project, (3) exercise by the borrower of its sell back option under the land options agreement, and (4) the occurrence of a borrower event of default.

On December 31, 2021, SSAI extended the term of the loan for six (6) months. Upon maturity on June 30, 2022, the loan was again extended for three months until September 30, 2022. In both cases, the same terms and conditions of the original loan agreement apply. The loan is secured by a real estate mortgage on SSAI's land with a carrying value of ₱92.24 million (see Note 10).

The fair value of the loan was obtained by discounting the future cash flows using the applicable rates of similar type of instruments.

	June 30, 2022	December 31, 2021
At beginning of period	₱91,077,895	₱88,012,551
Interest expense accretion	3,172,105	6,237,449
Difference between the face amount and fair value	(1,599,627)	(3,172,105)
At end of period	₱92,650,373	₱91,077,895

The difference between the carrying amount of the loan payable and its fair value (present value using current market rates for similar instruments) is recognized as "Day 1 gain on short-term loan" in the consolidated statements of comprehensive income.

Movements of the Day 1 difference are as follows:

	June 30, 2022	December 31, 2021
At beginning of period	₱3,172,105	₱6,237,449
Interest expense accretion	(3,172,105)	(6,237,449)
Difference between the face amount and fair value	1,599,627	3,172,105
At end of period	₱1,599,627	₱3,172,105

Interest expense on short-term loans amounted to ₱3.2 million and ₱3.1 million for the six-month periods ended June 30, 2022 and 2021, respectively, and ₱6.2 million for the year ended December 31, 2021.



18. Long-term Debts

Long-term debts of the Group consist of the following:

	June 30, 2022	December 31, 2021
Rizal Commercial Banking Corporation (RCBC)	₱621,025,585	₱—
Export Finance Australia (EFA)	494,775,000	—
China Bank Corporation (CBC)	150,000,000	150,000,000
Oversea-Chinese Banking Corporation (OCBC)	82,462,500	—
	1,348,263,085	150,000,000
Less deferred financing charges	41,627,903	1,397,530
	1,306,635,182	148,602,470
Less current portion	57,810,359	—
	₱1,248,824,823	₱148,602,470

a. RCBC

On February 27, 2015, KSEC signed an Omnibus Agreement with RCBC for a project finance facility of up to ₱786.11 million to finance all project costs incurred in connection with the construction of the Project in the Municipality of Villanueva, Province of Misamis Oriental with gross installed capacity of up to 12.5 MWp.

On March 12, 2015 and August 26, 2015, KSEC received the first and second drawdown, respectively, of the loan facility amounting to ₱493.42 million and ₱265.68 million, respectively. On November 16, 2016, KSEC received the third drawdown of the loan facility amounting to ₱27.00 million. As of this date, the project loan facility has been fully drawn by KSEC. The interest rates on the drawdowns are fixed but are subject to repricing on March 12, 2022 and fixed for the period from the repricing date until maturity date. On March 11, 2022, KSEC and RCBC signed the Second Amendment to the Omnibus Agreement fixing the interest rate for the period from March 12, 2022 until the second interest repricing date on March 12, 2026. The repayment period of the loan shall be every six months starting September 12, 2017 until March 12, 2030.

Interest payable amounted to ₱11.03 million as of June 30, 2022 (see Note 16). The Group interest expense recognized on this loan amounted to ₱0.09 million for the period from June 10–30, 2022.

The loan is secured by the capital stock of KSEC amounting to ₱286.8 million and property, plant and equipment amounting to ₱806.01 million as of June 30, 2022 (see Note 10). KSEC is obligated to comply with certain covenants with respect to maintaining at least 72:28 debt-to-equity and 1.05:1.00 minimum debt service coverage ratios, as set forth in its agreements with creditors. As of June 30, 2022, KSEC is compliant with the financial loan covenants of the project finance facility.

b. EFA

On January 31, 2022, SPPP entered into a Project Facility Agreement (PFA) wherein EFA, the Export Credit Agency of the Government of the Commonwealth of Australia, represented by the Department of Foreign Affairs and Trade (DFAT), agreed to provide funding to the Palau Project in the amount up to \$18.00 million.



The first and second drawdowns amounting to \$9.00 million each were made on April 14 and July 11, 2022. The loan will mature on October 14, 2038 with first installment payment due in April 2024. The loan is payable semi-annually.

Interest is payable semi-annually at the sum of the Margin (as defined under the PFA) plus LIBOR for the relevant interest period every 14th day of April and October of each year until maturity.

The loan is secured by the equity capital of SPPP amounting to \$6.77 million, which is fully represented by the shares issued in respect of it. In addition, it is also secured by SPPP's major contracts, mortgage on assets owned at the time of execution of the agreement and thereafter, assignment of receivables and land lease as well as, security on SPPP's waterfall accounts. As of June 30, 2022, total assets of SPPP amounted to ₱895.28 million (see Note 33).

Debt Covenants

Among others, SPPP is required to comply with the following financial covenants:

- the ratio of cash available for debt services plus unrestricted cash balance to financing cost payable for the period should not be less than 1.2x.
- Gearing ratio should not exceed 75%

For the six-month period ended June 30, 2022, SPPP is compliant with the covenants of the PFA.

In 2022, the Group capitalized interest expense amounting to ₱5.15 million to the construction of the Palau Project (see Note 33).

c. CBC

On April 6, 2021, the Parent Company entered into a 5-year loan from CBC amounting to ₱150.00 million with principal to be paid at the end of the term. Interest is payable quarterly in arrears at a simple interest rate per annum, inclusive of gross receipt tax, fixed until the maturity of the loan. If the Parent Company shall fail to pay in full upon maturity, the Parent Company shall pay a default interest beginning from the due date until the payment at the rate of 2.00% per annum plus the applicable interest rate. Loan drawdown for the whole amount was made on July 30, 2021.

As collateral security for the payment and discharge of the obligations, the Parent Company pledged all of its rights, titles and interests in all of its shares in PACO and SPEC. Also, the Parent Company assigned all of its rights, title, and interest in the dividends to the bank, free from all claims, liens, and encumbrances for the purpose of and only the extent necessary to effect payment of the obligations of the Parent Company.

Furthermore, the loan agreement does not permit the Parent Company to reduce SPEC's percentage of ownership in KSEC to below 25%, in SPCC to below 25% and in SPPP to below 12.70%. Also, Parent Company shall not permit PACO nor enter into any transaction which shall reduce its percentage of ownership in AWOC. For the six-months period ended June 30, 2022 and year ended December 31, 2021, there are no changes in the required percentage ownership of the abovementioned subsidiaries.

d. OCBC

On June 28, 2022, AHC entered into a Treasury Advances Agreement (TAA) with OCBC to issue advances to be used for the Company's working capital, investments and general corporate funding purposes, including refinancing of existing debts. The availability period is two (2) years



from the date of the agreement and that the amount outstanding at any time shall not exceed \$3.00 million. The loan is unsecured.

The first drawdown amounting to \$1.50 million was made on June 29, 2022. The second drawdown amounting to \$0.50 million was made on July 12, 2022. The loan will mature on June 28, 2024. Interest is payable at a fixed rate per annum based on the principal amount of the loan. Interest is payable semi-annually.

Debt Covenants

In accordance with the TAA, among others, AHC should always ensure that the ratio of assets to liabilities equal or exceed to 1 and ensure that its paid-up capital shall, at all times, not be less than ₱400.00 million.

All calculations made for the purpose of the covenants set in the TAA shall be made on a consolidated basis and by the reference to the financial statements of the Parent Company. As of June 30, 2022, the Parent Company is compliant with the financial loan covenants of the agreement.

- e. The rollforward analysis of the deferred financing charges is as follows:

	June 30, 2022	December 31, 2021
At beginning of period	₱1,397,530	₱37,370
Additions	40,886,679	1,526,520
Amortization during the period	(634,997)	(166,360)
Translation adjustment	(21,309)	—
At end of period	₱41,627,903	₱1,397,530

- f. Total interest expense on these long-term debts amounted to ₱7.23 million and ₱2.37 million, for the six-month periods ended June 30, 2022 and 2021, respectively, and ₱6.42 million for the year ended December 31, 2021.

19. Equity

Capital Stock and Additional Paid-in Capital

Details on the movement of the Group's capital stock as of June 30, 2022 and December 31, 2021, are as follows:

	Number of Shares		Amount	
	2022	2021	2022	2021
Common stock - ₱0.10 par value in 2022 and ₱1.00 par value in 2021				
Authorized	400,000	40,000	₱40,000	₱40,000
Issued and outstanding	213,490	19,203	21,349	19,203
Preferred stock - ₱1.00 par value				
Authorized	60,000	60,000	60,000	60,000
Issued and outstanding	15,000	15,000	15,000	15,000



All common and preferred shares of AHC shall have full voting rights, with the holder of such shares being entitled to one vote per share on all matters upon which shareholders are entitled to vote.

The dividend rate for preferred shares shall be cumulative from year to year as determined by the members of the BOD, and subject to the existence of retained earnings, which shall in no case be less than the minimum rate of eight percent (8%) of the par value of the preferred share. Preferred shares are nonparticipating in any residual dividends after the declaration of dividends to common shares.

In June 2009, the Parent Company issued 10,000 common shares and 15,000 preferred shares both with a par value of ₱1.00 for a total consideration of ₱25,000.

In June 2018, the Parent Company issued 9,203 common shares with a par value of 1.00 for a total consideration of ₱440,874,448. The excess in par value of the shares issued was recognized as additional paid in capital amounting to ₱440,865,245.

In March 2022, the Parent Company issued 2,146 common shares with a par value of ₱1.00 for a total consideration of ₱2,146.

On April 26, 2022, the Parent Company's BOD and shareholders approved the decrease in the par value of the Parent Company's common shares from ₱1.00 per share to ₱0.10 per share, thereby increasing the authorized capital stock of the Company from 100,000 shares divided into 40,000 common shares and 60,000 preferred shares to 460,000 shares divided into 400,000 common shares and 60,000 preferred shares.

The SEC approved the decrease in par value of common shares on June 21, 2022.

Conversion of Debt to Equity

On April 26, 2022, the Parent Company's BOD and shareholders approved the conversion of the Parent Company's outstanding debt from its shareholders amounting to ₱260.15 million into equity equivalent to 2,601,472,790 shares subject to SEC's approval of the increase in authorized common stock for the issuance of the said shares.

The SEC received the Parent Company's application for increase in authorized common stock on June 29, 2022. Accordingly, as of June 30, 2022, the advances from shareholders have been recognized as deposit for future stock subscription under equity in the consolidated statement of financial position. As of September 10, 2022, the SEC is yet to approve the application for increase in authorized common stock.

Decrease in Par Value of Preferred Stock

On June 10, 2022, the BOD and shareholders approved the amendment to the Articles of Incorporation of the Company to reflect the decrease in the par value of its preferred shares from ₱1.00 per share to ₱0.10 per share thereby increasing the authorized preferred shares of AHC from 60,000 to 600,000 preferred shares.

As of September 10, 2022, the SEC is yet to approve the decrease in par value of AHC's preferred shares.

Increase in Authorized Capital Stock

On June 10, 2022, the Parent Company's BOD and shareholders approved the increase in the Parent Company's authorized capital stock from ₱100,000 divided into 400,000 common shares with a par value of ₱0.10 per share and 600,000 preferred shares with a par value of ₱0.10 per share to



₱1,188,788,570.80, divided into 10,406,291,160 common shares with a par value of ₱0.10 per share and 1,481,594,548 preferred shares with a par value of ₱0.10 per share.

Of the 1,040,589,116 increase in authorized common shares, 260,147,279 have been actually subscribed and paid by way of conversion of outstanding debt to equity in June 2022. Of the 148,099,455 increase in authorized preferred shares, 37,024,864 have been actually subscribed and paid in cash by VHC in June 2022. The debt for conversion to equity and deposits received for the increase in authorized capital stock are recognized as deposit for future stock subscription in the consolidated statement of financial position.

The SEC received the Company's application for the proposed increase in authorized capital stock on June 29, 2022. As of September 10, 2022, the SEC is yet to approve the application for increase in authorized capital stock.

Equity Restructuring

On June 10, 2022, the Parent Company's BOD approved the equity restructuring of the Parent Company by wiping out and eliminating its deficit amounting of ₱125,062,665 as of December 31, 2021 by applying/reclassifying/offsetting the same against the Parent Company's additional paid-in capital of ₱440,865,245. The SEC approved the Parent Company's equity restructuring on August 26, 2022.

20. Related Party Transactions

The Group, in its regular conduct of business, has entered into transactions with related parties. Parties are considered to be related if, among others, one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions, the parties are subject to common control or the party is an associate or a joint venture.

Affiliates are related entities of the Group by virtue of common ownership and representation to management where significant influence is apparent.

The outstanding accounts with related parties shall be generally settled in cash. The transactions are made at terms and prices agreed upon by the parties.

The transactions of the Group with related parties are as follows:

	Transactions During the Year		Outstanding Balance as of			
	June 30, 2022	December 31, 2021	June 30, 2022	December 31, 2021	Terms	Conditions
Due from Related Parties						
Parent:						
VHC						
<i>Cash advances</i>	₱—	₱—	₱3,328,000	₱3,430,008	On demand; noninterest-bearing	Unimpaired; Unsecured
<i>Assignment of APHC shares (see Note 22)</i>	458,887	—	458,887	—	On demand; noninterest-bearing	Unimpaired; Unsecured

(Forward)



	Transactions During the Year		Outstanding Balance as of		Terms	Conditions
	June 30, 2022	December 31, 2021	June 30, 2022	December 31, 2021		
Entities under common ownership:						
ASWC						
<i>Receivable for development costs</i>	₱—	₱50	₱72,928,670	₱72,928,620	On demand; noninterest-bearing	Unimpaired; Unsecured
DMHC						
<i>Cash advances for construction costs</i>	—	18,000,000	18,000,000	18,000,000	On demand; noninterest-bearing	Unimpaired; Unsecured
QBL						
<i>Cash advances</i>	—	—	3,549,762	3,549,762	On demand; noninterest-bearing	Unimpaired; Unsecured
NCP Advisors Philippines Inc. (NAPI)						
<i>Management services</i>	2,626,260	17,520,167	2,704,225	—	On demand; noninterest-bearing	Unimpaired; Unsecured
<i>Cash advances</i>	—	—	109,950	—		
KSEC						
<i>Advisory services</i>	1,946,667	3,960,000	—	—	On demand; noninterest-bearing	Unimpaired; Unsecured
SPCC						
<i>Advisory services</i>	1,470,000	2,640,000	—	—	On demand; noninterest-bearing	Unimpaired; Unsecured
<i>Cash advances</i>	—	229,390	1,227,238	1,227,238		
KMHC						
<i>Cash advances for development costs</i>	—	896,600	144,309	896,600	On demand; noninterest-bearing	Unimpaired; Unsecured
APIC						
<i>Cash advances</i>	13,865,000	—	13,865,000	—	On demand; noninterest-bearing	Unimpaired; Unsecured
<i>Assigned receivables</i>	28,269,080	—	28,269,080	—		
APHC						
<i>Cash advances</i>	469,000	—	490,940	—	On demand; noninterest-bearing	Unimpaired; Unsecured
KTEC						
<i>Cash advances</i>	101,068	—	2,179,394	—	On demand; noninterest-bearing	Unimpaired; Unsecured
LSEC						
<i>Cash advances</i>	100,000	—	3,704,485	—	On demand; noninterest-bearing	Unimpaired; Unsecured
			₱150,959,940	₱100,032,228		



	Transactions During the Year		Outstanding Balance as of			
	June 30, 2022	December 31, 2021	June 30, 2022	December 31, 2021	Terms	Conditions
Due to Related Parties						
Parent:						
VHC						
Cash advances	₱—	₱40,000,000	₱—	₱40,000,000	On demand; noninterest- bearing	Unsecured
Entities under common ownership:						
Kadluan Properties Inc.						
Return of advances due to cancellation of land purchase (see Note 10)	6,200,000	—	—	6,200,000	On demand; noninterest- bearing	Unsecured
NAPI						
Cash advances	—	1,631,725	4,406,525	4,435,421	On demand; noninterest- bearing	Unsecured
QBL					On demand; noninterest- bearing	Unsecured
Purchase of shares in KSEC (see Note 13)	93,817,948	—	93,817,948	—		
APHC						
Cash advances	2,452,917	—	2,452,917	—	On demand; noninterest- bearing	Unsecured
Entity owned by a director:						
Josan					On demand; noninterest- bearing	Unsecured
Purchase of shares in KSEC (see Note 13)	93,817,948	—	93,817,948	—		
	₱194,495,338		₱50,635,421			

- SPEC entered into an advisory agreement with KSEC and SPCC. The advisory services rendered by SPEC for SPCC for the six-month period ended June 30, 2022 and KSEC and SPCC for the six-month period ended June 30, 2021 and for the year ended December 31, 2021 consists of administrative and support services amounting to ₱3.42 million, ₱3.00 million and ₱6.60 million, respectively.
- The Group entered into a lease agreement with NAPI for the office spaces of certain subsidiaries until December 31, 2022 (see Note 24).
- In April 2022, APHC assigned its receivable from APIC to PACO amounting to ₱28.22 million.
- The Group did not employ personnel in 2022 and 2021. The administrative and finance functions are being handled by NAPI in accordance with their respective agreements.

21. General and Administrative Expenses

	Six-Month Periods Ended June 30		Year Ended December 31, 2021
	2022	2021	
Taxes and licenses	₱19,159,130	₱2,180,405	₱8,557,141
Professional fees	14,807,658	2,756,838	6,122,210
Outside services (see Note 20)	12,028,862	10,422,516	24,283,549

(Forward)



	Six-Month Periods Ended June 30		Year Ended December 31,
	2022	2021	2021
Salaries and wages	₱3,051,571	₱2,720,255	₱7,155,010
Provision for impairment losses on input VAT (see Notes 9 and 15)	1,230,055	810,000	2,894,844
Rental (see Note 24)	1,065,028	787,603	1,623,742
Depreciation and amortization (see Notes 10 and 24)	606,456	389,712	458,775
Insurance	462,149	592,050	947,635
Office supplies	291,148	156,974	219,882
Communications	271,301	270,859	602,587
Bank charges	108,473	83,232	209,393
Travel and transportation	90,056	38,895	285,702
Staff meeting	60,379	34,917	84,687
Others	5,930	114,554	672,299
	₱53,238,196	₱21,358,810	₱54,117,456

Professional fees include legal, audit, consultancy and stock agent fees.

Depreciation and amortization amounts include amortization of right-of-use asset amounting to ₱0.56 million and ₱0.32 million for the six-month periods ended June 30, 2022 and 2021, respectively, and ₱0.32 million for the year ended December 31, 2021.

22. Restructuring Related Charges - Net

	Six-Month Periods Ended June 30		Year Ended December 31,
	2022	2021	2021
Donation of receivables	(₱260,147,279)	₱—	₱—
Gain on remeasurement of previously held interest (see Note 13)	41,278,128	—	—
Gain on deconsolidation (Notes 11 and 13)	45,835,119	2,099,138	2,099,138
	(₱173,034,032)	₱2,099,138	₱2,099,138

In 2022, as part of the Group's restructuring exercise, the Parent Company divested its ownership in APIC and APHC (see Notes 11 and 13). In connection with the said divestment, the former subsidiaries' receivables from the Parent Company, including PACO's receivables from AHC, amounting to ₱260.15 million were donated to the latter's shareholders, prorata to their respective ownership in AHC, thereby resulting to the recognition of a one-time loss of the same amount in the consolidated statement of comprehensive income. Had the group restructuring not taken place in 2022, consolidated net income of the Group would have been ₱11.88 million.



23. Project Costs Recovery

- a. On April 23, 2021, AMHHC, Renova and Sta. Clara International Corporation signed an investment framework agreement in KMHC. A portion of the proceeds from the investment of the parties involved shall be used to reimburse all the costs incurred by AMHHC in developing Kiangnan Mini Hydro Project up to its financial close. In 2021, AMHHC received a total of ₱133.61 million from KMHC as reimbursement. Consequently, the Group recognized the reimbursement as “Project costs recovery” in the 2021 consolidated statement of comprehensive income.
- b. On March 15, 2022, AHC, AMHHC and Exeter Portofino Holdings, Inc. signed an investment framework agreement in LAMHC. A portion of the proceeds from such investment shall be used to reimburse all the costs incurred by AMHHC in developing Lamut Mini Hydro Project up to its financial close. In 2022, AMHHC received a total of ₱36.59 million from LAMHC as reimbursement. Consequently, the Group recognized the reimbursement as “Project costs recovery” in the 2022 consolidated statement of comprehensive income.

24. Leases

SPPP

On January 19, 2021, SPPP entered into a 27-year lease agreement with a third party for the lease of parcels of land (the leased property) for the development, construction and operation of a solar power plant. The lease shall be for a term of 27 years commencing on the later of: (i) the Lease Effective Date and (ii) the first day of the month following the signing of the Power Purchase Agreement between SPPP and Palau Public Utilities Corporation. The lease agreement commenced on March 22, 2022, which is the lease effective date. The lease term is subject to an extension for another 23 years or shorter on terms and conditions to be mutually agreed upon by the parties.

SPPP’s annual rent shall be on a fixed rate per square meter per year, subject to an escalation every five years. SPPP paid security deposit upon issuance of Notice to Proceed to the contractor for the commencement of project construction. The security deposit may be applied by SPPP to pay rent arrearages and other sums due to the lessor to cure any default by SPPP under the lease agreement. Accordingly, the security deposit is presented as part of “Other noncurrent assets” in the 2022 consolidated statement of financial position (see Note 15). The security deposit shall be increased every five years to reflect the increase in rent.

On February 28, 2022, SPPP entered into a 27-year grant of right of way easement with third parties. The right of way (ROW) easement became effective on March 22, 2022 and shall continue for a period of 27 years. The term may be extended by mutual agreement of the parties. SPPP paid a one-time lump sum consideration for the total ROW area.

On March 4, 2022, SPPP entered into another 27-year grant of right of way easement with another third party. The ROW easement became effective on March 22, 2022 and shall continue for a period of 27 years. The term may be extended by mutual agreement of the parties. SPPP’s annual rent shall be a fixed rate per sqm per year and the first three (3) years shall be due and payable at the start of the term. The rent shall also be adjusted for inflation every three years.



SPEC and AMHHC

In 2016, SPEC and AMHHC, as lessees, entered into a lease agreement with NAPI for the rental of its office space situated at the level 3B of 111 Paseo De Roxas Building with an approximated total floor area of 77.64 square meters. The lease is subject to 5% annual escalation rate starting on the second year of the lease term. The lease agreement covers the period April 1, 2016 to March 31, 2021. On February 26, 2021, the SPEC and AMHHC renewed its lease agreement with NAPI for nine months starting April 1, 2021 to December 31, 2021 and on January 1, 2022, the lease is renewed for a term of one-year beginning January 1, 2022 to December 31, 2022 (see Notes 20 and 21). Both SPEC and AMHHC applies the 'short-term lease' recognition exemption for these leases.

Set out below is the carrying amount of the right-of-use asset recognized and the movement during the six-month period ended June 30, 2022 and year ended December 31, 2021:

	June 30, 2022	December 31, 2021
Cost		
At beginning of period	P–	P2,885,839
Addition	59,902,106	–
End of lease	–	(2,885,839)
At end of period	59,902,106	–
Accumulated Amortization		
At beginning of period	–	2,565,190
Addition	557,029	320,649
End of lease	–	(2,885,839)
At end of period	557,029	–
	P59,345,077	P–

Set out below is the carrying amount of the lease liability recognized and the movements during the six-month period ended June 30, 2022 and for the year ended December 31, 2021:

	June 30, 2022	December 31, 2021
At beginning of period	P–	P370,507
Addition	46,827,508	–
Interest expense accretion	793,699	8,446
Lease payments	–	(378,953)
Cumulative translation adjustment (see Note 2)	2,298,500	–
At end of period	P49,919,707	P–

The following are the amounts recognized in the consolidated statements of comprehensive income:

	Six-Month Periods Ended June 30		Year Ended December 31,
	2022	2021	2021
Amortization (see Note 21)	P557,029	P320,649	P320,649
Interest expense accretion	793,699	8,446	8,446
Rent expense on short-term leases (see Note 21)	1,065,028	787,603	1,623,742
	P2,415,756	P1,116,698	P1,952,837



Shown below is the maturity analysis of the undiscounted lease payments as at June 30, 2022 and December 31, 2021:

	June 30, 2022	December 31, 2021
Within one year	₱3,078,600	₱—
More than one year to five years	13,717,527	—
More than five years to 10 years	19,637,345	—
More than 10 years to 15 years	21,836,345	—
More than 15 years to 20 years	24,035,345	—
More than 20 years to 25 years	26,234,345	—
More than 25 years	5,598,709	—

25. Asset Retirement Obligation

	June 30, 2022	December 31, 2021
At beginning of period	₱—	₱—
Step acquisition to a subsidiary (see Note 13)	5,495,871	—
Addition (see Note 24)	8,763,034	—
Accretion expense	148,528	—
Cumulative translation adjustment (see Note 2)	37,599	—
At end of period	₱14,445,032	₱—

SPPP

Under the land lease agreement of SPPP, it has a legal obligation to remove all project assets located on the leased property and return the leased property to its original state at the end of the term or no later than 12 months from the end of the term, provided that SPPP shall pay rent for each month required to perform the obligation. SPPP established the provision to recognize its estimated liability for the dismantling of the Palau Project assets. The liability recognized is equal to the expected cost of retirement at current price levels as at June 30, 2022 projected using an average inflation rate of 2.10% and discounted using a risk-free rate of 6.75% for a 27-year period.

KSEC

Under the ECC and SESC, KSEC has a legal obligation to dismantle the solar power plant at the end of its contract period. KSEC established the provision to recognize its estimated liability for the dismantling of the solar power plant. The established provision was estimated and recognized at the time the solar power plant became available for use. The liability recognized is equal to the expected cost of retirement at current price levels as at June 30, 2022 and December 31, 2021 projected using an inflation rate of 3.30% and 3.70%, respectively, and discounted using a risk-free rate of 5.32% and 5.34% for a 18 and 19-year period, respectively.



The sensitivity analysis below has been determined based on reasonable possible changes of each significant assumption on the decommissioning liability as of June 30, 2022 and December 31, 2021, assuming all other assumptions were held constant:

	Increase (decrease)	Increase (decrease) in decommissioning liability	
		2022	2021
Discount rates	+1.00%	(P2,941,087)	P—
	-1.00%	3,443,537	—
Inflation rates	+1.00%	P3,600,383	P—
	-1.00%	(3,089,182)	—

26. Income Tax

The Group, other than KSEC and SPPP, is subject to regular corporate income tax of 20%/25% or MCIT, whichever is higher. KSEC is entitled to the 5% gross income tax to the extent of undertaking the establishment, operation and maintenance of its solar energy generation facility, while SPPP is subject to gross revenue tax.

Provision for (benefit from) income tax consists of the following:

	Six-Month Periods Ended June 30		Year Ended December 31,
	2022	2021	2021
Current	P360,694	P16,500	P1,394,432
Deferred	(6,302,490)	202,145	3,632,482
	(P5,941,796)	P218,645	P5,026,914

The reconciliation of income tax at statutory income rate to the effective income tax is as follows:

	Six-Month Periods Ended June 30		Year Ended December 31,
	2022	2021	2021
Income tax at statutory income tax rate	(P41,012,285)	(P2,787,353)	P29,448,749
Change in tax rate due to CREATE Act	—	(1,516,898)	(1,516,898)
Adjustments resulting from:			
Nondeductible expenses	65,036,820	10,192,336	723,711
Nontaxable income	(25,887,276)	(5,581,181)	(9,515,247)
Movement in unrecognized deferred income tax assets and others	(3,968,511)	(82,671)	(18,880,972)
Interest income subjected to final tax	(110,544)	(5,493)	(16,626)
Expired NOLCO	—	—	4,784,292
Expired MCIT	—	(95)	(95)
	(P5,941,796)	P218,645	P5,026,914



The components of the Group's net deferred income tax assets as of June 30, 2022 and December 31, 2021 are as follows:

	June 30, 2022	December 31, 2021
Deferred income tax assets on:		
NOLCO	₱319,925	₱1,838,379
Lease liability	—	8,141
Difference between accounting and tax base of note receivable	—	21,658
	₱319,925	₱1,868,178
	June 30, 2022	December 31, 2021
Deferred income tax liabilities on:		
Day 1 gain on intercompany note payable	₱319,925	₱1,599,392
Net unrealized foreign exchange gains	—	260,645
Right of use asset	—	6,822
	319,925	1,866,859
	₱—	₱1,319

The components of the Group's net deferred income tax liabilities as of June 30, 2022 and December 31, 2021 are as follows:

	June 30, 2022	December 31, 2021
Deferred income tax liabilities on:		
Net unrealized foreign exchange gains	₱4,706,748	₱9,850,701
Right of use asset	7,028,618	540,178
	11,735,366	10,390,879
Deferred income tax assets on:		
NOLCO	2,273,188	253,526
Lease liability	5,990,365	454,545
Asset retirement obligation	1,038,253	—
Difference between accounting and tax base of note payable	—	945,439
	9,301,806	1,653,510
	₱2,433,560	₱8,737,369

No deferred income tax assets were recognized on the following deductible temporary differences on net unrealized foreign exchange losses, carryforward benefits from unused NOLCO, and unused tax credit from excess MCIT as it is not probable that sufficient taxable profit will be available to allow the benefit of the deferred income tax assets to be utilized in the future:

	June 30, 2022	December 31, 2021
NOLCO	₱219,866,703	₱87,605,249
Net unrealized foreign exchange losses	11,992,979	12,652,514
MCIT	1,602,600	1,602,600



Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act

On March 26, 2021, President Rodrigo Duterte signed into law 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 ₱5.00 million and with total assets not exceeding ₱100.0 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.

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 Group would have been subjected to lower regular corporate income tax rate of 20% effective July 1, 2020.

Based on the provisions of Revenue Regulations (RR) No. 5-2021 dated April 8, 2021 issued by the BIR, the prorated CIT rate of the Group for CY2020 is 1.5%. This resulted in lower provision for current income tax by ₱0.04 million, and lower deferred tax liability and higher benefit from deferred income tax amounting to ₱1.48 million as of and for the year ended December 31, 2020. The reduced amounts were reflected in each entity's 2020 annual income tax return. For financial reporting purposes, the changes were only recognized in the 2021 separate financial statements of each entity.

27. Earnings (Loss) per Share

Earnings (Loss) per common share amounts were computed as follows:

	June 30, 2022	June 30, 2021	December 31, 2021
a. Net income (loss) attributable to equity holders of the parent	(₱154,033,282)	(₱9,952,945)	₱113,998,605
b. Weighted average number of common shares issued and outstanding	202,760	192,030	192,030
Earnings (loss) per common share (a/b)	(₱760)	(₱52)	₱594



There are no dilutive potential common shares for the six-month periods ended June 30, 2022 and 2021.

The weighted average number of shares includes the impact of the stock split approved by the SEC on June 21, 2022 (see Note 27).

The Parent Company has 12 shareholders as at June 30, 2022 and December 31, 2021.

28. Operating Segment Information

Operating segments are components of the Group that engage in business activities from which they may earn revenues and incur expenses, whose operating results are regularly reviewed by the Group to make decisions about how resources are to be allocated to the segment and assess their performances, and for which discrete financial information is available.

For purposes of management reporting, the Group's operating businesses are organized and managed separately according to services provided, with each segment representing a strategic business segment. The Group's identified operating segments, which are consistent with the segments reported to the BOD, which is the Group, are as follows:

Segment	Nature of transactions
Wind Energy	Generation and supply of wind power to various customers under power supply contracts
Hydro Energy	Generation and supply of hydro power to various customers under power supply contracts
Solar Energy	Generation and supply of solar power to various customers under power supply contracts
Retail Energy Supplier (RES)	Marketing and retail of electricity to various customers under power supply contracts

Financial information on the operations of the various business segments are summarized as follows:

June 30, 2022

	Parent	Wind	Hydro	Solar	RES	Total	Adjustments	Consolidated
Income/(Expenses)								
Revenue from sale of electricity	P-	P-	P-	P9,330,967	P-	P9,330,967	P-	P9,330,967
Cost of sale of electricity	-	-	-	(3,002,238)	-	(3,002,238)	-	(3,002,238)
Equity in net earnings of associates	-	-	-	-	-	-	16,435,855	16,435,855
General and administrative expenses	(6,660,006)	(2,729,706)	(8,104,344)	(11,041,390)	(61,191)	(28,596,637)	(24,641,559)	(53,238,196)
Construction revenue	-	-	-	574,883,490	-	574,883,490	-	574,883,490
Construction costs	-	-	-	(574,883,490)	-	(574,883,490)	-	(574,883,490)
Project cost recovery	-	-	36,586,861	-	-	36,586,861	-	36,586,861
Finance costs	(9,269,563)	-	-	(4,026,536)	-	(13,296,099)	1,611,214	(11,684,885)
Net foreign exchange gain (loss)	7,589,378	(4,356,874)	3,485	1,193,963	-	4,429,952	4,668,107	9,098,059
Restructuring related charges - net	(260,147,279)	42,902,564	-	44,210,683	-	(173,034,032)	-	(173,034,032)
Interest and other income	8,418	202	25,999	11,144,946	32	11,179,597	(5,721,129)	5,458,468
Segment income (loss)	(268,479,052)	35,816,186	28,512,001	47,810,395	(61,159)	(156,401,629)	(7,647,512)	(164,049,141)
Provision for (benefit from) income tax	-	(6,218,176)	-	276,380	-	(5,941,796)	-	(5,941,796)
Net income (loss)	(P268,479,052)	P42,034,362	P28,512,001	P47,534,015	(P61,159)	(P150,459,833)	(P7,647,512)	(P158,107,345)
Other information								
Investment in and advances to associates	P-	P72,874,125	P207,578	P-	P-	P73,081,703	P77,710,945	P150,792,648
Property, plant and equipment	P-	P-	P4,466	P331,591,992	P-	P331,596,458	P566,883,491	P898,479,949
Segment assets	P1,299,570,548	P303,094,419	P364,534,606	P2,040,133,571	P1,611,942	P4,008,945,086	(P748,509,198)	P3,260,435,888
Segment liabilities	(P1,101,738,393)	(P165,439,491)	(P431,186,908)	(P1,286,192,071)	(29,304)	(P2,984,586,167)	P702,425,316	(P2,282,160,851)
Depreciation and amortization	P-	P-	P4,805	P2,654,689	P-	P2,659,494	P-	P2,659,494



December 31, 2021

	Parent	Wind	Hydro	Solar	RES	Total	Adjustments	Consolidated
Income (Expenses)								
Equity in net earnings of associates	P-	P-	P-	P-	P-	P-	P35,961,849	P35,961,849
General and administrative expenses	(4,836,963)	(1,206,936)	(23,178,509)	(24,803,834)	(102,610)	(54,128,852)	11,396	(54,117,456)
Finance costs	(10,798,570)	-	(3,408,544)	(6,239,405)	-	(20,446,519)	2,575,395	(17,871,124)
Net foreign exchange gain (loss)	(5,789,861)	16,970,125	(3,338,917)	705,950	-	8,547,297	(276,313)	8,270,984
Restructuring related charges	-	-	-	-	-	-	2,099,138	2,099,138
Interest income / other income	29,261	1,580,061	3,034	23,975,301	470	25,588,127	(15,749,519)	9,838,608
Segment income (loss)	(21,396,133)	17,343,250	103,690,061	(6,361,988)	(102,140)	93,173,050	24,621,946	117,794,996
Provision for (benefit from) income tax	669	5,482,761	1,342,122	(1,798,638)	-	5,026,914	-	5,026,914
Net income (loss)	(P21,396,802)	P11,860,489	P102,347,939	(P4,563,350)	(P102,140)	P88,146,136	P24,621,946	P112,768,082
Other information								
Investment in associates	P-	P72,874,125	P206,391	P33,432,231	P-	P106,512,747	P72,647,959	P179,160,706
Property, plant and equipment	P-	P-	P4,807	P100,285,457	P-	P100,290,264	P-	P100,290,264
Segment assets	P763,020,470	P651,362,783	P180,501,048	P225,400,420	P1,713,757	P1,821,998,478	(P1,095,904,890)	P726,093,588
Segment liabilities	(P211,075,896)	(P85,263,753)	(P239,017,025)	(P138,064,528)	(P69,960)	(P673,491,162)	P356,563,640	(P316,927,522)
Depreciation and amortization	P-	P-	P222,187	P236,588	P-	P458,775	P-	P458,775

Management monitors the operating results of its segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment revenue and segment expenses are measured in accordance with PFRS. The presentation and classification of segment revenue and segment expenses are consistent with the consolidated statements of comprehensive income. Interest expense and financing charges, depreciation and amortization expense and income taxes are managed on a per segment basis.

29. Financial Risk Management Objectives and Policies

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

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

The Group has exposure to liquidity risk, credit risk and foreign currency risk from the use of its financial instruments.

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

Liquidity Risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial instruments.

The Group manages liquidity risk by maintaining a balance between continuity of funding and flexibility. The Group maintains a level of cash deemed sufficient to finance its operations. As part of its liquidity risk management, the Group regularly evaluates its projected and actual cash flows.



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

June 30, 2022				
	On demand	Within one year	More than 1 year but less than 5 years	Total
Financial Assets				
Cash and cash equivalents				
Unrestricted*	₱581,441,100	₱—	₱—	₱581,441,100
Restricted	43,323,904	—	—	43,323,904
Trade and other receivables	—	19,254,442	—	19,254,442
Time deposits	—	13,862,866	—	13,862,866
Due from related parties	150,959,940	—	—	150,959,940
	₱775,724,944	₱33,117,308	₱—	₱808,842,252
Financial Liabilities				
Accounts payable and accrued expenses**	₱—	₱49,319,358	₱—	₱49,319,358
Payable to a subsidiary's former shareholder	—	279,771,496	—	279,771,496
Advances from a third party	—	214,000,000	—	214,000,000
Dividend payable	—	18,750,000	—	18,750,000
Due to related parties	194,495,338	—	—	194,495,338
Short-term loans	—	94,250,000	—	94,250,000
Lease liability	—	3,078,600	176,106,635	179,185,235
Long-term debt***	—	58,958,126	2,026,293,593	2,085,251,719
	₱194,495,338	₱718,127,580	₱2,202,400,228	₱3,115,023,146

* Excluding cash on hand

** Excluding statutory liabilities

***Includes future interest

December 31, 2021				
	On demand	Within one year	More than 1 year but less than 5 years	Total
Financial Assets				
Cash and cash equivalents*	₱93,532,513	₱—	₱—	₱93,532,513
Trade and other receivables	—	989,395	—	989,395
Time deposits	—	13,003,153	—	13,003,153
Due from related parties	100,032,228	—	—	100,032,228
	₱193,564,741	₱13,992,548	₱—	₱207,557,289
Financial Liabilities				
Accounts payable and accrued expenses**	₱—	₱15,913,550	₱—	₱15,913,550
Due to related parties	50,635,421	—	—	50,635,421
Short-term loans	—	94,250,000	—	94,250,000
Long-term debt***	—	—	190,646,066	190,646,066
	₱50,635,421	₱110,163,550	₱190,646,066	₱351,445,037

* Excluding cash on hand

** Excluding statutory liabilities

***Includes future interest



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 and from its financing activities. The Group's maximum credit risk is equal to the carrying amount of the Group's financial assets such as cash in bank, cash equivalents, short-term investment and trade and other receivables.

The table below show the credit quality by class of financial assets based on the Company's rating system as at June 30, 2022 and December 31, 2021:

	Neither Past Due nor Impaired		Past Due		June 30, 2022 Total
	High Grade	Standard Grade	Unimpaired	Impaired	
Cash and cash equivalents					
Unrestricted*	₱581,441,100	₱—	₱—	₱—	₱581,441,100
Restricted	43,323,904	—	—	—	43,323,904
Time deposit	13,862,866	—	—	—	13,862,866
Trade and other receivables**	—	19,254,442	—	—	19,254,442
Total	₱638,627,870	₱19,254,442	₱—	₱—	₱657,882,312

*Excluding cash on hand

	Neither Past Due nor Impaired		Past Due		December 31, 2021 Total
	High Grade	Standard Grade	Unimpaired	Impaired	
Cash and cash equivalents*	₱93,532,513	₱—	₱—	₱—	₱93,532,513
Time deposits	13,003,153	—	—	—	13,003,153
Trade and other receivables	—	989,395	—	—	989,395
Total	₱106,535,666	₱989,395	₱—	₱—	₱107,525,061

*Excluding cash on hand

High Grade. This pertains to counterparty who is not expected by the Group to default in settling its obligation, thus, credit risk exposure is minimal. This normally includes large prime financial institutions. Credit quality was determined based on the credit standing of the counterparty.

Standard Grade. This pertains to accounts of debtors who have historically paid their accounts on time and who have the financial capacity to pay.

Aging analysis per class of financial assets that are past due but not impaired as of June 30, 2022 and December 31, 2021, are as follows:

	2022				Total
	Neither Past Due nor Impaired		Past Due		
	High Grade	Standard Grade	Unimpaired	Impaired	
Cash and cash equivalents					
Unrestricted*	₱581,441,100	₱—	₱—	₱—	₱581,441,100
Restricted*	43,323,904	—	—	—	43,323,904
Trade and other receivables	—	19,254,442	—	—	19,254,442
Time deposits	13,862,866	—	—	—	13,862,866
Due from related parties	—	150,959,940	—	—	150,959,940
Total	₱638,627,870	₱170,214,382	₱—	₱—	₱808,842,252

* Excluding cash on hand

	2021				Total
	Neither Past Due nor Impaired		Past Due		
	High Grade	Standard Grade	Unimpaired	Impaired	
Cash and cash equivalents*	₱93,532,513	₱—	₱—	₱—	₱93,532,513
Trade and other receivables	—	989,395	—	—	989,395
Time deposits	13,003,153	—	—	—	13,003,153
Due from related parties	—	100,032,228	—	—	100,032,228
Total	₱106,535,666	₱101,021,623	₱—	₱—	₱207,557,289

* Excluding cash on hand



Simplified Approach

- *Trade receivables*

The Company applied the simplified approach under PFRS 9, using a ‘provision matrix’, in measuring expected credit losses which uses a lifetime expected loss allowance for receivables. The expected loss rates are based on the payment profiles of revenues/sales over a period of at least 24 months before the relevant reporting date and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of its sole customer to settle the receivables. The Company has identified the core inflation rate to be the most relevant factor, and accordingly adjusts the historical loss rates based on expected changes in this factor.

Set out below is the information about the credit risk exposure of the Company’s trade receivables using a provision matrix:

	2022					Total
	Past Due				Over 90 days	
	Current	0-30 days	31-60 days	61-90 days		
Expected loss rate	0.00%	0.00%	0.00%	0.00%	0.00%	
Estimated total gross carrying amount at default	₱16,873,057	₱—	₱—	₱—	₱—	₱16,873,057
Expected credit loss	—	—	—	—	—	

The Group has the following financial assets that are subject to the expected credit loss model under the general approach:

- *Cash and cash equivalents and time deposits.* As of June 30, 2022, the ECL relating to the cash and cash equivalents, and time deposits of the Group is minimal as these are deposited in reputable entities which have good bank standing and are considered to have a low credit risk.
- *Due from related parties.* The Group did not recognize any allowance related to due from related parties as there was no history of default payments. This assessment is undertaken each financial year through examination of the financial position of the related party and the markets in which the related party operates.

The table below summarizes the credit risk exposure to the Group’s financial assets comprised of cash, cash equivalents, time deposits and due from related parties:

	June 30, 2022			Total
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	
High grade*	₱638,627,870	₱—	₱—	₱638,627,870
Standard grade	—	150,959,940	—	150,959,940
Default	—	—	—	—
Gross carrying amount	638,627,870	150,959,940	—	789,587,810
Loss allowance	—	—	—	—
Carrying amount	₱638,627,870	₱150,959,940	₱—	₱789,587,810

* Excluding cash on hand



	December 31, 2021			Total
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	
High grade*	₱106,535,666	₱—	₱—	₱106,535,666
Standard grade	—	100,032,228	—	100,032,228
Default	—	—	—	—
Gross carrying amount	106,535,666	100,032,228	—	206,567,894
Loss allowance	—	—	—	—
Carrying amount	₱106,535,666	₱100,032,228	₱—	₱206,567,894

* Excluding cash on hand

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to market risk for changes in interest rates relates primarily to its long-term debt obligation with floating interest rate. There is no effect on the consolidated income before income tax related to the long-term debt obligation with floating interest rate as the related interest expenses are capitalized. There is no further exposure to interest rate risk for the other interest-bearing borrowings as they contain fixed interest rates.

Foreign Currency Risk

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

The table below summarizes the Group's exposure to foreign currency risk. Included in the table are the Group's foreign currency-denominated financial assets and liabilities as of June 30, 2022 and December 31, 2021:

	June 30, 2022		December 31, 2021	
	Original Currency	Peso Equivalent	Original Currency	Peso Equivalent
Financial Assets				
Cash and cash equivalents	\$1,484,866	₱81,630,524	\$16,698	₱851,431
Financial Liabilities				
Long-term debts	10,500,000	577,185,000	—	—
Lease liability	908,044	49,919,707	—	—
	11,408,044	627,104,707	—	—
Net Exposure	(\$9,923,178)	(₱545,474,183)	\$16,698	₱851,431

As of June 30, 2022 and December 31, 2021, the exchange rates used were ₱54.97 and ₱50.999, per \$1, respectively.

The following table demonstrates the sensitivity to a reasonable possible change in US Dollar exchange rate, with all variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets and liabilities). There is no other impact on the Group's equity other than those already affecting profit or loss.

	Change in ₱/\$ exchange rate	
	5% appreciation of \$ against ₱	5% depreciation of \$ against ₱
Increase (decrease) in income before income tax		
June 30, 2022	(₱27,276,334)	₱27,276,334
December 31, 2021	(42,572)	42,572



30. Fair Value Measurement

Fair Value and Category of Financial Instruments

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

Cash and Cash Equivalents, Due from/to Related Parties, Accounts Payable and Accrued Expenses, and Short-term Loan

The carrying amounts of these financial instruments approximate their fair values due to their short-term maturity. The fair value hierarchy as required by the amendments to PFRS 7 is not applicable since these financial instruments are carried at amortized cost.

Long-term Debts

The fair values of long-term debts were calculated based on the discounted value of future cash flows using the applicable risk-free rates for similar types of loans adjusted for credit risk (Level 3 of the fair value hierarchy). The discount rates used for long-term debts ranges from 4.4% to 8.05% and 4.2% in June 30, 2022 and December 31, 2021, respectively.

Lease Liabilities

The fair values for the Group's lease liabilities are estimated using the discounted cash flow methodology with a rate of 8% as of June 30, 2022.

Fair Value Hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities
- Level 2: Those involving inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices)
- Level 3: Those inputs for the asset or liability that are not based on observable market data (unobservable inputs)

As of June 30, 2022 and December 31, 2021, the fair values of lease liability and long-term debts fall under level 3 of the fair value hierarchy:

	Carrying Value		Fair Value	
	June 30, 2022	December 31, 2021	June 30, 2022	December 31, 2021
Lease liability	₱49,919,707	₱—	₱44,130,522	₱—
Long-term debt	1,306,635,182	148,602,470	1,074,319,175	137,263,136
	₱1,356,584,889	₱148,602,470	₱1,118,449,697	₱137,263,136

There were no transfers between Level 1 and Level 2 fair value measurement, and there were no transfers into and out of Level 3 fair value measurement.



Valuation Techniques Used to Derive Level 3 Fair Values

The table below presents the following for each class of the Group's long-term debts and lease liability:

- The fair value measurements at the end of the reporting period;
- The level of the fair value hierarchy (e.g., Level 2 or Level 3) within which the fair value measurements are categorized in their entirety;
- A description of the valuation techniques applied;
- The inputs used in the fair value measurement; and
- For Level 3 fair value measurements, quantitative information about the significant unobservable inputs used in the fair value measurement.

June 30, 2022				
	Fair Value as at December 31	Valuation Technique	Key Unobservable Inputs	Range (Weighted Average)
Lease liability	₱44,130,522	Market comparable approach	Interest rate	8%
Long-term loans payable	1,074,319,175	Market comparable approach	Interest rate	4.4% to 8.05%
December 31, 2021				
	Fair Value as at December 31	Valuation Technique	Key Unobservable Inputs	Range (Weighted Average)
Long-term loan payable	₱137,263,136	Market comparable approach	Interest rate	4.20%

31. Capital Management

The Group ensures that the minimum capital infused by the shareholders is properly managed. The Group manages its capital structure and makes adjustments to it in the light of changes in business and economic conditions.

As of June 30, 2022 and December 31, 2021, the Group's total equity amounted to ₱978.28 million and ₱409.17 million, respectively. In order to sustain its operations, the Group may obtain additional advances and/or capital infusion from its shareholders. Certain companies in the Group are required to maintain certain level of equity as required by their loan agreements (see Note 18).

The Group considers the following as its core capital:

	June 30, 2022	December 31, 2021
Short-term loan	₱92,650,373	₱91,077,895
Long-term debts	1,306,635,182	148,602,470
Due to related parties	194,495,338	50,635,421
Capital stock	36,349	34,203
Additional paid-in capital	440,865,245	440,865,245
Deficit	(240,277,656)	(82,926,074)
	₱1,794,404,831	₱648,289,160



32. Changes in Liabilities Arising from Financing Activities

	Short-term loan (see Note 17)	Long-term debt - current portion (see Note 18)	Long-term debt - noncurrent portion (see Note 18)	Lease liability - current portion (see Note 24)	Lease liability - noncurrent portion (see Note 24)	Accrued interest (see Note 16)	Advances from a third party (see Note 16)
June 30, 2022							
Balances as of January 1	₱91,077,895	₱–	₱148,602,470	₱–	₱–	₱1,631,582	₱–
Cash flows:							
Proceeds from:							
Long-term debts	–	–	577,365,000	–	–	–	–
Advances from a third party	–	–	–	–	–	–	214,000,000
Payments of:							
Interests	–	–	–	–	–	(4,980,366)	–
Deferred financing charges	–	–	(32,668,315)	–	–	–	–
Step acquisition to a subsidiary (see Note 13)	–	53,845,260	558,961,961	–	–	9,024,474	–
Recognition of leases (see Note 24)	–	–	–	–	46,827,508	–	–
Accretion of interest expense	3,172,105	–	–	–	–	–	–
Day 1 gain on note payable	(1,599,627)	–	–	–	–	–	–
Amortization of deferred financing charges	–	–	246,855	–	–	–	–
Interest expense accrual	–	–	–	–	793,699	7,323,698	–
Capitalized borrowing cost	–	–	388,142	–	–	4,818,752	–
Tax withheld	–	–	–	–	–	(353,901)	–
Translation adjustment	–	–	(106,191)	–	2,298,500	–	–
Reclassification to current	–	3,965,099	(3,965,099)	2,883,913	(2,883,913)	–	–
Balances as of June 30	₱92,650,373	₱57,810,359	₱1,248,824,823	₱2,883,913	₱47,035,794	₱17,464,239	₱214,000,000



December 31, 2021	Short-term loan (see Note 17)	Long-term debt - current portion (see Note 18)	Long-term debt - noncurrent portion (see Note 18)	Lease liability - current portion (see Note 24)	Lease liability - noncurrent portion (see Note 24)	Accrued interest (see Note 16)
Balances as of January 1	₱228,012,551	₱100,117,085	₱—	₱370,507	₱—	₱22,034,766
Cash flows	(140,000,000)	(101,095,484)	148,473,480	(378,953)	—	(31,862,053)
Accretion of interest expense	6,237,449	—	—	8,446	—	—
Day 1 gain on note payable	(3,172,105)	—	—	—	—	—
Amortization of deferred financing charges	—	37,370	128,990	—	—	—
Interest expense	—	—	—	—	—	11,458,869
Translation adjustment	—	941,029	—	—	—	—
Balances as of December 31	₱91,077,895	₱—	₱148,602,470	₱—	₱—	₱1,631,582



33. Significant Contracts, Agreements and Commitments

Solar Energy

SSAI

- *Service Contract of Hermosa Solar Power Project.* On December 23, 2015, SSAI was awarded SESC No. 2015-10-260 for the exclusive right to explore and develop the Hermosa Solar Power Project (the Project), wherein SSAI shall undertake exploration, assessment, harnessing, piloting, and other studies of the solar energy resources in Hermosa, Bataan.

The SESC is a two-year non-extendible pre-development stage contract from the effective date of the contract to conduct preliminary solar energy resources data gathering activities, and if warranted by the results, conduct of a full solar energy resources assessment. The SESC further provides that if SSAI failed to accomplish the first six (6) months milestones indicated in the Work Program submitted to the Department of Energy (DOE), the contract term shall be considered expired. However, the submission of SSAI of a Declaration of Commerciality (DOC) at any time during the pre-development stage and confirmation thereof by the DOE shall supersede the first six (6) months milestone requirement of the DOE.

- *Declaration and Confirmation of Commerciality.* On November 7, 2017, SSAI submitted to DOE a request to confirm DOC attaching the required documents. After a series of consultation with DOE, SSAI has been granted its Certificate of Confirmation of Commerciality (COCOC) on September 30, 2019.

On February 13, 2020, SSAI submitted to the DOE a request for amendment of the contract area to reflect the change in the technical design and a Revised 5-Year Work Plan to implement the proposed project. On April 8, 2021, DOE has approved the contract area, revised 5-Year Work Plan, Solar Energy Operating Contract, and an amended certificate of registration.

SSAI has recognized project development costs amounting to ₱13.54 million and ₱12.49 million, as of June 30, 2022 and December 31, 2021, respectively.

KSEC

- *Service Contract of Kirahon Solar Power Project.* On May 3, 2012, the DOE awarded SESC No. 2012-003-004 to CEPALCO for the exclusive right to explore and develop the Kirahon Solar Power Project located in the Municipalities of Villanueva and Tagaloan, Misamis Oriental for a period of 25 years.

On December 2, 2013, the SESC was assigned to KSEC and approved by the DOE on May 28, 2014, correspondingly the DOE Certificate of Registration as an RE Developer was issued, thereby KSEC is already the holder of the SESC of the Kirahon Solar Power Project and all materials, equipment, plant and other installations erected or placed on the contract area by KSEC shall remain the property of KSEC throughout the term of the contract and after its termination.

The SESC has a contract period of 25 years and will expire in 2037. Under the SESC, the DOE shall approve the extension of the SESC for another 25 years under the same terms and conditions, provided that KSEC is not in default in any material obligations under the contract and has submitted a written notice to the DOE for the extension of the contract not later than one (1) year prior to the expiration of the 25-year period.



- *Power Supply Agreement (PSA).* On November 21, 2013, KSEC entered into a PSA with CEPALCO where the former shall supply the electric power requirements of the latter with a gross installed capacity of 12.5 MWp and a net installed capacity of 10 MW AC for a cooperation period of twenty-five (25) years beginning the date of commercial operations.

On October 22, 2014, the Energy Regulatory Commission (ERC) approved the PSA between KSEC and CEPALCO through ERC Case No. 2014-020 with modification on the generation rate to be used. Subsequently on January 21, 2015, CEPALCO filed a “Motion for Partial Reconsideration with Urgent Request for Recalculation” with the ERC for the adjustment on the generation rate to be used by the Company. On May 4, 2015, the ERC granted the “Motion for Partial Reconsideration with Urgent Request for Recalculation” and approved the applicable generation rate, which shall be adjusted based on Feed-in Tariff Rules.

Starting October 25, 2020, the applicable generation rate was based on the final ERC PSA approval which provided adjustments in accordance with the ERC Resolution No. 16 Series of 2010, Resolution Adopting the Feed-in Tariff Rules.

All of KSEC’s revenue from contracts with customers, which is presented as “Revenue from sale of electricity” in the 2022 consolidated statement of comprehensive income, pertain to sale of electricity to CEPALCO under the PSA. Total PSA revenue recognized by the Group for the period June 10 to June 30, 2022 amounted to ₱9.33 million.

SPPP

- *Power Purchase Agreement (PPA).* On April 14, 2021, SPEC, the immediate parent company of SPPP, signed a PPA with PPUC for the offtake of all electrical energy to be produced from the solar photovoltaic electric energy generating and battery storage facility with a solar PV total AC output capacity of 13.2 MW, a battery energy storage system total output capacity of 10.2 MWAC, and a BESS total energy storage capacity of 12.9 MWh. The tariff is fixed for a period of 20 years.

On April 8, 2022, SPEC, SPPP and PPUC entered into a Novation Agreement whereby SPPP substituted for SPEC under the PPA and other related agreements (“Project Agreements”) and SPEC ceased to be entitled to and bound by its rights and obligations under the Project Agreements. However, SPEC shall remain responsible to PPUC in respect of any claims, cost and/or liabilities under the Project Agreements during the period up to the financial close of the PFA whether or not such claims or liabilities are known at that date.

The project will be located in Ngatpang State, Babeldaob Island, Palau. As of September 10, 2022, the project has not started commercial operations.

Contract asset arising from the PPA amounting to ₱574.89 million had been mortgaged as security for SPPP’s loan (see Note 18).

- *Funding Agreement.* On January 31, 2022, SPPP entered into a Funding Agreement (“Funding Agreement”) with Commonwealth of Australia represented by DFAT in relation to funding under the Australian Infrastructure Financing Facility for the Pacific (AIFFP) to grant an amount of \$4.00 million for the purpose of funding of eligible project costs. No drawdown has been made on the Funding Agreement as of June 30, 2022.

The DFAT agreement requires SPPP not to use the funds to acquire any assets other than for the project without the prior approval of DFAT.



SPEC

- *Standby Letter of Credit (SBLC).* In June 2022, SPEC applied for and was granted a credit line or accommodation in the form of a SBL with RCBC in the amount of \$1.00 million to be issued by RCBC as security for SPEC's obligations under the PPA that was executed between SPEC and PPUC for the Palau Project.

RCBC agreed to issue the SBLC on the condition that SPPP, a subsidiary of SPEC, shall assign in favor of SPEC all the rights, title, participation, interests and claims over the assigned receivables.

The SBLC is secured by a \$250,000 hold-out deposit and SPPP's rights, title, participation on the sums of money, receivables or proceeds now and/or hereafter due and receivable on the liquidated damages not exceeding \$750,000 under its Installation, Commissioning and Construction Services Agreement with a third-party contractor.

Hydropower Energy

AMHHC

- *Assignment of Project Assets to AMHHC.* On November 7, 2013, AMHHC entered into a Deed of Assignment of Project Assets with Moorland Investment Philippines, Inc. (MPII) whereby MPII absolutely and unconditionally assign, transfer and convey unto AMHHC any and all of its rights, interests and obligations in and under the following contracts which MPII obtained from Enerhighlands Corporation (ELC) by virtue of a "Deed of Assignment of Contracts" dated October 10, 2013.

Contract Number	Project	Resource Area
HSC 2013-06-258	Kiangan Mini Hydro Project	Asin, Kiangan Ifugao
HSC 2013-06-261	Kiangan Mini Hydro Project	Ibulao I, Kiangan, Ifugao
HSC 2013-06-262	Ibulao Mini Hydro Project	Ibulao II, Kiangan, Ifugao
HSC 2013-06-263	Kiangan Mini Hydro Project	Hungduan, Kiangan, Ifugao
HSC 2013-06-264	Lamut-Asipulo Mini Hydro Project	Lamut, Kiangan, Ifugao

- *Project Development Agreement (PDA) with ELC.* On November 26, 2013, AMHHC entered into a PDA with ELC whereby AMHHC and ELC agreed to work together for the further exploration, development and/or commercialization for an exclusive contract aimed at further development and commercialization of the seven (7) hydropower projects located in areas of Kiangan and Lamut, Province of Ifugao and in San Mariano, Isabela Province.

Included also in the PDA is the setting up of special purpose companies for the Projects, which shall possess all authority, rights and obligations for the development construction, financing and operations of relevant project assigned to it.

Under the Hydropower Service Contract (HSC), AMHHC is given a two-year non-extendible pre-development stage from the effective date of the contract to conduct preliminary hydropower resources data gathering activities, and if warranted by the results, conduct of a full hydropower resources assessment. The HSC further provides that if AMHHC failed to accomplish the first six months milestones indicated in the Work Program submitted to the DOE, the contract term shall be considered expired. However, the submission of AMHHC of a Declaration of Commerciality at any time during the pre-development stage and confirmation thereof by the DOE shall supersede the first six months milestone requirement of the DOE.



Upon submission of the Declaration of Commerciality by AMHHC and confirmation by the DOE through issuance of COCOC shall remain in force for a period of 25 years from the effective date of contract. One year before the expiration of the initial 25-year period, AMHHC may submit to the DOE an extension of the HSC for another 25 years under the same terms and conditions so long as AMHHC is not in default of any material obligations under the HSC.

IMHC

In accordance with the PDA between AMHHC and ELC, IMHC was established on April 19, 2016 to further develop and operate the Ibulao Mini Hydro Project under HSC 2013-06-262.

- *Assignment of Projects to IMHC.* On November 26, 2013, AMHHC entered into a Deed of Assignment of Project Assets with ELC whereby ELC transfers, conveys and assigns all its assets and liabilities in relation HSC 2013-06-262. ELC shall ensure that all rights and benefits under existing contract in respect of the HSC shall redound to the benefit of the special purpose company to which the contract shall be designated.

On November 16, 2016, the DOE approved the assignment and issued certificate of registration to IMHC for HSC 2013-06-262 pursuant to the Deed of Assignment mentioned above.

- *Declaration and Confirmation of Commerciality.* On December 7, 2015, AMHHC and ELC declared the commerciality of HSC 2013-06-262 which was confirmed by the DOE on May 27, 2016 under the name of ELC.

IMHC has not commenced the construction of the Project and has not started commercial operations as of September 10, 2022.

IMHC has recognized project development costs amounting to ₱20.97 million and ₱20.61 million, as of June 30, 2022 and December 31, 2021, respectively.

LAMHC

In accordance with the PDA between AMHHC and ELC, LAMHC was established on December 12, 2016 to further develop and operate the Lamut-Asipulo Mini Hydro Project.

- *Assignment of Projects to LAMHC.* On November 26, 2013, AMHHC entered into a Deed of Assignment of Project Assets with ELC whereby ELC transfers, conveys and assigns all its assigns all its assets and liabilities in relation to certain HSCs. ELC shall ensure that all rights and benefits under existing contracts in respect of the HSC shall redound to the benefit of the special purpose company to which the contract shall be designated to.
- *Assignment of Project to LAMHC.* On June 28, 2017, AMHHC, ELC and LAMHC executed the Supplement to Deed of Assignment of Project Assets whereby LAMHC assumes all the rights and obligations, risks, liabilities, benefits, and interests of KMHC including all of the rights and obligations of AMHHC in respect to Lamut-Asipulo Mini Hydro Project under HSC 2013-06-264.

On August 8, 2017, LAMHC filed the request for the assignment of HSC 2013-06-264 with the DOE. On October 19, 2018, the DOE approved the assignment for HSC 2013-6-264, pursuant to the Deed of Assignment to LAMHC.

LAMHC has recognized project development costs amounting to ₱76.82 million and ₱39.33 million as of June 30, 2022 and December 31, 2021, respectively.



Wind Energy

ATWC

The Wind Energy Service Contract (WESC) is a two-year exclusive contract renewed for a period of one (1) year, to conduct preliminary wind energy resources data gathering activities, and if warranted by the results, conduct of a full wind energy resources assessment. The WESC provides that if ATWC failed to accomplish the first annual milestones indicated in the Work Program submitted to the DOE, the contract term shall be considered expired. However, the submission of ATWC of a Declaration of Commerciality at any time during the pre-development stage and confirmation thereof by the DOE shall supersede the first annual milestone requirement of the DOE.

- *Declaration and Confirmation of Commerciality.* Upon submission of the Declaration of Commerciality and confirmation by the DOE through issuance of COCOC, the WESC shall remain in force for the balance of 25 years from the effective date of contract. One (1) year before the expiration of the initial 25-year period, ATWC may submit to the DOE an extension of the WESC for another 25 years under the same terms and conditions so long as ATWC is not in default of any material obligations under the WESC.

ATWC has the following WESCs as follows:

Contract Number	Resource Area	Status
WESC 2009-10-020	Abra de Ilog, Occidental Mindoro	Under moratorium due to unavailable market
WESC 2017-01-017	Tanay, Rizal	Under pre-development stage

On October 23, 2009, the DOE awarded the WESC 2009-10-020 to APHC, ATWC's affiliate, wherein, APHC shall provide the necessary technology for the wind energy exploration and conduct assessment, field verification, harnessing and feasibility studies for the financing, construction and operation of an appropriate wind power plant.

In June 2011, APHC assigned the rights, title, interest, benefits and obligations of the WESC 2009-10-020 to ATWC. APHC guarantees the performance by ATWC of the obligation under the said WESC.

On August 28, 2012, the DOE granted the request to temporarily suspend the development activities due to the pending completion of grid interconnection facilities linking Mindoro and Batangas. The development costs related to this WESC were impaired in 2016 since the grid interconnection facilities have not yet been established.

On January 17, 2017, the DOE awarded the WESC 2017-01-017 to ATWC, wherein ATWC shall provide the necessary technology for the wind energy exploration and conduct assessment, field verification, harnessing and feasibility studies for the financing, construction and operation of an appropriate wind power plant.

ATWC submitted to DOE a Declaration of Commerciality in March 2020, prior to the onset of the national health emergency. On February 11, 2022, ATWC filed a request with the DOE for the extension of the period for pre-development to be able to secure the remaining requirement of possessory rights over the Project site. ATWC, in the meantime, is currently in continuous and on-going discussions with the Project site's registered owner to obtain possessory rights over the Project site.



ATWC has recognized project development costs amounting to ₱131.45 million and ₱123.02 million as of June 30, 2022 and December 31, 2021, respectively.

34. Renewable Energy Act of 2008

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

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

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

- i. Income Tax Holiday (ITH) - For the first seven (7) years of its commercial operations, the duly registered RE developer shall be exempt from income taxes levied by the National Government;
- ii. Duty-free Importation of RE Machinery, Equipment and Materials - Within the first ten (10) years upon issuance of a certification of an RE developer, the importation of machinery and equipment, and materials and parts thereof, including control and communication equipment, shall not be subject to tariff duties;
- iii. Special Realty Tax Rates on Equipment and Machinery - Any law to the contrary notwithstanding, realty and other taxes on civil works, equipment, machinery, and other improvements of a registered RE developer actually and exclusively used for RE facilities shall not exceed one and a half percent (1.5%) of their original cost less accumulated normal depreciation or net book value;
- iv. NOLCO - the NOLCO of the RE developer during the first three (3) years from the start of commercial operation which had not been previously offset as deduction from gross income shall be carried over as deduction from gross income for the next seven (7) consecutive taxable years immediately following the year of such loss;
- v. Corporate Tax Rate - After seven (7) years of ITH, all RE developers shall pay a corporate tax of ten percent (10%) on its net taxable income as defined in the National Internal Revenue Code of 1997, as amended by Republic Act No. 9337;
- vi. Accelerated Depreciation - If, and only if, an RE project fails to receive an ITH before full operation, it may apply for accelerated depreciation in its tax books and be taxed based on such;



- vii. Zero Percent VAT Rate - The sale of fuel or power generated from renewable sources of energy, the purchase of local goods, properties and services needed for the development, construction and installation of the plant facilities, as well as the whole process of exploration and development of RE sources up to its conversion into power shall be subject to zero percent (0%) VAT;
- viii. Cash Incentive of RE Developers for Missionary Electrification - An RE developer, established after the effectivity of the Act, shall be entitled to a cash generation-based incentive per kilowatt-hour rate generated, equivalent to fifty percent (50%) of the universal charge for power needed to service missionary areas where it operates the same;
- ix. Tax Exemption of Carbon Credits - All proceeds from the sale of carbon emission credits shall be exempt from any and all taxes; and
- x. Tax Credit on Domestic Capital Equipment and Services - A tax credit equivalent to one hundred percent (100%) of the value of the VAT and custom duties that would have been paid on the RE machinery, equipment, materials and parts had these items been imported shall be given to an RE operating contract holder who purchases machinery, equipment, materials, and parts from a domestic manufacturer for purposes set forth in the Act. RE developers and local manufacturers, fabricators and suppliers of locally-produced RE equipment shall register with the DOE, through the Renewable Energy Management Bureau (REMB). Upon registration, a certification shall be issued to each RE developer and local manufacturer, fabricator and supplier of locally-produced renewable energy equipment to serve as the basis of their entitlement to the incentives provided for in the Act. All certifications required to qualify RE developers to avail of the incentives provided for under the Act shall be issued by the DOE through the REMB.

35. Subsequent Events

Purchase of SPEC Shares

On August 11 and 12, 2022, SANT and an individual shareholder sold certain portion of their common shares in SPEC to the Parent Company amounting to ₱23.25 million and ₱11.63 million, respectively. The acquisition of additional shares increased the Parent Company's ownership in SPEC to 60%.

On August 23, 2022, NAPI sold all its preferred shares in SPEC to the Parent Company for a consideration of ₱368,536.

Subscription of Parent Company's Increase in Capital Stock

On August 11, 2022, SANT subscribed to 0.6% of the outstanding common shares of the Parent Company for ₱23.25 million.

On August 12, 2022, an individual shareholder subscribed to 0.22% of the total outstanding common shares of the Parent Company for ₱8.59 million.

The subscribed shares shall be taken out from the unissued portion of the authorized capital stock of the Parent Company.

Reissuance of the Consolidated Financial Statements

- a. As disclosed in Note 1, the consolidated financial statements of the Group as at June 30, 2022 and December 31, 2021 and for the six-month periods ended June 30, 2022 and 2021 and year ended December 31, 2021 were previously authorized for issue by the Parent Company's BOD on August 29, 2022.



The Group has disclosed in Note 19 its application with SEC for the equity restructuring of its Parent Company and that such application is yet to be approved by the SEC as of August 29, 2022.

However, on August 30, 2022, the Parent Company received the Certificate of Approval of Equity Restructuring dated August 26, 2022. Consequently, management determined the need to amend its disclosure in Note 19 in the previously issued consolidated financial statements to update and reflect the actual status and SEC's approval of the equity restructuring.

- b. The Group restated its consolidated financial statements as of and for the six-month period ended June 30, 2022 to reclassify property, plant and equipment to contract assets as a result of management's reassessment of SPPP's power purchase agreement in accordance with Philippine Interpretation IFRIC 12, *Service Concession Arrangements*. This resulted to a recognition of contract asset and a corresponding decrease in property, plant and equipment by ₱574.9 million. Management's reassessment also resulted to the recognition of construction revenue and construction costs of the same amount.

The restatement made had no impact on the consolidated statement of financial position as of December 31, 2021, consolidated statements of comprehensive income and consolidated statements of cash flows for the six-month period ended June 30, 2021 and year ended December 31, 2021, and consolidated statements of changes in equity for the six-month periods ended June 30, 2022 and 2021 and year ended December 31, 2021.

Furthermore, a third statement of financial position is no longer presented because the restatement has no impact to the January 1, 2021 balances.



INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Stockholders
Alternergy Holdings Corporation
Level 3B, 111 Paseo de Roxas Building
Paseo de Roxas corner Legazpi Street
Legaspi Village, Makati City

We have audited the accompanying consolidated financial statements of Alternergy Holdings Corporation (the Company) and Subsidiaries (collectively, the Group) as at June 30, 2022 and December 31, 2021, and for the six-month periods ended June 30, 2022 and 2021 and year ended December 31, 2021, on which we have rendered the attached report dated September 10, 2022.

In compliance with Revised Securities Regulation Code Rule 68, we are stating that the Company has eight (8) stockholders owning 100 or more shares each.

SYCIP GORRES VELAYO & CO.



Leovina Mae V. Chu

Partner

CPA Certificate No. 99910

Tax Identification No. 209-316-911

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

SEC Partner Accreditation No. 99910-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. 08-001998-096-2020, November 27, 2020, valid until November 26, 2023

PTR No. 8854385, January 3, 2022, Makati City

September 10, 2022



INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY SCHEDULES

The Board of Directors and Stockholders
Alternergy Holdings Corporation
Level 3B, 111 Paseo de Roxas Building
Paseo de Roxas corner Legazpi Street
Legaspi Village, Makati City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Alternergy Holdings Corporation and Subsidiaries (collectively, the Group) as at June 30, 2022 and December 31, 2021 and for the six-month periods ended June 30, 2022 and 2021 and year ended December 31, 2021 and have issued our report thereon dated September 10, 2022. Our audits were made for the purpose of forming an opinion on the basic consolidated 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.



Leovina Mae V. Chu

Partner

CPA Certificate No. 99910

Tax Identification No. 209-316-911

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

SEC Partner Accreditation No. 99910-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. 08-001998-096-2020, November 27, 2020, valid until November 26, 2023

PTR No. 8854385, January 3, 2022, Makati City

September 10, 2022



ALTERNERGY HOLDINGS CORPORATION AND SUBSIDIARIES
INDEX TO THE CONSOLIDATED FINANCIAL STATEMENTS AND
SUPPLEMENTARY SCHEDULES

Schedule	Contents
<i>Index to the Financial Statements</i>	
I	Map Showing the Relationships Between and Among the Companies in the Group
II	Reconciliation of Retained Earnings Available for Dividend Declaration
III	Financial Soundness Indicators
<i>Supplementary Schedules</i>	
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	Long-Term Debt
E	Indebtedness to Related Parties <i>(not applicable)</i>
F	Guarantees of Securities of Other Issuers <i>(not applicable)</i>
G	Capital Stock

ALTERNERGY HOLDINGS CORPORATION AND SUBSIDIARIES**SUPPLEMENTARY SCHEDULES UNDER ANNEX 68-J****PURSUANT TO REVISED SRC RULE 68****June 30, 2022****Schedule A. Financial Assets**

Name of Issuing Entity and Association of Each Issue	Number of Shares or Principal Amount of Bonds and Notes	Amount shown in the Statement of Financial Position	Income Received and Accrued
Cash and cash equivalents*	—	₱624,922,509	₱428,713
Due from related parties	—	150,959,940	—
Time deposits	—	13,862,866	13,461
Total	—	₱789,745,315	₱442,174

** Excluding cash on hand*

ALTERENERGY HOLDINGS CORPORATION AND SUBSIDIARIES**SUPPLEMENTARY SCHEDULES UNDER ANNEX 68-J****PURSUANT TO REVISED SRC RULE 68****June 30, 2022****Schedule B. Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related Parties)**

Name and Designation of Debtor	Balance at Beginning of Period	Additions	Amounts Collected	Amounts Written Off	Current	Not Current	Balance at the End of Period
ASWC	₱72,928,620	₱50	₱—	₱—	₱72,928,670	₱—	₱72,928,670
APIC	—	42,134,080	—	—	42,134,080	—	42,134,080
DMHC	18,000,000	—	—	—	18,000,000	—	18,000,000
LSEC	3,604,485	100,000	—	—	3,704,485	—	3,704,485
QBL	3,549,762	—	—	—	3,549,762	—	3,549,762
VHC	3,430,008	—	102,008	—	3,328,000	—	3,328,000
NAPI	—	2,704,225	—	—	2,704,225	—	2,704,225
KTEC	—	2,179,394	—	—	2,179,394	—	2,179,394
SPCC	1,227,238	—	—	—	1,227,238	—	1,227,238
Total	₱102,740,113	₱47,117,749	₱102,008	₱—	₱149,755,854	₱—	₱149,755,854

ALTERNERGY HOLDINGS CORPORATION AND SUBSIDIARIES**SUPPLEMENTARY SCHEDULES UNDER ANNEX 68-J****PURSUANT TO REVISED SRC RULE 68****June 30, 2022****Schedule C. Amounts Receivable from Related Parties which are eliminated during the Consolidation of Financial Statements**

DEDUCTIONS							
Name and Designation of Debtor	Balance at Beginning of Period	Additions	Amounts Collected	Amounts Written Off	Current	Not current	Balance at End of Period
AHC	₱168,195,588	₱—	₱166,695,588	₱—	₱1,500,000	₱—	₱1,500,000
AMHHC	132,792,700	19,085,806	—	—	151,878,506	—	151,878,506
ATWC	51,244,709	82,970,129	—	—	134,214,837	—	134,214,837
AHPC	40,766,092	31,512	—	—	40,797,604	—	40,797,604
LAMHC	40,146,657	2,402,027	—	—	42,548,684	—	42,548,684
IMHC	22,529,452	137,278	—	—	22,666,730	—	22,666,730
SSAI	15,117,103	1,283,999	—	—	16,401,103	—	16,401,103
SPEC	9,217,134	—	7,380,374	—	1,836,760	—	1,836,760
Total	₱480,009,435	₱105,910,751	₱174,075,962	₱—	₱411,844,224	₱—	₱411,844,224

ALTERNERGY HOLDINGS CORPORATION AND SUBSIDIARIES**SUPPLEMENTARY SCHEDULES UNDER ANNEX 68-J****PURSUANT TO REVISED SRC RULE 68****June 30, 2022****Schedule D. Long-term Debt**

Title of Issue and Type of Obligation	Amount Authorized by Indenture	Amount Shown under Caption 'Current Position of Long- term Debt' in Related Statement of Financial Position	Amount Shown under Caption 'Long-Term Debt' in Related Statement of Financial Position			
			Amount	Interest Rate	Repayment	Maturity Date
Rizal Commercial Banking Corporation (RCBC)	₱786,108,366	₱57,810,359	₱563,215,226	6.84%	Semi-annual	12-Mar-30
Export Finance Australia (EFA)	494,775,000	—	494,775,000	4.55%	Semi-annual	14-Oct-38
China Bank Corporation (CBC)	150,000,000	—	150,000,000	6.32%	Bullet payment	30-Jul-26
Oversea-Chinese Banking Corporation (OCBC)	82,462,500	—	82,462,500	4.50%	Bullet payment	28-Jun-24
Total	₱1,513,345,866	₱57,810,359	₱1,290,452,726			

ALTERENERGY HOLDINGS CORPORATION AND SUBSIDIARIES

SUPPLEMENTARY SCHEDULES UNDER ANNEX 68-J

PURSUANT TO REVISED SRC RULE 68

June 30, 2022

Schedule E. Indebtedness to Related Parties (Long-Term Loans from Related Companies)

Name of Related Party	Balance at Beginning of Period	Balance at End of Period
	- Not applicable -	

ALTERENERGY HOLDINGS CORPORATION AND SUBSIDIARIES

SUPPLEMENTARY SCHEDULES UNDER ANNEX 68-J

PURSUANT TO REVISED SRC RULE 68

June 30, 2022

Schedule F. Guarantees of Securities of Other Issuers

Name of issuing entity of
securities guaranteed by the

Group for which this statement
is filed

Title of issue of each class of
securities guaranteed

Total amount guaranteed and
outstanding

Amount owned by a person for
which statement is filed

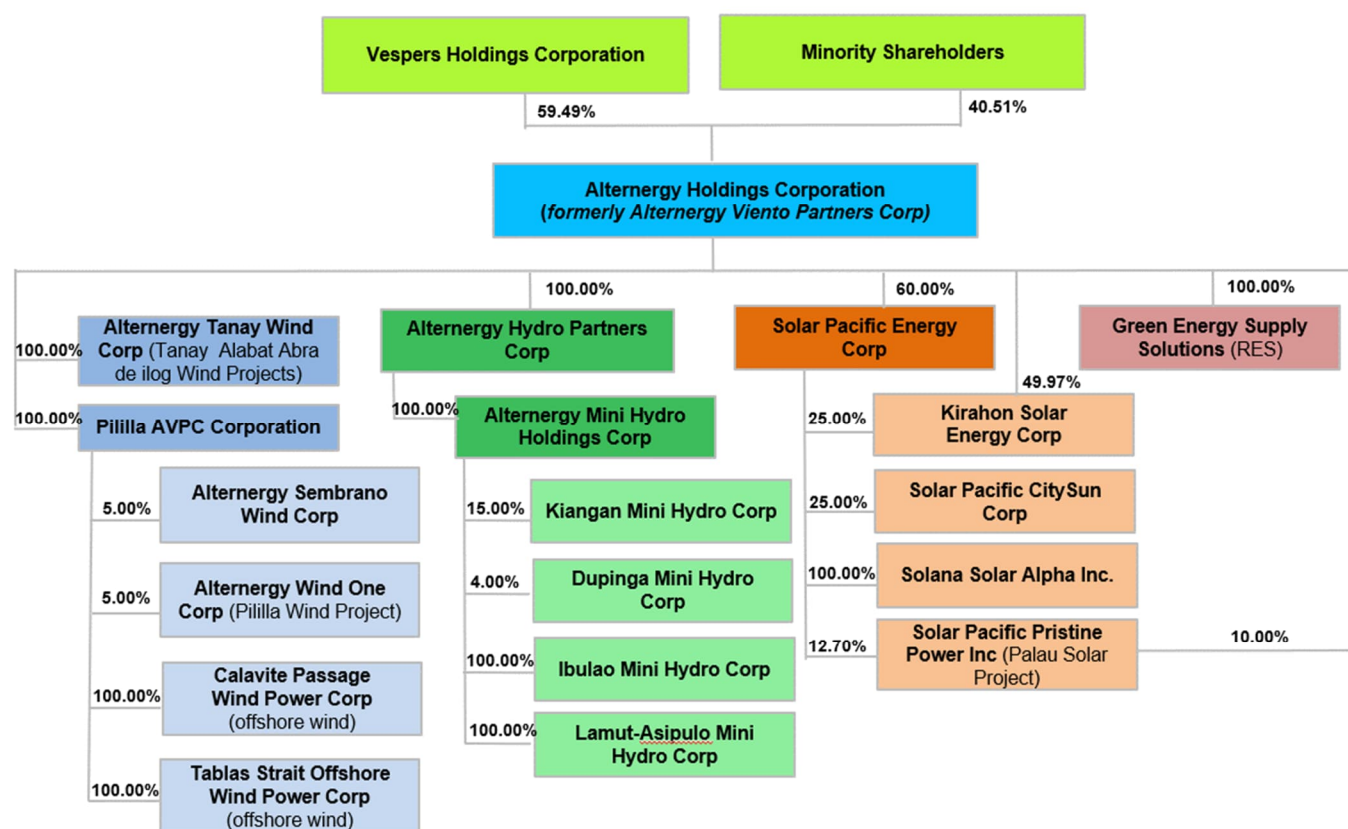
Nature of guarantee

- Not applicable -

ALTERENERGY HOLDINGS CORPORATION AND SUBSIDIARIES**SUPPLEMENTARY SCHEDULES UNDER ANNEX 68-J****PURSUANT TO REVISED SRC RULE 68****June 30, 2022****Schedule G. Capital Stock**

Title of issue	Number of Shares Authorized	Number of Shares Issued and Outstanding as Shown under Related Statement of Financial Position Caption	Number of Shares Reserved for Options, Warrants, Conversion and Other Rights	Number of Shares Held by Related Parties	Number of Shares Held by Directors, Officers and Employees	Others
Preferred shares	60,000	15,000	—	15,000	—	—
Common shares	400,000	213,490	—	191,960	660	20,870
Total	460,000	228,490	—	206,960	660	20,870

ALTERNERGY HOLDINGS CORPORATION AND SUBSIDIARIES **CORPORATE STRUCTURE¹**



Note: % pertain to economic interests as of September 10, 2022

SCHEDULE II

ALTERNERGY HOLDINGS CORPORATION AND SUBSIDIARIES
SUPPLEMENTARY SCHEDULE OF RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION

Unappropriated Deficit, <i>as adjusted to</i> available for dividend distribution, beginning	(P130,142,029)
Add: Net loss actually earned/realized during the period	
Net income (loss) during the period closed to Retained Earnings	(120,257,406)
Less: Non-actual/unrealized income net of tax:	
Equity in net income of associate/joint venture	—
Unrealized foreign exchange gain (loss) - net (except those attributable to Cash and Cash Equivalents)	8,162,270
Unrealized actuarial gain (loss)	—
Fair value adjustment (market to market gains)	—
Fair value adjustment of Investment Property resulting to gain	—
Adjustment due to deviation from PFRS/GAAP-gain	—
Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS	—
Sub-total	8,162,270
Add: Non-actual losses	
Depreciation on revaluation increment (after tax)	—
Adjustment due to deviation from PFRS/GAAP – loss	—
Loss on fair value adjustment of investment property (after tax)	—
Sub-total	—
Net loss actually earned during the period	(128,419,676)
Add (Less):	
Dividend declarations during the period	—
Appropriations of retained earnings during the period	—
Reversals of appropriations	—
Effects of prior period adjustments	—
Treasury shares	—
TOTAL DEFICIT, END OF THE YEAR AVAILABLE FOR DIVIDEND DECLARATION	(P258,561,705)

INDEPENDENT AUDITOR'S REPORT COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS

The Board of Directors and Stockholders
Alternergy Holdings Corporation
Level 3B, 111 Paseo de Roxas Building
Paseo de Roxas corner Legazpi Street
Legaspi Village, Makati City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Alternergy Holdings Corporation and its subsidiaries (collectively, the Group) as at June 30, 2022 and December 31, 2021 and for the six-month periods ended June 30, 2022 and 2021 and year ended December 31, 2021, and have issued our report thereon dated September 10, 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 June 30, 2022 and December 31, 2021 and for the six-month periods ended June 30, 2022 and 2021 and year ended December 31, 2021 and no material exceptions were noted.

SYCIP GORRES VELAYO & CO.



Leovina Mae V. Chu

Partner

CPA Certificate No. 99910

Tax Identification No. 209-316-911

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

SEC Partner Accreditation No. 99910-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. 08-001998-096-2020, November 27, 2020, valid until November 26, 2023

PTR No. 8854385, January 3, 2022, Makati City

September 10, 2022



SCHEDULE III

ALTERENERGY HOLDINGS CORPORATION AND SUBSIDIARIES
SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS

Ratio	Formula	June 30, 2022	December 31, 2021
Current ratio ⁽¹⁾	Dividing total current assets over total current liabilities	0.84	1.31
Acid test ratio	Dividing quick assets by the current liabilities	0.62	0.59
Solvency ratio	Dividing net income excluding depreciation over total debt obligations	(0.07)	0.36
Debt-to-equity ratio ⁽²⁾	Dividing total interest-bearing debts over stockholders' equity	1.38	0.36
Asset-to-equity ratio ⁽³⁾	Dividing total assets over total stockholders' equity	3.33	1.77
Interest rate coverage ratio	Dividing earnings before interest and taxes of one period over interest expense of the same period	(13.04)	7.59
Return on equity (%) ⁽⁴⁾	Dividing the net income (annual basis) by total stockholders' equity (average)	(28%)	32%
Return on assets (%) ⁽⁵⁾	Dividing the net income (annual basis) by the total assets (average)	(8%)	16%
Net profit margin (%)	Dividing net income by the total revenue	(613.61%)	313.58%
EBITDA margin (%)	Dividing the EBITDA by the total revenue	(581.00%)	279.14%

Notes:

- (1) Current ratio measures the Group's ability to pay short-term obligations
- (2) Debt to equity ratio measures the degree of the Group's financial leverage. The Group's total loans and borrowings includes interest-bearing bank loans and loans from third parties.
- (3) Asset to equity measures the Group's financial leverage and long-term solvency.
- (4) Average total shareholder's equity is calculated by taking the beginning and ending shareholder's equity then dividing by two.
- (5) Average total assets is calculated by taking the beginning and ending total assets then dividing by two.