

# ***Citicore Energy REIT Corp.***

**(Formerly Enfinity Philippines  
Renewable Resources Inc.)**

**(A wholly-owned subsidiary of  
Citicore Renewable Energy  
Corporation)**

## **Financial Statements**

**As at September 30, 2021 and December 31, 2020, and for the  
nine months ended September 30, 2021 and 2020 and for the  
year ended December 31, 2020**

**(With comparative figures as at December 31, 2019 and for the  
years ended December 31, 2019 and 2018)**

## **Independent Auditor's Report**

To the Board of Directors and Shareholder of  
**Citicore Energy REIT Corp.**  
(Formerly Enfinity Philippines Renewable Resources Inc.)  
(A wholly-owned subsidiary of Citicore Renewable Energy Corporation)  
Prince Balagtas Avenue Extension  
Clark Freeport Zone, Pampanga

### **Report on the Audits of the Financial Statements**

#### ***Opinion***

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Citicore Energy REIT Corp. (formerly Enfinity Philippines Renewable Resources Inc.) (the "Company") as at September 30, 2021 and December 31, 2020, and its financial performance and its cash flows for the nine months ended September 30, 2021 and 2020 and for the year ended December 31, 2020 in accordance with Philippine Financial Reporting Standards (PFRS).

#### *What we have audited*

The financial statements of the Company comprise:

- the statements of financial position as at September 30, 2021 and December 31, 2020;
- the statements of total comprehensive income for the nine months ended September 30, 2021 and 2020 and for the year ended December 31, 2020;
- the statements of changes in equity for the nine months ended September 30, 2021 and 2020 and for the year ended December 31, 2020;
- the statements of cash flows for the nine months ended September 30, 2021 and 2020 and for the year ended December 31, 2020; and
- the notes to the financial statements, which include a summary of significant accounting policies.

#### ***Basis for Opinion***

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### *Independence*

We are independent of the Company in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics), together with the ethical requirements that are relevant to our audit of the financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics.

Independent Auditor's Report  
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### ***Other Matter***

The financial statements of the Company as at and for the years ended December 31, 2019 and 2018 were audited by another auditor who expressed an unmodified opinion on those statements on March 16, 2020 and June 28, 2019, respectively.

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

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

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

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

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

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

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

- Identify and assess the risks of material misstatement of the 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 Company's internal control.

Independent Auditor's Report  
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- 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 Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the 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 Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

**Isla Lipana & Co.**

Pocholo C. Domondon  
Partner  
CPA Cert. No. 108839  
P.T.R. No. 0011401; issued on January 5, 2021 at Makati City  
SEC A.N. (individual) as general auditors 1567-AR-1, Category A; effective until May 27, 2022  
SEC A.N. (firm) as general auditors 0142-SEC, Category A;  
valid to audit 2020 to 2024 financial statements  
T.I.N. 213-227-235  
BIR A.N. 08-000745-128-2019; issued on January 14, 2019; effective until January 13, 2022  
BOA/PRC Reg. No. 0142, effective until January 21, 2023

Makati City  
November 17, 2021

Statement Required by Rule 68  
Securities Regulation Code (SRC)

To the Board of Directors and Shareholder of  
**Citicore Energy REIT Corp.**  
(Formerly Enfinity Philippines Renewable Resources Inc.)  
(A wholly-owned subsidiary of Citicore Renewable Energy Corporation)  
Prince Balagtas Avenue Extension  
Clark Freeport Zone, Pampanga

We have audited the financial statements of Citicore Energy REIT Corp. (formerly Enfinity Philippines Renewable Resources Inc.) (the “Company”) as at and for the nine months ended September 30, 2021, on which we have rendered the attached report dated November 17, 2021.

In compliance with Rule 68 of the SRC and based on the certification received from the Company’s corporate secretary, the Company has only one (1) shareholder owning one hundred (100) or more shares as at September 30, 2021.

**Isla Lipana & Co.**

Pocholo C. Domondon  
Partner  
CPA Cert. No. 108839  
P.T.R. No. 0011401; issued on January 5, 2021 at Makati City  
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Makati City  
November 17, 2021

Statement Required by Rule 68  
Securities Regulation Code (SRC)

To the Board of Directors and Shareholder of  
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(A wholly-owned subsidiary of Citicore Renewable Energy Corporation)  
Prince Balagtas Avenue Extension  
Clark Freeport Zone, Pampanga

We have audited the financial statements of Citicore Energy REIT Corp. (formerly Enfinity Philippines Renewable Resources Inc.) (the "Company") as at and for the nine months ended September 30, 2021, on which we have rendered the attached report dated November 17, 2021. The supplementary information shown in Schedules A, B, C, D, E, F, and G, Reconciliation of Retained Earnings Available for Dividend Declaration and the Map showing the relationships between and among the Company and its ultimate parent company, middle parent, subsidiaries or co-subsidiaries, and associates, as additional components required by Rule 68 of the SRC, are presented for purposes of filing with the Securities and Exchange Commission and are not required parts of the basic financial statements. Such supplementary information is the responsibility of management and has been subjected to auditing procedures applied in the audit of the basic financial statements. In our opinion, the supplementary information has been prepared in accordance with Rule 68 of the SRC.

**Isla Lipana & Co.**

Pocholo C. Domondon  
Partner  
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Makati City  
November 17, 2021

Statement Required by Rule 68  
Securities Regulation Code (SRC)

To the Board of Directors and Shareholder of  
**Citicore Energy REIT Corp.**  
(Formerly Enfinity Philippines Renewable Resources Inc.)  
(A wholly-owned subsidiary of Citicore Renewable Energy Corporation)  
Prince Balagtas Avenue Extension  
Clark Freeport Zone, Pampanga

We have audited in accordance with Philippine Standards on Auditing the financial statements of Citicore Energy REIT Corp. (formerly Enfinity Philippines Renewable Resources Inc.) (the “Company”) as at September 30, 2021 and December 31, 2020, and for the nine months ended September 30, 2021 and 2020 and for the year ended December 31, 2020, and have issued our report thereon dated November 17, 2021. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Supplementary Schedule on Financial Soundness Indicators, including their definitions, formulas, calculations, and their appropriateness or usefulness to the intended users, are the responsibility of the Company’s management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRS) 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 Rule 68 of the SRC issued by the Securities and Exchange Commission, and is not a required part of the basic financial statements prepared in accordance with PFRS. The components of these financial soundness indicators have been traced to the Company’s financial statements as at September 30, 2021 and December 31, 2020, 2019 and 2018, and for the nine months ended September 30, 2021 and 2020 and for the years ended December 31, 2020, 2019 and 2018 and no material exceptions were noted.

**Isla Lipana & Co.**

Pocholo C. Domondon  
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valid to audit 2020 to 2024 financial statements  
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Makati City  
November 17, 2021

**Citicore Energy REIT Corp.**  
(Formerly Enfinity Philippines Renewable Resources Inc.)  
(A wholly-owned subsidiary of Citicore Renewable Energy Corporation)

Statements of Financial Position  
As at September 30, 2021 and December 31, 2020  
(With comparative figures as at December 31, 2019)  
(All amounts in Philippine Peso)

	Notes	September 30, 2021	December 31, 2020	December 31, 2019
<b><u>ASSETS</u></b>				
<b>Current assets</b>				
Cash and cash equivalents	3	76,764,373	71,737,473	47,064,583
Trade and other receivables, net	4	40,861,686	258,905,233	128,630,106
Prepayments and other current assets	5	27,907,178	11,601,430	11,443,248
Total current assets		145,533,237	342,244,136	187,137,937
<b>Non-current assets</b>				
Property, plant and equipment, net	6	1,345,970,176	1,390,337,430	1,449,496,776
Investment properties	8	234,545,502	-	-
Right-of-use asset, net	20	38,090,624	39,685,116	41,811,104
Other non-current assets	7	9,112,625	8,975,048	8,668,208
Total non-current assets		1,627,718,927	1,438,997,594	1,499,976,088
<b>Total assets</b>		<b>1,773,252,164</b>	<b>1,781,241,730</b>	<b>1,687,114,025</b>
<b><u>LIABILITIES AND EQUITY</u></b>				
<b>Current liabilities</b>				
Trade payables and other liabilities	9	38,849,039	125,610,375	78,379,762
Due to a related party	11	94,053,389	-	-
Loans payable	10	-	126,446,281	120,913,719
Lease liabilities	20	317,261	294,139	21,201
Total current liabilities		133,219,689	252,350,795	199,314,682
<b>Non-current liabilities</b>				
Loans payable, net of current portion	10	-	909,809,551	974,342,172
Lease liabilities, net of current portion	20	50,521,743	51,060,996	51,410,357
Due to a related party, net of current portion	11	68,521,747	-	-
Retirement benefit obligation	13	236,004	2,915,664	-
Other non-current liability	12	-	-	1,056,902
Total non-current liabilities		119,279,494	963,786,211	1,026,809,431
Total liabilities		252,499,183	1,216,137,006	1,226,124,113
<b>Equity</b>				
Share capital	14	539,999,999	539,999,999	539,999,999
Deposits for future shares subscription	14	837,010,568	-	-
Remeasurement on retirement benefits	13	50,894	-	-
Retained earnings (Deficit)		143,691,520	25,104,725	(79,010,087)
Total equity		1,520,752,981	565,104,724	460,989,912
<b>Total liabilities and equity</b>		<b>1,773,252,164</b>	<b>1,781,241,730</b>	<b>1,687,114,025</b>

The notes on pages 1 to 47 are integral part of these financial statements.



**Citicore Energy REIT Corp.**  
(Formerly Enfinity Philippines Renewable Resources Inc.)  
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Statements of Total Comprehensive Income  
For the nine months ended September 30, 2021 and 2020 and for the year ended December 31, 2020  
(With comparative figures for the years ended December 31, 2019 and 2018)  
(All amounts in Philippine Peso)

	Notes	Nine months ended September 30		Years ended December 31		
		2021	2020	2020	2019	2018
Revenues	15	190,675,205	207,640,751	269,076,808	248,010,727	260,381,466
Cost of services	16	(51,764,414)	(74,325,430)	(94,623,573)	(98,375,976)	(139,352,363)
<b>Gross profit</b>		138,910,791	133,315,321	174,453,235	149,634,751	121,029,103
Operating expenses	17	(17,699,784)	(6,923,039)	(7,987,959)	(3,386,831)	(47,121,074)
<b>Income from operations</b>		121,211,007	126,392,282	166,465,276	146,247,920	73,908,029
Finance costs	18	(27,984,031)	(37,875,977)	(64,054,226)	(68,727,061)	(87,621,767)
Other income, net	18	25,359,819	1,596,906	1,703,762	2,050,084	27,130,226
<b>Income before income tax</b>		118,586,795	90,113,211	104,114,812	79,570,943	13,416,488
Income tax expense	19	-	-	-	-	-
<b>Net income for the period/year</b>		118,586,795	90,113,211	104,114,812	79,570,943	13,416,488
<b>Other comprehensive income</b>						
Other comprehensive income that will not be subsequently reclassified to profit or loss						
Remeasurement gain on retirement benefits, net of tax	13	50,894	-	-	-	-
<b>Total comprehensive income for the period/year</b>		118,637,689	90,113,211	104,114,812	79,570,943	13,416,488
<b>Earnings per share</b>						
Basic and diluted	21	0.05	0.04	0.05	0.04	0.01

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**Citicore Energy REIT Corp.**  
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Statements of Changes in Equity  
For the nine months ended September 30, 2021 and 2020 and for the year ended December 31, 2020  
(With comparative figures for the years ended December 31, 2019 and 2018)  
(All amounts in Philippine Peso)

	Common shares (Note 14)	Preference shares (Note 14)	Total share capital (Note 14)	Deposits for future shares subscription (Note 14)	Remeasurement on retirement benefits (Note 13)	Retained earnings (Deficit)	Total
<b>Balances at January 1, 2018</b>	72,860,309	467,139,690	539,999,999	-	-	(171,997,518)	368,002,481
<b>Comprehensive income</b>							
Net income for the year	-	-	-	-	-	13,416,488	13,416,488
Other comprehensive income for the year	-	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	-	-	13,416,488	13,416,488
<b>Balances at December 31, 2018</b>	72,860,309	467,139,690	539,999,999			(158,581,030)	381,418,969
<b>Comprehensive income</b>							
Net income for the year	-	-	-	-	-	79,570,943	79,570,943
Other comprehensive income for the year	-	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	-	-	79,570,943	79,570,943
<b>Balances at December 31, 2019</b>	72,860,309	467,139,690	539,999,999	-	-	(79,010,087)	460,989,912
<b>Comprehensive income</b>							
Net income for the year	-	-	-	-	-	104,114,812	104,114,812
Other comprehensive income for the year	-	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	-	-	104,114,812	104,114,812
<b>Balances at December 31, 2020</b>	72,860,309	467,139,690	539,999,999	-	-	25,104,725	565,104,724

The notes on pages 1 to 47 are integral part of these financial statements.

**Citicore Energy REIT Corp.**  
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Statements of Changes in Equity  
For the nine months ended September 30, 2021 and 2020 and for the year ended December 31, 2020  
(With comparative figures for the years ended December 31, 2019 and 2018)  
(All amounts in Philippine Peso)

	Common shares (Note 14)	Preference shares (Note 14)	Total share capital (Note 14)	Deposits for future shares subscription (Note 14)	Remeasurement on retirement benefits (Note 13)	Retained earnings (Deficit)	Total
<b>Balances at January 1, 2020</b>	72,860,309	467,139,690	539,999,999	-	-	(79,010,087)	460,989,912
<b>Comprehensive income</b>							
Net income for the period	-	-	-	-	-	90,113,211	90,113,211
Other comprehensive income for the period	-	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	-	-	90,113,211	90,113,211
<b>Balances at September 30, 2020</b>	72,860,309	467,139,690	539,999,999	-	-	11,103,124	551,103,123
<b>Balances at January 1, 2021</b>	72,860,309	467,139,690	539,999,999	-	-	25,104,725	565,104,724
<b>Comprehensive income</b>							
Net income for the period	-	-	-	-	-	118,586,795	118,586,795
Other comprehensive income for the period	-	-	-	-	50,894	-	50,894
Total comprehensive income for the period	-	-	-	-	50,894	118,586,795	118,637,689
<b>Transactions with owners</b>							
Reclassification of preference shares to common shares	467,139,690	(467,139,690)	-	-	-	-	-
Deposits for future shares subscriptions	-	-	-	837,010,568	-	-	837,010,568
Total transactions with owners	467,139,690	(467,139,690)	-	837,010,568	-	-	837,010,568
<b>Balances at September 30, 2021</b>	539,999,999	-	539,999,999	837,010,568	50,894	143,691,520	1,520,752,981

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**Citicore Energy REIT Corp.**  
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Statements of Cash Flows  
For the nine months ended September 30, 2021 and 2020 and for the year ended December 31, 2020  
(With comparative figures for the years ended December 31, 2019 and 2018)  
(All amounts in Philippine Peso)

	Notes	Nine months ended September 30		Years ended December 31		
		2021	2020	2020	2019	2018
<b>Cash flows from operating activities</b>						
Income before income tax		118,586,795	90,113,211	104,114,812	79,570,943	13,416,488
Adjustments for:						
Depreciation and amortization	6, 20	45,961,746	45,964,030	61,285,334	61,270,709	71,880,065
Finance costs	18	27,984,031	37,875,977	64,054,226	68,727,061	87,621,767
Unrealized foreign exchange losses (gains), net	22	4,091	20,793	11,175	60,375	(3,906,498)
Reversal of provision for asset retirement obligation	12	-	(1,056,902)	(1,056,902)	-	-
Provision for doubtful account of other receivable	4	-	1,944,096	1,944,096	-	-
Loss on direct write-off of trade receivables	17	-	-	-	-	4,247,719
Reversal of assets written-off	18	-	-	-	-	(3,500,000)
Interest income	3, 4	(163,171)	(560,797)	(662,181)	(2,110,459)	(11,653,307)
Retirement benefit (income) expense	13	(2,628,766)	3,038,128	2,915,664	-	-
Gain on compromise settlement of due to government agencies	9, 18	(25,200,913)	-	-	-	(8,070,421)
Operating income before working capital changes		164,543,813	177,338,536	232,606,224	207,518,629	150,035,813
Changes in working capital:						
Trade and other receivables		(41,510,511)	(46,281,244)	(132,219,223)	(65,175,700)	176,450,155
Prepayments and other current assets		(16,305,748)	(1,414,851)	(158,182)	1,126,048	121,797,064
Other non-current assets		(137,577)	(230,615)	(306,840)	(308,357)	(2,915,060)
Trade payables and other liabilities		(29,643,505)	18,059,589	19,004,500	5,179,618	(56,862,959)
Due to a related party		-	-	-	-	(227,040,419)
Other non-current liability		-	-	-	-	1,053,001
Net cash generated from operations		76,946,472	147,471,415	118,926,479	148,340,238	162,517,595
Interest received		163,171	560,797	662,181	2,110,459	8,615,864
Income taxes paid		-	-	-	-	(858,351)
Net cash provided by operating activities		77,109,643	148,032,212	119,588,660	150,450,697	170,275,108
<b>Cash flows from an investing activity</b>						
Additions to property, plant and equipment	6	-	-	-	(175,500)	(37,799)
<b>Cash flows from financing activities</b>						
Interest payment on loan from a shareholder	10	-	-	-	-	(18,994,811)
Principal payment of loan from a shareholder	10	-	-	-	-	(58,863,289)
Principal payment of lease liabilities	20	(520,222)	(18,127)	(87,598)	(235,236)	-
Interest payment on lease liabilities	20	(3,010,121)	(3,020,087)	(4,026,048)	(3,686,845)	-
Interest payment on loans from a bank	10	(36,940,830)	(29,250,761)	(29,438,488)	(63,355,700)	(69,338,454)
Principal payment of loans from a bank	10	(31,611,570)	(61,363,636)	(61,363,636)	(122,727,273)	(122,727,273)
Net cash used in financing activities		(72,082,743)	(93,652,611)	(94,915,770)	(190,005,054)	(269,923,827)
<b>Net increase (decrease) in cash and cash equivalents</b>		5,026,900	54,379,601	24,672,890	(39,729,857)	(99,686,518)
Effects of exchange rate changes in cash and cash equivalents		-	-	-	-	832,583
Cash and cash equivalents, beginning		71,737,473	47,064,583	47,064,583	86,794,440	185,648,375
<b>Cash and cash equivalents, ending</b>	3	76,764,373	101,444,184	71,737,473	47,064,583	86,794,440

The notes on pages 1 to 47 are integral part of these financial statements.

**Citicore Energy REIT Corp.**

(Formerly Enfinity Philippines Renewable Resources Inc.)

(A wholly-owned subsidiary of Citicore Renewable Energy Corporation)

## Notes to the Financial Statements

As at September 30, 2021 and December 31, 2020, and for the nine months ended September 30, 2021 and 2020 and for the year ended December 31, 2020

(With comparative figures and notes as at December 31, 2019 and for the years ended December 31, 2019 and 2018)

(All amounts are shown in Philippine Peso unless otherwise stated)

**Note 1 - General information***(a) Corporate information*

Citicore Energy REIT Corp. (formerly Enfinity Philippines Renewable Resources Inc.) (the “Company”) was registered with the Philippine Securities and Exchange Commission (SEC) on July 15, 2010. The Company’s primary objective is to explore, develop and utilize renewable resources with particular focus on solar and wind energy generation; to design, construct, erect, assemble, commission and operate power-generating plants and related facilities for the conversion of renewable energy into usable form fit for electricity generation and distribution; and to perform other ancillary and incidental activities as may be provided by and under contract with the Government of the Republic of the Philippines, or any subdivision, instrumentality or agency thereof, or any government-owned and controlled corporation, or other entity engaged in the development, supply and distribution of renewable energy.

The Company was registered with the Philippine Board of Investments (BOI) on October 16, 2015 as a renewable energy developer of solar energy resources under the Renewable Energy Act of 2008, Republic Act (RA) No. 9513.

The Company’s 22.33 megawatt (MW) Clark Solar Power Project in Clark, Freeport Zone, Pampanga was successfully commissioned on March 12, 2016 through the confirmation of the Department of Energy (DOE) covering its Solar Energy Service Contract (SESC) No. 2014-07-086 and Amended Certificate of Commerciality No. SCC-2015-03-014-B with validity of 25 years.

Prior to May 17, 2018, the Company is 66.25% owned by Mabalacat Solar Philippines, Inc., a company incorporated in the Philippines and 37.75% owned by Lumos Investment Pte. Limited (Lumos), a company incorporated in Singapore.

On May 17, 2018, the Company’s shareholders entered into a Sale and Purchase Agreement with Citicore Renewable Energy Corporation (the “Parent Company”), a company incorporated in the Philippines and is engaged in power generation under the Renewable Energy Law, with the latter acquiring 100% of the Company’s share capital making the Company a wholly owned subsidiary. The Certificate Authorizing Registration (CAR) for the transfer of shares of previous shareholders to the Parent Company was issued by the Bureau of Internal Revenue (BIR) on March 18, 2019 and June 2, 2020.

The Company’s ultimate parent company beginning May 17, 2018 is Citicore Holdings Investment, Inc., a company incorporated in the Philippines as a holding company engaged in buying and holding shares of other companies.

On May 25, 2021, the Company's Board of Directors (BOD) and shareholder approved, among others, the following amendments to the Company's Articles of Incorporation (AOI):

- Change of corporate name to Citicore Energy REIT Corp.;
- Amendment of the primary purpose to that of a real estate investment trust. The amended primary purpose of the Company is to engage in the business of owning income-generating real estate assets, including renewable energy generating real estate assets, under a real estate investment trust (REIT) by virtue of RA No. 9856, otherwise known as the "Real Estate Investment Trust Act of 2009" and its implementing rules and regulations;
- Provision of additional corporate powers in relation to the amended primary purpose;
- Change of principal office address from Prince Balagtas Avenue Extension, Clark Freeport Zone, Pampanga to 11F, Rockwell Santolan Town Plaza, 276 Col. Bonny Serrano Avenue, San Juan City, Metro Manila;
- Change of term of existence to have perpetual existence;
- Increase in the number of directors to eight (8);
- Increase of authorized share capital to P3.84 billion divided into 15.36 billion common shares with par value of P0.25 per share;
- Inclusion of express waiver of pre-emptive right to subscribe from the Company's unissued shares, increase in its authorized share capital or its treasury shares;
- Compliance with the lock-up requirements under the Listing Rules of the Philippine Stock Exchange, Inc. (PSE);
- Removal of the contractual restrictions on the disposition of the shares; and
- Inclusion of additional restriction on transfer of shares provided under RA No. 9856 and its implementing rules and regulations.

The Company's submission to the SEC for the foregoing amendments has been approved on October 12, 2021.

On November 4, 2021, the Company's BOD and shareholder approved, among others, to amend its AOI and delete one of the secondary purposes reflected in the amended AOI as approved by BOD on May 25, 2021 as follows: "to invest in or otherwise engage in the exploitation, development, and utilization of renewable energy resources with particular focus on solar and wind energy generation; to design, construct, erect, assemble, commission and operate power-generating plants and related facilities for the conversion of renewable energy into usable form fit for electricity generation and distribution; and to perform other ancillary and incidental activities as may be provided by and under contract with the Government of the Republic of the Philippines, or any subdivision, instrumentality or agency thereof, or any government-owned and controlled corporation, or other entity engaged in the development, supply and distribution of renewable energy". As at November 17, 2021, the Company's submission to the SEC for the foregoing amendment is pending approval.

As at November 17, 2021, the Company is in the process of completing and finalizing all statutory requirements in connection with the planned listing and offering of its shares to the public with the PSE.

*(b) Approval and authorization for the issuance of financial statements*

These financial statements have been approved and authorized for issuance on November 17, 2021 by Mr. Oliver Tan, President and Chief Executive Officer, as authorized by the Company's BOD.

**Note 2 - Segment reporting**

The Company's operating businesses are organized and managed according to the nature of the products and services that are being marketed. Each segment represents a strategic business unit that offers different products and serves different markets. The Company has operations only in the Philippines.

As at September 30, 2021, the Company derives revenue from sale of solar energy. This pertains to the generation of electricity from solar power energy through its Clark Solar Power Project. Transco is the Company's sole customer for its sale of solar energy. As a result of assignment of Solar Energy Service Contract of the Clark Solar Plant to its Parent Company, the sale of solar energy business would be terminated subject to the approval of Department of Energy (DOE) (Note 25).

The Company's management assesses the performance and allocates the resources of the Company as a whole, as all of the Company's activities are considered to be primarily to the sale of solar energy as at September 30, 2021. Therefore, as at September 30, 2021 management considers there is only one operating segment under the requirements of Philippine Financial Reporting Standards (PFRS) 8, "Operating Segments". In this regard, no segment information is presented.

As at September 30, 2021, only the investment property amounting to P234,545,502, which consists of several parcels of land, is attributable to the operating segment asset of the leasing segment (Note 8). The rest of the assets and liabilities of the Company is attributable to the operating segment assets and liabilities of the sale of solar energy segment. As at December 31, 2020 and 2019, all the Company's assets and liabilities were attributable to the operating segment assets and liabilities of the sale of solar energy segment.

For the nine months ended September 30, 2021 and 2020 and for the years ended December 31, 2020, 2019 and 2018, all of the Company's revenue and expenses are attributable to the sale of solar energy segment. Leasing operations are expected to commence in November 2021 (Note 11).

All revenues of the Company are from domestic entities incorporated in the Philippines, hence, the Company did not present geographical information required by PFRS 8.

### **Note 3 - Cash and cash equivalents**

Cash and cash equivalents consist of:

	September 30, 2021	December 31, 2020	December 31, 2019
Cash on hand	65,000	35,000	31,000
Cash in banks	32,202,260	12,763,953	1,321,944
Short-term placements	44,497,113	58,938,520	45,711,639
	<b>76,764,373</b>	<b>71,737,473</b>	<b>47,064,583</b>

Cash in banks earn interest at the prevailing bank deposit rates. Short-term placements represent money market placements or short-term investments with maturities up to three (3) months and annual interest ranging from 0.0625% to 1.00% (2020 – 1.23% to 1.85%; 2019 – 3.70% to 4.00%).

Interest income earned from cash in banks and short-term placements are as follows:

	Note	Nine months ended September 30		Years ended December 31		
		2021	2020	2020	2019	2018
Interest income	18	163,171	560,797	662,181	2,075,226	2,142,409

#### **Note 4 - Trade and other receivables, net**

Trade and other receivables, net consist of:

	Note	September 30, 2021	December 31, 2020	December 31, 2019
Trade receivables		40,861,686	41,996,272	36,324,140
Due from related parties	11	-	216,908,961	90,361,870
		40,861,686	258,905,233	126,686,010
Other receivable		1,944,096	1,944,096	1,944,096
Allowance for doubtful account of other receivable		(1,944,096)	(1,944,096)	-
		-	-	1,944,096
		40,861,686	258,905,233	128,630,106

Trade receivables are generally collectible within a 60-day period. In accordance with the Renewable Energy Payment Agreement (REPA), in the event that National Transmission Corporation (TransCo) fails to pay any amount stated in the feed-in tariff (FIT) statement of account upon the lapse of one billing period from the relevant payment date, TransCo shall pay to the Company such unpaid amount plus interest thereon, calculated from the relevant payment date to the day such amount is actually paid. Interest rate is the rate prevailing for a 91-day treasury bill plus 3%. Details of interest income arising from late payments of TransCo are as follows:

	Note	Nine months ended September 30		Years ended December 31		
		2021	2020	2020	2019	2018
Interest income	18	-	-	-	35,233	7,078,931

During 2018, the Company recognized interest income related to discounting of receivables amounting to P2.43 million (Note 18).

Movements in the discount on receivables for the year ended December 31, 2018 are as follows:

	Note	Amount
Beginning		1,652,710
Interest income	18	(2,431,967)
Amortization	18	779,257
		-

There were no transactions that would warrant recognition of discount on receivables for the nine months ended September 30, 2021 and 2020 and years ended December 31, 2020 and 2019.

Other receivable pertains to a refund for overpaid insurance. During 2020, the Company provided an allowance for doubtful accounts for this receivable amounting to P1.94 million due to the changes in its credit quality. The provision was recognized as part of operating expenses in the statements of total comprehensive income (Note 17).

The Company does not hold any collateral as security. Management believes that an allowance for doubtful accounts as at September 30, 2021, December 31, 2020 and 2019, except for other receivable which has been fully provided for, is not necessary since these account balances are deemed fully collectible. Trade receivables are all current in nature and all previous billings were collected in full.

None of the trade and other receivables that are fully performing have been renegotiated.



## **Note 5 - Prepayments and other current assets**

Prepayments and other current assets consist of:

	September 30, 2021	December 31, 2020	December 31, 2019
Deferred share issuance costs	16,422,400	-	-
Input value-added tax (VAT)	9,772,305	9,435,619	9,403,280
Prepaid taxes	856,900	1,430,404	1,854,350
Advances to suppliers	481,558	481,558	-
Advances to employees	324,412	217,509	134,976
Others	49,603	36,340	50,642
	<u>27,907,178</u>	<u>11,601,430</u>	<u>11,443,248</u>

Deferred share issuance costs pertain to costs incurred in relation to the issuance of shares relative to the planned listing and offering of the Company's shares to the public.

Input VAT represents VAT on purchases of goods and services which can be recovered as either tax credit against future output VAT or through refund.

Prepaid taxes include overpayment of withholding taxes and income taxes.

Advances to suppliers represent prepayment of supplies or services which will be delivered or rendered within the next 12 months.

## **Note 6 - Property, plant and equipment, net**

Details and movements of property, plant and equipment, net are as follows:

	Solar plant and equipment	Substation and transmission lines	Computer equipment	Service vehicle	Total
Cost					
January 1, 2019	1,664,296,964	44,477,618	-	-	1,708,774,582
Additions during 2019	-	-	40,000	135,500	175,500
December 31, 2019 and 2020, and September 30, 2021	1,664,296,964	44,477,618	40,000	135,500	1,708,950,082
Accumulated depreciation					
January 1, 2019	195,085,235	5,223,350	-	-	200,308,585
Depreciation	55,914,483	3,204,430	10,000	15,808	59,144,721
December 31, 2019	250,999,718	8,427,780	10,000	15,808	259,453,306
Depreciation	55,914,483	3,204,430	13,333	27,100	59,159,346
December 31, 2020	306,914,201	11,632,210	23,333	42,908	318,612,652
Depreciation	41,933,606	2,403,323	10,000	20,325	44,367,254
September 30, 2021	348,847,807	14,035,533	33,333	63,233	362,979,906
Net book values					
September 30, 2021	1,315,449,157	30,442,085	6,667	72,267	1,345,970,176
December 31, 2020	1,357,382,763	32,845,408	16,667	92,592	1,390,337,430
December 31, 2019	1,413,297,246	36,049,838	30,000	119,692	1,449,496,776

The Clark Solar Power Project was funded through a Term Loan Facility Agreement with Development Bank of the Philippines (DBP). The solar plant and equipment include capitalized borrowing costs amounting to P13.69 million. The Company's solar plant and equipment is pledged as collateral under the chattel mortgage agreement entered into in relation to this agreement. On May 4, 2021, the Parent Company assumed the Company's outstanding loan with DBP. As at September 30, 2021, the chattel mortgage was still attached on the solar plant and equipment, awaiting finalization of rescindment of the mortgage agreement with the DBP. The chattel mortgage agreement was rescinded by DBP on November 3, 2021.

Depreciation expenses are recognized as follows:

	Notes	Nine months ended September 30		Years ended December 31		
		2021	2020	2020	2019	2018
Cost of services	16	44,336,929	44,339,213	59,118,913	59,118,913	71,880,065
Operating expenses	17	30,325	30,325	40,433	25,808	-
		44,367,254	44,369,538	59,159,346	59,144,721	71,880,065

Additions for the years ended December 31, 2018 and 2019 amounted to P37,799 and P175,500, respectively, which were all paid in cash during the year of acquisition. This was reported as part of investing activity in the statements of cash flows. There were no additions for the nine months ended September 30, 2021 and 2020, and for the year ended December 31, 2020.

In 2019, management assessed, based on internal evaluations, that they will be able to utilize the solar plant and equipment for up to 30 years and substation and transmission lines for up to 15 years from the start of commercial operation which is also aligned with industry practice. As such, the BOD approved the change in estimated useful life of solar plant and equipment from 23 years to 30 years and substation and transmission lines from 23 years to 15 years.

The change in estimated useful life is considered to be a change in accounting estimate accounted for prospectively by recognizing the effect of the change in the period of change and future periods until the end of the useful life. The net effect of the change in useful life is decrease in depreciation expense annually amounting to P12.74 million starting 2019 to 2031 and P15.95 million starting 2032 to 2040 and increase amounting to P55.91 million from 2041 to 2045.

Based on the results of management assessment, the Company believes that there were no indicators of impairment as at September 30, 2021, December 31, 2020 and 2019.

#### **Note 7 - Other non-current assets**

Other non-current assets consist of:

	Note	September 30, 2021	December 31, 2020	December 31, 2019
Electric utility deposits		6,580,541	6,580,541	6,580,541
Security deposits	20	1,779,310	1,779,310	1,779,310
Restricted cash		752,774	615,197	308,357
		9,112,625	8,975,048	8,668,208

Electric utility deposits represent deposits to an electric power distribution company which are to be refunded after the service is terminated and all bills have been paid.

Restricted cash pertains to cash deposited in a local bank pursuant to Section 5(i) of RA No. 7638, otherwise known as, the “*Department of Energy Act of 1992*”, Energy Regulation No. 1-94. Under the regulation, generation companies and/or energy resource development facilities shall set aside one centavo per kilowatt-hour of the total electricity sold as financial benefits to the host communities.

## **Note 8 - Investment properties**

On May 25, 2021, the Company and Parent Company, executed a deed of assignment whereas the latter hereby assigns, transfers, and conveys a parcel of land located in Brgy. Armenia, Tarlac City, Tarlac to the former, absolutely, and free from all liens and/or encumbrances, valued at P4,865,286 in consideration for the issuance of Company's shares upon approval of the SEC of the Company's application for the increase in authorized share capital. On the same date, the Company and Citicore Solar Tarlac 1, Inc. (CST1) (formerly nv vogt Philippine Solar Energy Three, Inc.), an entity under common control, executed a deed of assignment whereas the latter hereby assigns, transfers, and conveys several parcels of land located in Brgy. Armenia, Tarlac City, Tarlac to the former, absolutely, and free from all liens and/or encumbrances valued at P229,680,216 in consideration for the issuance of Company's shares upon approval of the SEC of the Company's application for the increase in authorized share capital (Note 14). These parcels of land are recognized in reference to its fair value.

While the beneficial ownership and physical possession of the parcels of land have been conveyed to the Company through the assignment and subscription of shares, the actual transfer and registration of the parcels of land to the Company's name are still in process and have not yet been completed as at September 30, 2021. The actual transfer and registration of the parcels of land to the Company's name were finalized on October 27, 2021.

The aggregate fair value of these parcels of land as determined by an independent appraiser as at October 8, 2021 amounted to P671,580,000. Management has assessed that there are no significant changes in the fair value of the parcels of land as at September 30, 2021 from the date of appraisal. The fair value of the parcels of land was estimated by the independent appraiser using the Sales Comparison Approach which considers the sales of similar or substitute properties and related market data. This approach falls under Level 3 of the fair value hierarchy (Note 24.5). The unobservable key inputs to determine the fair value of the land are location characteristics, size and use of the land and time element.

The unobservable key inputs used to determine the fair value the parcels of land are as follows:

Unobservable inputs	Range of unobservable inputs
Location	0% to -5%
Size	5% to 15%
Use	10%
Time element	0%

The current use of the parcels of land is its highest and best use.

There was no rental income received and expenses incurred in relation to these parcels of land for the nine months ended September 30, 2021.

## **Note 9 - Trade payables and other liabilities**

Trade payables and other liabilities consist of:

	Note	September 30, 2021	December 31, 2020	December 31, 2019
Trade payables		3,901,513	6,794,533	6,647,557
Due to government agencies		33,718,453	85,508,641	66,787,314
Accrued expenses		1,229,073	1,390,283	1,254,086
Interest payable	10	-	31,916,918	3,690,805
		38,849,039	125,610,375	78,379,762

Trade payables are normally due within a 30-day period.

On May 6, 2021, the Company settled a portion of its due to government agencies with a local government unit amounting to P51.86 million by paying P22.17 million through compromise settlement. The difference of the obligation settled and the actual payment, including professional fees, amounting to P25.2 million was recognized as part of other income, net in the statements of total comprehensive income (Note 18). The remaining balance of due to government agencies pertains to unpaid business taxes to a local government unit.

Accrued expenses mainly include utilities, operations and maintenance expenses, which is normally settled the following month.

### **Note 10 - Loans payable**

Details of loans payable consist of:

#### **Development Bank of the Philippines**

	December 31, 2020	December 31, 2019
Current	126,446,281	120,913,719
Non-current	909,809,551	974,342,172
	<b>1,036,255,832</b>	<b>1,095,255,891</b>

Movements in loans payable are as follows:

	Nine months ended September 30		Years ended December 31		
	2021	2020	2020	2019	2018
Principal amount					
Beginning	1,043,181,818	1,104,545,454	1,104,545,454	1,227,272,727	1,350,000,000
Assignment of loan	(1,011,570,248)	-	-	-	-
Payments	(31,611,570)	(61,363,636)	(61,363,636)	(122,727,273)	(122,727,273)
Ending	-	1,043,181,818	1,043,181,818	1,104,545,454	1,227,272,727
Debt issuance cost					
Beginning	(6,925,986)	(9,289,563)	(9,289,563)	(11,258,274)	(12,943,045)
Amortization	6,925,986	1,122,594	2,363,577	1,968,711	1,684,771
Ending	-	(8,166,969)	(6,925,986)	(9,289,563)	(11,258,274)
	-	1,035,014,849	1,036,255,832	1,095,255,891	1,216,014,453

In 2016, the Company entered into a P1.35 billion Term Loan Facility Agreement with DBP. The facility was entered to finance the construction of Clark Solar Power Project. The entire facility was drawn on December 9, 2016.

The loan has a term of 12 years, maturing on December 8, 2028, inclusive of one (1) year grace period and is payable in forty-four equal quarterly installments commencing on the fifth quarter from the date of initial drawdown. The Company shall pay interest at fixed rate based on the bank's prevailing rate under the relevant program applied for and determined on the date of initial drawdown, subject to a floor rate of 5% per annum, payable quarterly commencing at the end of the first quarter from the date of initial drawdown and subject to adjustment by the bank at such rate as it may be determined at the end of fifth and tenth year of the loan.

As long as the loan agreement is in effect and until the payment is full and all other amounts due under the agreement has been collected by the bank, the Company agrees, unless the bank otherwise consent in writing, that the Company will not declare or pay dividends to its shareholder, other than dividends payable solely in shares of its share capital, or retain, retire, purchase or otherwise acquire any class of its share capital, or make any other capital or other asset distribution to its shareholders. Further, the Company shall maintain at all times during the entire term of the loan a debt-to-equity ratio (DER) of not exceeding 2:1 and the current ratio and debt service coverage ratio of not less than one (1) as defined in the Term Loan Facility Agreement. In 2019, the Company substantially complied with most of the covenants except for one (1) ratio which was covered by a bank waiver. As at December 31, 2020, the Company has complied with these covenants.

In March 2020, the Philippine government enacted the granting of a 30-day grace period for all loans with principal and/or interest falling due within the Enhanced Community Quarantine period without incurring interest on interest, penalties, fees and other charges pursuant to Republic Act No. 11649, also known as the “*Bayanihan to Heal as One Act*”. The Company availed of the deferral of its principal payment and interest due to DBP which in result spreads the deferred principal and interest amount to the remaining payments to be made for the remaining term of the loan. The impact of the deferral is not material hence no gain or loss on loan modification was recognized.

On May 4, 2021, the Parent Company assumed the Company’s outstanding loan with DBP with principal balance amounting to P1.01 billion. Consequently, the Company derecognized the loan and the corresponding interest payable amounting P13.02 million and recognized as part of due to a related party (Note 11). No gain or loss was recognized for the loan assignment. As a result of the assignment, the Company became indebted to its Parent Company for the same amount. Subsequently, the Parent Company used a portion of the amount reclassified as due to a related party amounting to P602.47 million to subscribe on the Company’s common shares to be taken from the increase in authorized share capital (Note 14). These are considered as non-cash transactions.

Details of finance costs including amortization of debt issuance cost recognized in the statements of total comprehensive income are as follows:

	Note	Nine months ended September 30		Years ended December 31		
		2021	2020	2020	2019	2018
Finance costs	18	24,973,910	34,855,890	60,028,178	65,040,216	70,381,262

Movements of interest payable are as follows:

	Nine months ended September 30		Years ended December 31		
	2021	2020	2020	2019	2018
Beginning	31,916,918	3,690,805	3,690,805	3,975,000	4,616,963
Interest expense net of amortization of debt issuance cost	18,047,924	33,733,296	57,664,601	63,071,505	68,696,491
Assumed by Parent Company	(13,024,012)	-	-	-	-
Interest payments	(36,940,830)	(29,250,761)	(29,438,488)	(63,355,700)	(69,338,454)
Ending	-	8,173,340	31,916,918	3,690,805	3,975,000

### Lumos

In December 2016, the Company entered into a loan facility agreement with Lumos amounting to US\$40 million or P1.57 billion with an annual interest of 8%.

In February 2017, the loan payable to Lumos amounting to P363.48 million was applied as payment to the subscription receivable following the SEC’s approval of the Company’s application to increase its authorized share capital.

As part of the share Sale and Purchase Agreement between Lumos and Citicore Power, Inc., the immediate parent company of the Parent Company (Note 1), the loan and related interest payable amounting to P243.75 million and P7.32 million, respectively, were assumed by the Parent Company. The movements of loans payable to Lumos for the year ended December 31, 2018 are as follows:

	Note	Amount
Beginning		278,620,827
Payments	11	(58,863,289)
Foreign exchange losses		23,991,862
Assumed by Parent Company	11	(243,749,400)
Ending		-

The assumption of loan by the Parent Company is considered as a non-cash transaction.

Total finance cost recognized for the year ended December 31, 2018 amounted to P16.00 million (Note 18). Total interest paid for the year ended December 31, 2018 amounted to P18.99 million. This was recognized as part of cash flows from financing activities in the statements of cash flows.

## **Note 11 - Related party transactions**

In the normal course of business, the Company transacts with companies which are considered related parties under Philippine Accounting Standards (PAS) 24, “*Related Party Disclosures*”.

The transactions and outstanding balances of the Company with related parties are as follows:

Related parties	Transactions					Outstanding balances			Terms and conditions
	Nine months ended September 30		Years ended December 31			September 30	December 31		
	2021	2020	2020	2019	2018	2021	2020	2019	
Parent Company									
Advances to (from)	227,942,488	39,525,345	39,525,344	101,236,796	(251,871,465)	227,942,488	129,887,214	90,361,870	Refer to (a).
Assignment of loans payable	(1,011,570,248)	-	-	-	-	(377,493,612)	-	-	Refer to (b) and Note 10.
Assumed interest payable	(13,024,012)	-	-	-	-	(13,024,012)	-	-	See Note 10.
						(162,575,136)	129,887,214	90,361,870	
Deposits for future shares subscription	607,330,352	-	-	-	-	607,330,352	-	-	Refer to (c) and Note 10.
Former immediate parent company									
Advances to	-	-	-	-	139,799,735	-	-	-	Refer to (a).
Loan assumed by Parent Company	-	-	-	-	243,749,400	-	-	-	See Note 10.
Loan payment	-	-	-	-	58,863,289	-	-	-	See Note 10.
Interest on loans	-	-	-	-	15,998,080	-	-	-	See Note 10.
Management fees	-	-	-	-	33,943,486	-	-	-	Refer to (d).
						-	-	-	
Entities under common control									
Advances to	87,021,747	21,747	87,021,747	-	-	-	87,021,747	-	Refer to (a).
Deposits for future shares subscription	229,680,216	-	-	-	-	229,680,216	-	-	Refer to (c) and Note 10.
						229,680,216	87,021,747	-	
Former entity under common control									
Advances to	-	-	-	-	1,157,805	-	-	-	Refer to (a).

(a) *Advances*

Advances to (from) related parties are made to finance working capital requirements or to assume receivables and payables to (from) related parties and/or third parties. Advances to related parties are unsecured, with no guarantee, non-interest bearing, collectible on demand and are expected to be collected in cash or offset with outstanding liability. Advances from related parties are unsecured, with no guarantee, non-interest bearing, and are expected to be settled in cash or offset with outstanding receivable. As at September 30, 2021, the Parent Company and the Company agreed to offset all related party receivables and payables resulting in a net payable to the Parent Company amounting to P162.58 million. The offset amounts as at September 30, 2021 are as follows:

	Amount
Receivables	227,942,488
Payables	(390,517,624)
	(162,575,136)

There was no offsetting as at December 31, 2020 and 2019.

Details of net payable to the Parent Company as at September 30, 2021 are as follows:

	Amount
Current	94,053,389
Non-current	68,521,747
	162,575,136

On September 30, 2021, the Company and the Parent Company agreed that portion of the net payable amounting to P94.05 million is to be settled upon demand by the Parent Company while the remaining balance of P68.52 million is to be settled after more than 12 months from September 30, 2021.

(b) *Loan assignment*

The loan assignment was recognized as part of due to a related party. Details and movement of due to a related party pertaining to the loan assignment for the period ended September 30, 2021 are as follows:

	Notes	Amount
Assignment of loan	10	1,011,570,248
Cash settlement	10	(31,611,570)
Subscription of shares	11 (c)	(602,465,066)
Ending amount subsequently classified as advances		377,493,612

(c) *Deposits for future shares subscription*

Details of deposits for future shares subscription as at September 30, 2021 are as follows:

	Notes	Conversion of advances	Land properties exchange	Total
Parent Company	8, 14	602,465,066	4,865,286	607,330,352
CST1	8, 14	-	229,680,216	229,680,216
		602,465,066	234,545,502	837,010,568



*(d) Management fees*

Management fees pertain to services provided by former immediate parent company to the Company during 2018. There are no other management fees incurred and charged by related parties for the nine months ended September 30, 2021 and 2020, and for the years ended December 31, 2020 and 2019.

*(e) Key management compensation*

Except for the directors' fees that the Company pays to each of the independent directors, there are no other arrangements for the payment of compensation or remuneration to the directors of the Company in their capacity as such. Directors' fees during the period ended September 30, 2021 amounted to P0.63 million (September 30, 2020, December 31, 2020, 2019 and 2018 - nil) (Note 17).

The Company's management functions are being handled by the Parent Company at no cost. No other short-term or long-term compensation was paid to key management personnel for the nine months ended September 30, 2021 and 2020 and for the years ended December 31, 2020, 2019 and 2018.

*(f) Lease agreements*

During 2021, the Company entered into various lease contracts, as a lessor, with related parties as follows:

- Sublease agreement of below land properties to related parties:

- Land property located in Brgy. Talavera, Toledo City, Cebu with Citicore Solar Cebu, Inc. (CSCI) (formerly First Toledo Solar Energy Corp.)

The agreement is effective for 19 years commencing on January 1, 2022 with the Company's right to reevaluate the lease payments at the end of the 10th year to consider changes in circumstances either economic conditions or actual performance of the sublessee vis-a-vis the three-year historical plant generation and market prices.

- Land property located in Brgy. Dalayap, Tarlac City, Tarlac with Citicore Solar Tarlac 2, Inc. (CST2) (formerly nv vogt Philippines Solar Energy Four, Inc.)

The agreement is effective for 19 years commencing on November 1, 2021 with the Company's right to reevaluate the lease payments at the end of the 10th year to consider changes in circumstances either economic conditions or actual performance of the sublessee vis-a-vis the three-year historical plant generation and market prices.

- Land property located in Brgy. Rizal, Silay City, Negros Occidental with Citicore Solar Negros Occidental, Inc. (CSNO) (formerly Silay Solar Power, Inc.)

The agreement is effective for 19 years commencing on January 1, 2022 with the Company's right to reevaluate the lease payments at the end of the 10th year to consider changes in circumstances either economic conditions or actual performance of the sublessee vis-a-vis the three-year historical plant generation and market prices.

- Lease contract of the land property located in Brgy. Armenia, Tarlac City, Tarlac with CST1

The agreement is effective for 25 years commencing on November 1, 2021 until October 31, 2046 with the Company's right to reevaluate the lease payments at the end of the 10th year to consider changes in circumstances either economic conditions or actual performance of the lessee vis-a-vis the three-year historical plant generation and market prices.

These lease agreements will result in the recognition of rental income on a straight-line basis over the lease term for the lease and sublease agreements classified as operating leases in the statements of total comprehensive income and corresponding lease receivables under trade and other receivables in the statements of financial position, if any, upon the effectivity of the sublease and lease agreements.

*(g) Memorandum of agreement for future sale and leaseback transaction*

The Company entered into a memorandum of agreement with Citicore Solar South Cotabato, Inc. (CSSCI) (formerly nv vogt Philippine Solar Energy One, Inc.) and Citicore Solar Bulacan, Inc. (CSBI) (formerly Bulacan Solar Energy Corporation), entities under common control, for the future sale of land properties owned by CSSCI and CSBI to the Company and subsequent leaseback.

This will result in the recognition of investment properties in the statements of financial position for the land properties that will be acquired and recognition of rental income on a straight-line basis over the lease term for the leaseback to the related parties. These will be classified as operating leases in the statements of total comprehensive income and corresponding lease receivables under trade and other receivables in the statements of financial position, if any, upon the consummation of the agreement.

On July 26, 2021, the BOD approved Company's material related party transaction policy to adhere with SEC Memorandum Circular No. 10, Series of 2019 which include: the identification of related parties, coverage of material related party transactions, adjusted thresholds, identification and prevention or management of potential or actual conflicts of interests arising out of or in connection with the material related party transactions, guidelines in ensuring arm's length terms, approval of material related party transactions, self-assessment and periodic review of policy, disclosure requirements, whistleblowing mechanisms, and remedies for abusive material related party transactions. The BOD, with the assistance of the Related Party Transaction Review and Compliance Committee ("RPTRCC"), shall oversee, review, and approve all related party transactions to ensure that these are conducted in the regular course of business and on an arm's length basis and not undertaken on more favorable economic terms to the related parties than with non-related or independent parties under similar circumstances. The RPTRCC shall be granted the sole authority to review related party transactions. Those falling within the materiality thresholds set by the Company's BOD shall require the approval of the Chief Executive Officer and/or President or the BOD, as the case may be.

**Note 12 - Other non-current liability**

Other non-current liability as at December 31, 2019 consists of provision for asset retirement obligation amounting to P1.06 million which pertains to the restoration costs of the leased land to its original condition upon the termination of the lease agreement.

In 2020, the Company reversed the full amount of the provision as management assessed that this is no longer expected to be settled or incurred upon termination of the lease agreement.

In 2018, the Company recognized interest expense on accretion provision for asset retirement obligation amounting to P43,168 (Note 18). No related interest expense was recognized for the year ended December 31, 2019.

**Note 13 - Retirement benefits**

The Company provides for the estimated retirement benefits based on the requirements of RA No. 7641, otherwise known as the "Retirement Pay Law". Under the Retirement Pay Law, the retirement benefit obligation is computed as one-half of monthly salary for every year of service, a fraction of six months being considered as one whole year. The term one-half of monthly salary shall mean 15 days plus the one-twelfth of the 13th month, and the cash equivalent of not more than five days service incentive leaves.

The retirement benefit obligation is determined using the “Projected Unit Credit” (PUC) method. Under the PUC method, the annual normal cost for the portion of the retirement is determined as the amount necessary to provide for the portion of the retirement benefit accruing during the year. The latest actuarial valuation was sought from an independent actuary last June 30, 2021 financial reporting period.

The retirement benefit obligation recognized in the statement of financial position as at September 30, 2021 amounted to P236,004 (December 31, 2020 - P2,915,664, December 31, 2019 - nil).

The movements in present value of defined benefit obligation recognized in the statements of financial position are as follows:

	September 30, 2021	December 31, 2020
Beginning	2,915,664	-
Current service cost	125,321	2,915,664
Interest cost	3,308	-
Reversal of retirement benefit obligation	(2,757,395)	-
Remeasurement gain arising from:		
Changes in financial assumptions	(44,744)	-
Deviations of experience from assumptions	(6,150)	-
Ending	236,004	2,915,664

Reversal of retirement benefit obligation relates to changes in expected retirement benefits to be paid by the Company to employees. This is recognized directly in profit or loss a part of retirement benefit (income) expense.

The components of retirement benefit (income) expense are as follows:

	Note	Nine months ended September 30		Year ended
		2021	2020	December 31, 2020
Current service cost		125,321	3,038,128	2,915,664
Interest cost		3,308	-	-
Reversal of retirement benefit obligation		(2,757,395)	-	-
	16	(2,628,766)	3,038,128	2,915,664

The movements in remeasurement on retirement benefits for the nine months ended September 30, 2021 are as follows:

	Amount
Beginning	-
Remeasurement	
Changes in financial assumptions	(44,744)
Experience adjustment	(6,150)
Ending	(50,894)

Remeasurements during 2020 is not material due to insignificant changes in financial and demographic assumptions and experience adjustments, hence, not recognized.

The principal assumptions used are as follows:

	September 30, 2021	December 31, 2020
Discount rate	5.34%	4.07%
Salary increase rate	5.00%	5.00%

The present value of the defined benefit obligation is measured in terms of actuarial assumptions such as discount rate, salary increases and expected retirement age. The resulting amount was discounted based on the spot yield curve calculated from the Bankers Association of the Philippines (BAP) PHP Bloomberg BVAL Reference Rates (BVAL) benchmark reference curve for the government securities market (previously the PDEX (PDST-R2) market yields on benchmark government bonds) by stripping the coupons from government bonds to create virtual zero-coupon bonds. Salary increase rate was also considered which comprise of the general inflationary increase plus a further increase for individual productivity, merit and promotion. The salary increase rate is set by reference over the period over which benefits are expected to be paid.

The Company does not expect to create a fund in the next reporting period.

The weighted average duration of the defined benefit obligation as at September 30, 2021 is 17.8 years (December 31, 2020 - 18.3 years).

The sensitivity analysis has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation, with all other assumptions held constant.

	Change in assumption	Impact on defined benefit obligation	
		Increase	Decrease
<i>September 30, 2021</i>			
Discount rate	+/-1.00%	(0.03 million)	0.04 million
Salary increase rate	+/-1.00%	0.04 million	(0.03 million)
<i>December 31, 2020</i>			
Discount rate	+/-1.00%	(1.02 million)	0.01 million
Salary increase rate	+/-1.00%	0.69 million	(0.56 million)

Expected maturity analysis of undiscounted retirement benefits are as follows:

	September 30, 2021	December 31, 2020
One year to five years	81,802	1,590,324
More than five years to ten years	214,170	4,159,676
	295,972	5,750,000

#### **Note 14 - Share capital; Deposits for future shares subscription**

##### Share capital

The Company's share capital consists of:

	September 30, 2021		December 31, 2020 and 2019	
	Number of shares	Amount	Number of shares	Amount
Authorized share capital, issued and outstanding				
Common shares - P0.25 par value	2,159,999,994	539,999,999	-	-
Common class A - P1 par value	-	-	7,291,011	7,291,011
Common class B - P13.5 par value	-	-	4,856,985	65,569,298
Redeemable preference shares A - P27 par value	-	-	1,729,922	46,707,894
Redeemable preference shares B - P364.5 par value	-	-	1,153,448	420,431,796
		539,999,999		539,999,999

The holders of common class A and B shares are entitled to the same rights and privileges except for the right to dividend distribution which is in accordance with the par value ratio.

Redeemable preference shares A and B are non-convertible, non-voting and are redeemable at the option of the Company at par value, plus any accrued and unpaid cash dividends. In case of dissolution or liquidation, redeemable preference shares shall enjoy preference on the distribution of the Company's assets. Redeemable preference shares are not redeemable at the option of the holder.

Foreign nationals may own and hold common class B and redeemable preference shares B.

On March 12, 2021, the Company's BOD and shareholder approved that the redeemable preferred shares and other classes of common shares previously authorized and issued are and shall be convertible to one class common share and reduced the par value of all previously issued shares to P0.25 per share. Consequently, the Company amended its AOI to reflect the change and converted all its previously issued shares to one class common share. The Company's authorized share capital and issued and outstanding shares amounted to P539,999,999 divided into 2,159,999,994 shares at P0.25 par value per share. The related certificate of filing of amended AOI was approved by the SEC on May 31, 2021.

On May 26, 2021, the Company's BOD and shareholder approved the increase in the authorized share capital of the Company from P539,999,999 (composed of 2,159,999,994 shares at P0.25 par value per share) to P3,840,000,000 (composed of 15,360,000,000 shares at P0.25 par value per share). The approval of the increase in the authorized share capital was obtained from the SEC on October 12, 2021 (Note 1).

#### Deposits for future shares subscription

##### *(a) Advances from Parent Company to share conversion subscription*

On May 26, 2021, the Parent Company entered into a subscription agreement with the Company to subscribe 2,400,000,000 common shares to be taken from the increase in authorized share capital, upon approval by the SEC for a total consideration of P602,465,066. The Parent Company assigned P602,465,066 of its advances to fully pay the subscription price (Note 11). This is considered as a non-cash transaction.

##### *(b) Land properties for share subscription*

On May 26, 2021, the Parent Company entered into a subscription agreement with the Company to subscribe 19,461,142 common shares to be taken from the increase in authorized share capital, upon approval by the SEC, for a total consideration of P4,865,286. The Parent Company assigned a parcel of land located in Brgy. Armenia, Tarlac in favor of the Company to fully pay the subscription price (Notes 8 and 11). This is considered as a non-cash transaction.

On the same date, CST1 entered into a subscription agreement with the Company to subscribe 918,720,864 common shares to be taken from the increase in authorized share capital, upon approval by the SEC, for a total consideration of P229,680,216. CST1 hereby assigns several parcels of land located in Brgy. Armenia, Tarlac in favor of the Company to fully pay the subscription price (Notes 8 and 11). This is considered as a non-cash transaction.

These parcels of land were recognized as investment properties as at September 30, 2021 (Note 8).

As at September 30, 2021, deposits for future shares subscription amounting to P837.01 million from the subscriptions above were recognized as part of equity in the statements of financial position since the Company met all the conditions required by SEC Financial Reporting Bulletin (FRB) No. 006 for such recognition.

The application for the proposed increase has been filed with the SEC on May 25, 2021 and has been approved on October 12, 2021 (Note 1).

## **Note 15 - Revenues**

On March 11, 2016, the DOE confirmed the declaration of commerciality of the Company's Clark Solar Power Project under SESC No. 2014-07-086 (Note 1). The DOE confirmation affirms the conversion of said SESC from pre-development to commercial stage.

On March 12, 2016, the Clark Solar Power Project started delivering power to the grid following its commissioning. On June 3, 2016, the Clark Solar Power Project was issued a Certificate of Endorsement (COE) for FIT Eligibility under COE-FIT No. S-2016-04-020 by the DOE. By virtue of the endorsement, the Clark Solar Power Project is qualified to avail of the FIT system, upon the issuance by the ERC of the Certificate of Compliance (COC). On November 22, 2016, the ERC issued the COC to the Company. As a result, the Company was entitled to the FIT rate per kilowatt hour of energy output for a period of 20 years from March 12, 2016.

On May 26, 2020, the ERC issued Resolution No. 06, Series of 2020, which pertains to the approval of the adjustment of the FIT rate for 2016 entrants published on November 17, 2020 and shall take effect on December 2, 2020.

TransCo is the regulating body of all the FIT-rate eligible energy providers. Outstanding receivables under the FIT system due from TransCo amounted to P40.86 million as at September 30, 2021 (December 31, 2020 – P42.00 million; December 31, 2019 – P36.32 million) (Note 4).

## **Note 16 - Cost of services**

The components of cost of services are as follows:

	Notes	Nine months ended		Years ended December 31		
		September 30		2020	2019	2018
		2021	2020			
Depreciation and amortization	6, 20	45,931,421	45,933,705	61,244,901	61,244,901	71,880,065
Utilities		3,071,239	3,443,009	4,933,938	5,051,365	4,916,814
Outside services		2,506,481	2,969,977	3,711,108	7,360,805	14,879,599
Insurance		1,194,190	933,805	1,657,448	2,152,889	3,755,730
Salaries and wages		723,911	1,336,085	1,843,562	1,440,549	-
Repairs and maintenance		705,756	241,934	1,023,368	3,233,916	-
Taxes and licenses		216,963	16,425,126	17,281,122	17,784,779	33,693,409
Retirement benefit (income) expense	13	(2,628,766)	3,038,128	2,915,664	-	-
Rentals	20	-	-	-	-	9,544,772
Others		43,219	3,661	12,462	106,772	681,974
		51,764,414	74,325,430	94,623,573	98,375,976	139,352,363

### **Note 17 - Operating expenses**

The components of operating expenses are as follows:

	Notes	Nine months ended		Years ended December 31		
		September 30		2020	2019	2018
		2021	2020	2020	2019	2018
Taxes and licenses		13,730,895	3,887,657	4,340,315	1,775,610	4,512,340
Professional fees		1,120,972	31,125	41,500	181,020	3,180,598
Dues and subscriptions		938,366	425,217	949,262	674,390	-
Directors' fees	11	631,579	-	-	-	-
Repairs and maintenance		127,374	105,657	146,405	21,401	-
Charitable contributions		100,000	126,000	126,000	105,000	-
Transportation and travel		98,192	176,021	197,253	171,359	217,368
Communication, light and water		73,661	134,822	138,214	123,717	143,568
Depreciation	6	30,325	30,325	40,433	25,808	-
Bank charges		20,568	5,531	7,912	188,259	-
Management fees	11	-	-	-	-	33,943,486
Provision for doubtful accounts	4	-	1,944,096	1,944,096	-	-
Rentals	20	-	-	-	-	476,941
Loss on direct write-off of trade receivables		-	-	-	-	4,247,719
Others		827,852	56,588	56,569	120,267	399,054
		17,699,784	6,923,039	7,987,959	3,386,831	47,121,074

Portion of taxes and licenses amounting to P7.8 million pertains to costs for the listing and offering of the Company's shares to the public.

### **Note 18 - Other income, net; finance costs**

The components of other income, net are as follows:

	Notes	Nine months ended		Years ended December 31		
		September 30		2020	2019	2018
		2021	2020	2020	2019	2018
Gain on compromise settlement of due to government agencies	9	25,200,913	-	-	-	8,070,421
Interest income	3, 4	163,171	560,797	662,181	2,110,459	11,653,307
Reversal of asset retirement obligation	12	-	1,056,902	1,056,902	-	-
Recovery of assets written-off		-	-	-	-	3,500,000
Foreign exchange (losses) gains, net	22	(4,265)	(20,793)	(15,321)	(60,375)	3,906,498
		25,359,819	1,596,906	1,703,762	2,050,084	27,130,226

During 2018, the Company recognized other income arising from recovery of security deposits previously written-off.

In 2015, the Company recognized a provision amounting to P8.32 million related to government agencies' potential claims. During 2018, the remaining balance of provision amounting to P8.07 million was derecognized since the payment is no longer probable.

The components of finance costs are as follows:

	Notes	Nine months ended September 30		Years ended December 31		
		2021	2020	2020	2019	2018
Interests on						
Loans payable from DBP	10	24,973,910	34,855,890	60,028,178	65,040,216	70,381,262
Loan from a shareholder	10	-	-	-	-	15,998,080
Lease liabilities	20	3,010,121	3,020,087	4,026,048	3,686,845	-
Discount on receivable from a third party	4	-	-	-	-	779,257
Financing related fees		-	-	-	-	420,000
Accretion of provision for asset retirement obligation	12	-	-	-	-	43,168
		27,984,031	37,875,977	64,054,226	68,727,061	87,621,767

### **Note 19 - Income taxes**

As a BOI-registered enterprise (Note 1), the Company may avail the following incentives:

- Income Tax Holiday (ITH) for seven (7) years from date of actual commercial operation. The ITH shall be limited only to the revenues generated from the sale of electricity of the Clark Solar Power Project;
- Duty-free importation of machinery, equipment and materials including control and communication equipment, within the first ten (10) years from the issuance of the DOE Certificate of Registration; and
- Tax exemption on carbon credits.

The Company may also avail of certain incentives to be administered by appropriate government agencies subject to the rules and regulations of the respective administering government agencies.

Deferred income taxes are determined using income tax rates in the period the temporary differences are expected to be recovered or settled. Realization of the future tax benefits related to deferred income tax assets is dependent on many factors, including the Company's ability to generate taxable income in the future within the carry-over period of its unused tax losses. Management has considered this in reaching its conclusion not to recognize deferred income tax assets. In addition, the Company is still subject to ITH for the nine months ended September 30, 2021 and 2020 and for years ended December 31, 2020, 2019 and 2018 until October 15, 2022.

The Company's unrecognized deferred income tax assets arise from the following temporary differences:

	September 30, 2021	December 31, 2020	December 31, 2019
Accrued expenses	33,620,012	85,485,864	65,852,089
Provision for doubtful accounts	1,944,096	1,944,096	-
Excess of lease payments over interest on lease liabilities and amortization of right-of-use asset	1,074,270	2,038,390	1,890,751
Retirement benefit obligation	236,004	2,915,664	-
Unrealized foreign exchange loss	4,091	11,175	60,375
Net operating loss carryover (NOLCO)	-	-	9,966,459
Provision for asset retirement obligation	-	-	209,753
	36,878,473	92,395,189	77,979,427
Tax rate	10%	10%	10%
	3,687,848	9,239,519	7,797,943
Minimum corporate income tax (MCIT)	-	-	72,283
	3,687,848	9,239,519	7,870,226



The details of the Company's NOLCO are as follows:

Year of incurrence	Year of expiration	December 31, 2020	December 31, 2019
2016	2019	-	2,206,000
2018	2021	9,966,459	9,966,459
Total		9,966,459	12,172,459
Expired		-	(2,206,000)
Applied		(9,966,459)	-
		-	9,966,459

Where higher than normal income tax, the Company is required to pay MCIT equal to 2% of gross income as required by the Tax Reform Act of 1997 for other operating income. This amount may separately be offset against normal income tax liabilities for the three (3) immediately succeeding taxable years. The details of the Company's unrecognized excess MCIT over normal income tax are as follows:

Year of incurrence	Year of expiration	December 31, 2020	December 31, 2019
2016	2019	-	373
2017	2020	72,283	72,283
		72,283	72,656
Expired		(72,283)	(373)
		-	72,283

The reconciliation between income tax expense computed at the statutory tax rate and the actual income tax expense as shown in the statements of total comprehensive income follows:

	Nine months ended September 30		Years ended December 31		
	2021	2020	2020	2019	2018
Income tax at special tax rate of 10%	11,858,680	9,011,321	10,411,481	7,957,094	1,341,649
Income tax effects of:					
Non-deductible expenses	343,968	23,375	27,599	88,271	89,267
Application of NOLCO	-	-	-	-	4,663,042
Interest income subject to final tax	(16,317)	(56,080)	(66,218)	(207,523)	(457,438)
Non-taxable income due to ITH	(5,551,671)	1,249,092	(11,742,155)	(5,307,253)	(807,042)
Movement of unrecognized deferred income tax assets	(6,634,660)	(10,227,708)	1,369,293	(2,530,589)	(4,829,478)
	-	-	-	-	-

The effective tax rate used for the computation of income taxes and related balances for all the periods presented is at nil considering that the Company is still subject to ITH.

#### **Note 20 - Lease**

The Company has entered into various lease contracts as follows:

- (a) The Company leases a parcel of land where the Clark Solar Power Project was constructed. The agreement was entered on September 5, 2014 and is valid for twenty-five (25) years, renewable by the lessee upon consent of the lessor. The agreement stipulates rental payments amounting to Po.29 million and US\$105 with an escalation rate of 10% starting on the fourth year of the lease and every three (3) years thereafter. Upon termination of the lease, the leased property shall revert back to the lessor. There are no restrictions placed upon the lessee by entering into the lease agreement.

Security deposits for the lease agreement amounting to P1.78 million were presented as part of other non-current assets in the statements of financial position as at September 30, 2021, December 31, 2020 and 2019 (Note 7). These deposits are refundable to the Company upon termination of the lease agreement or at the end of the lease term. The impact of discounting is deemed to be immaterial.

The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

(b) During 2021, the Company entered into various lease contracts, as a lessee, with third parties as follows:

- Assignment of lease contract of a land property located in Brgy. Talavera, Toledo City, Cebu by CSCI, an entity under common control, with a third party, to the Company;
- Sublease agreement and lease contract with third parties for land properties located in Brgy. Dalayap, Tarlac City, Tarlac previously being leased by CST2, an entity under common control; and
- Lease agreement with a third party for a land property in Brgy. Rizal, Silay City, Negros Occidental previously being leased by CSNO, an entity under common control.

Lease terms are negotiated either on a collective or individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that will be held by the lessor. Leased assets may not be used as security for borrowing purposes.

No right-of-use assets and lease liabilities was recognized as at September 30, 2021 for above lease contracts since the earliest commencement date of the lease contracts will be on November 1, 2021.

From January 1, 2019 (PFRS 16, “Leases”)

The Company adopted PFRS 16 effective January 1, 2019 using the modified retrospective approach and opted not to restate comparative information. The Company measured the lease liability at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate as at January 1, 2019. The associated right-of-use assets for leases were measured at the amount equal to the lease liabilities, adjusted by the amount of any accrued rent or advance lease payments relating to the lease recognized in the statement of financial position as at December 31, 2018.

The effects of adoption of PFRS 16 on the Company’s financial statements as at January 1, 2019 are the recognition of the following:

	Increase (Decrease)
Right-of-use asset	43,937,092
Lease liabilities	51,606,419
Advance lease payment	(1,779,310)
Accrued rent	(9,448,637)

(a) Amounts recognized in the statements of financial position

Details of right-of-use asset, net and movements in the account are as follows:

	Note	Amount
Cost		
Adoption of PFRS 16 at January 1, 2019, December 31, 2019 and 2020, and September 30, 2021		43,937,092
Accumulated amortization		
Adoption of PFRS 16 at January 1, 2019		-
Amortization	16	2,125,988
December 31, 2019		2,125,988
Amortization	16	2,125,988
December 31, 2020		4,251,976
Amortization	16	1,594,492
September 30, 2021		5,846,468
Net book value		
September 30, 2021		38,090,624
December 31, 2020		39,685,116
December 31, 2019		41,811,104

Details of the lease liabilities are as follows:

	September 30, 2021	December 31, 2020	December 31, 2019
Current	317,261	294,139	21,201
Non-current	50,521,743	51,060,996	51,410,357
	50,839,004	51,355,135	51,431,558

Movements in lease liabilities are as follows:

	September 30, 2021	December 31, 2020	December 31, 2019
Beginning	51,355,135	51,431,558	51,606,419
Principal payments	(520,222)	(87,598)	(235,236)
Interest payments	(3,010,121)	(4,026,048)	(3,686,845)
Interest expense	3,010,121	4,026,048	3,686,845
Translation difference	4,091	11,175	60,375
Ending	50,839,004	51,355,135	51,431,558

Translation difference is recognized as part of foreign exchange losses, net under other income, net in the statements of total comprehensive income.

(b) Amounts recognized in the statements of total comprehensive income

Amounts recognized in the statements of total comprehensive income related to the lease agreement are as follows:

	Notes	Nine months ended September 30		Years ended December 31	
		2021	2020	2020	2019
Amortization expense of right-of-use asset	16	1,594,492	1,594,492	2,125,988	2,125,988
Interest expense	18	3,010,121	3,020,087	4,026,048	3,686,845
Translation difference		4,091	20,793	11,175	60,375
		4,608,704	4,635,372	6,163,211	5,873,208

The total cash outflows for the lease agreement are as follows:

	Nine months ended September 30		Years ended December 31	
	2021	2020	2020	2019
Payment of principal portion of lease liabilities	520,222	18,127	87,598	235,236
Payment of interest on lease liabilities	3,010,121	3,020,087	4,026,048	3,686,845
	3,530,343	3,038,214	4,113,646	3,922,081

*(c) Discount rate*

The lease payments are discounted using the Company's incremental borrowing rate of 7.86%, being the rate that the Company would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

*(d) Extension and termination options*

Extension and termination options are included in the lease agreement of the Company. These are used to maximize the operational flexibility in terms of managing the assets used in the Company's operations. The extension and termination options held are exercisable by the lessee upon consent of the lessor, hence, the extension and termination options have not been included in lease term.

*(e) Reconciliation of operating lease commitments and lease liabilities*

The reconciliation between the operating lease commitments disclosed in applying PAS 17 as at December 31, 2018 discounted using the Company's incremental borrowing rate and the lease liabilities recognized as at January 1, 2019 is as follows:

	Amount
Operating lease commitments, December 31, 2018	112,116,731
Discounting effect using incremental borrowing rate	(60,510,312)
Lease liabilities, January 1, 2019	51,606,419

Prior to January 1, 2019 (PAS 17, "Leases")

Total rental expense for the year ended December 31, 2018 related to the lease agreement above recognized in the statements of total comprehensive income is as follows:

	Notes	Amount
Cost of services	16	9,544,772
Operating expenses	17	476,941
		10,021,713

The Company's future minimum lease commitment arising from the lease agreement as at December 31, 2018 are as follows:

	Amount
Within 1 year	3,856,086
Between 1 and 5 years	21,518,036
More than 5 years	86,742,609
	112,116,731

## **Note 21 - Earnings per share (EPS)**

Basic and diluted EPS are as follows:

	Nine months ended September 30		Years ended December 31		
	2021	2020	2020	2019	2018
Net income	118,586,795	90,113,211	104,114,811	79,570,943	13,416,488
Weighted average number of common shares	2,159,999,994	2,159,999,994	2,159,999,994	2,159,999,994	2,159,999,994
Basic and diluted EPS	0.05	0.04	0.05	0.04	0.01

In March 2021, the Company's BOD and shareholder has approved to convert all of its common and preference shares to one class common share and reduced all the par values to P0.25 per share thereby increasing the number of common shares issued and outstanding (Note 14). The conversion and subsequent decrease in par value were considered in the calculation of weighted average number of common shares outstanding retrospectively for all the periods presented.

The Company has no potential dilutive common shares for the nine months ended September 30, 2021 and 2020 and for the years ended December 31, 2020, 2019 and 2018. Therefore, basic and diluted EPS are the same.

## **Note 22 - Financial risk and capital management and fair value estimation**

### **22.1 Financial risk management**

The Company's activities expose it to a variety of financial risks from its use of financial instruments: market risk, credit risk, and liquidity risk. The Company's overall risk management program seeks to minimize potential adverse effects on the financial performance of the Company. The policies for managing specific risks are summarized below.

The BOD has overall responsibility for the establishment and oversight of the Company's risk management framework. It monitors compliance with the risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. Risk management policies and systems are reviewed regularly to reflect changes in market conditions. The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

#### **22.1.1 Market risk**

Market risk is the risk that changes in market prices, such as interest rates, security price and foreign exchange rates, will affect the Company's total comprehensive income or the value of its financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing return. Security price is deemed not applicable since the Company has no debt or equity instruments traded in an active market. The management of these risks is discussed as follows:

##### **(a) *Interest rate risk***

Interest rate risk arises from the possibility that changes in interest rates would unfavorably affect future cash flows from financial instruments. The Company's exposure to risk for changes in market interest rates primarily relates to loans payable with fixed interest rate which was assumed by the Parent Company effective May 4, 2021.

Management believes that the related interest rate risk on this instrument is relatively insignificant having fixed interest rate.

The Company has no outstanding loans payable as at September 30, 2021 (December 31, 2020 - P1.04 billion, December 31, 2019 - P1.1 billion) (Note 10).

*(b) Foreign exchange risk*

The Company is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to U.S. Dollar. Foreign exchange risk arises when future commercial transactions, and recognized assets and liabilities are denominated in a currency that is not the Company's functional currency. Among others, management monitors the timing of settlements/payments to ensure that the Company is not unfavorably exposed to fluctuations of foreign exchange rates.

The Company's foreign currency denominated monetary liability as at September 30, 2021 refers to a portion of lease liabilities amounting to US\$20,257 (December 31, 2020 - US\$20,392, December 31, 2019 - US\$20,549) with Philippine Peso equivalent of P1.03 million (December 31, 2020 - P0.98 million, December 31, 2019 - P1.04 million).

Details of foreign exchange losses (gains), net are as follows:

	Note	Nine months ended September 30		Years ended December 31		
		2021	2020	2020	2019	2018
Unrealized losses (gains), net		4,091	20,793	11,175	60,375	(3,906,498)
Realized losses, net		174	-	4,146	-	-
	18	4,265	20,793	15,321	60,375	(3,906,498)

The Company's exposure to foreign currency risk is not significant due to the absence of material transactions and balances denominated in a currency other than the Company's functional currency.

**22.1.2 Credit risk**

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in a financial loss to the Company. The Company's credit risk arises primarily from its cash in banks, trade and other receivables, electric utility deposits, security deposits and restricted cash.

Exposure to credit risk arises from potential default of the counterparty, with a maximum exposure equal to the carrying amounts of these financial assets. The Company uses internal ratings to determine the quality of its financial assets. The Company determined that its financial assets are all considered high grade financial assets except for those that were fully provided for.

The maximum exposures to credit risk, pertaining to financial assets are as follows:

	Notes	September 30, 2021	December 31, 2020	December 31, 2019
Cash and cash equivalents*	3	76,699,373	71,702,473	47,033,583
Trade and other receivables	4	42,805,782	260,849,329	128,630,106
Electric utility deposits	7	6,580,541	6,580,541	6,580,541
Security deposits	7	1,779,310	1,779,310	1,779,310
Restricted cash	7	752,774	615,197	308,357
		128,617,780	341,526,850	184,331,897

\*excluding cash on hand

### Credit quality of financial assets

#### (i) Cash and cash equivalents and restricted cash in bank

Cash deposited/placed in banks are considered stable as the banks qualify as universal and commercial banks as defined by the Philippine Banking System and are approved by the BOD to minimize credit risk. The amounts deposited in these banks are disclosed in Notes 3 and 7. Cash on hand is not subject to credit risk.

#### (ii) Trade and other receivables

The Company has significant concentration of credit risk on its transactions with TransCo, its sole customer. However, this is brought down to an acceptable level since credit terms on billed fees for sale of electricity are fixed as provided in formal agreements, and are accordingly collected in accordance with this agreement and the Company's credit policy with no reported defaults and write-offs in previous years. The expected credit loss is determined to be immaterial by management.

The credit exposure on due from related parties is considered to be minimal as there is no history of default and collections are expected to be made within 12 months. The balances of due from related parties are considered as high-grade financial assets as the related parties have good financial standing and are highly liquid. The expected credit loss is determined to be immaterial by management.

Other receivables pertain to refund for overpaid insurance which has been long outstanding for more than one (1) year. Full provision has been recognized for this receivable as at September 30, 2021 and December 31, 2020.

#### (iii) Security deposits and electrical utility deposits

Security deposits and electrical utility deposits include cash required from the Company in relation to its lease agreement and service agreement, respectively. These deposits are assessed as high grade as there was no history of default and these are collectible upon termination of or at the end of the term of the agreements. The expected credit loss is determined to be immaterial by management.

### 22.1.3 Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as these fall due. The objective of the Company is to maintain a balance between continuity of funding and flexibility through the use of credit lines available from related parties and local banks. The policy of the Company is to first exhaust lines available from related parties before local bank lines are availed. The Company also has available due from related parties which can be readily collected to settle maturing obligations.

The Company seeks to manage its liquidity risk by maintaining a balance between continuity of funding and flexibility. The Company regularly evaluates its projected and actual cash flows. It also continuously assesses conditions in the financial markets for opportunities to pursue fund raising activities.

The Company's financial liabilities grouped into relevant maturity dates are as follows:

	Notes	Payable on demand	Less than 1 year	More than 1 year
<i>September 30, 2021</i>				
Trade payables and other liabilities*	9	-	5,130,586	-
Due to a related party	11	94,053,389	-	68,521,747
Interest**		-	3,992,848	45,730,370
Lease liabilities	20	-	317,261	50,521,743
		94,053,389	103,494,084	164,773,860

	Notes	Payable on demand	Less than 1 year	More than 1 year
<i>December 31, 2020</i>				
Trade payables and other liabilities*	9	-	40,101,734	-
Loans payable	10	-	126,446,281	909,809,551
Interest**		-	28,985,465	48,733,444
Lease liabilities	20	-	294,139	51,060,996
		-	195,827,619	1,009,603,991
<i>December 31, 2019</i>				
Trade payables and other liabilities*	9	-	11,592,448	-
Loans payable	10	-	120,913,719	974,342,172
Interest**		-	64,056,894	77,751,856
Lease liabilities	20	-	21,201	51,410,357
		-	196,584,262	1,103,504,385

\*excluding due to government agencies

\*\*expected interest on borrowings up to assignment date and lease liabilities up to maturity date

The amounts disclosed are the contractual undiscounted cash flows, except for lease liabilities, which are equivalent to their carrying balances as the impact of discounting is not significant. The Company expects to settle the above financial liabilities within their contractual maturity date.

## 22.2 Capital management

The Company maintains a sound capital to ensure its ability to continue as a going concern to provide returns to shareholder and benefits to other stakeholders and to maintain an optimal capital structure to reduce cost of capital.

The Company manages its capital structure and makes adjustments in the light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholder, pay-off existing debts, return capital to shareholder or issue new shares.

The BOD has overall responsibility for monitoring capital in proportion to risk. Profiles for capital ratios are set in the light of changes in the external environment and the risks underlying the Company's business, operations and industry.

The capital structure of the Company consists of equity, which comprises of deposits for future shares subscription, issued capital, retained earnings, and remeasurement on retirement benefits. The Company monitors capital on the basis of net gearing ratio, which is calculated as total debt divided by total equity. Total debt is defined as short-term and long-term bank borrowings less cash and cash equivalents, while equity is total equity as shown in the statements of financial position.

The net debt reconciliation and gearing ratio are presented below:

	Notes	September 30, 2021	December 31, 2020	December 31, 2019
Loans payable, beginning	10	1,036,255,832	1,095,255,891	1,216,014,453
Cash flows		(31,611,570)	(61,363,636)	(122,727,273)
Non-cash movement	10	(1,004,644,262)	2,363,577	1,968,711
Loans payable, end	10	-	1,036,255,832	1,095,255,891
Cash and cash equivalents	3	(76,764,373)	(71,737,473)	(47,064,583)
Net (asset) debt		(76,764,373)	964,518,359	1,048,191,308
Total equity		1,520,752,981	565,104,724	460,989,912
Net gearing ratio		0.05:1	1.70:1	2.27:1

Non-cash movement pertains to the amortization of debt issuance cost and assignment of loans payable (Note 10).



### **22.3 Fair value estimation**

The carrying values of the financial instrument components of cash and cash equivalents, trade and other receivables, other non-current assets, trade payables and other liabilities (excluding due to government agencies), due to a related party, loans payable and lease liabilities approximate their fair values, due to the liquidity, short-term maturities and nature of such items. The fair values of other non-current assets, lease liabilities and non-current portion of loans payable are close to market rates. The fair value of due to a related party amounted to P158.25 million determined using discounted cash flow approach by applying current market interest rates of 1.88% (Level 2).

As at September 30, 2021, December 31, 2020 and 2019, the Company does not have financial instruments that are measured using the fair value hierarchy.

### **Note 23 - Critical accounting estimates and assumptions and judgements**

The preparation of the financial statements in conformity with PFRS requires management to make estimates, assumptions and judgments that affect the amounts reported in the financial statements and the related notes. Estimates, assumptions and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Company makes estimates, assumptions and judgments concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates, assumptions and judgments that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

#### **23.1 Critical accounting estimates and assumptions**

##### *(a) Impairment of trade and other receivables*

Provision for impairment of trade and other receivables is based on assumptions about risk of default and expected loss rates. The Company uses estimates in making these assumptions and selecting the inputs to the impairment calculation, based on the Company's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. Details of the key assumptions and inputs used are disclosed in Notes 24.3 and 24.4.

In 2020, the Company provided allowance for doubtful accounts for other receivables amounting to P1.94 million (September 30, 2021, December 31, 2019, and December 31, 2018 - nil). This is equivalent to the full lifetime expected credit loss using the expected credit loss model, hence, any sensitivity analysis is no longer deemed necessary. The carrying values of the Company's trade and other receivables are shown in Note 4.

##### *(b) Estimated useful lives of property, plant and equipment*

The Company reviews annually the estimated useful lives of property, plant and equipment based on the period over which the assets are expected to be available for use and are updated if expectations differ from previous estimates due to physical wear and tear or technical and commercial obsolescence. Estimated useful lives of property, plant and equipment are based on factors that include asset utilization, internal technical evaluation, technological changes, environmental and anticipated use of assets based on the related industry benchmark information and land lease term where the solar power plant is situated. It is possible that future results of operations could be materially affected by changes in these estimates brought about by changes in the factors mentioned. The estimated useful life used for solar plant and equipment was higher than the current land lease term of the Company since based on the management's assessment, the Company can still use the solar plant and equipment beyond the current land lease term.

In 2019, the BOD approved the change in the estimated useful life of the substation and transmission lines and solar plant and equipment from 23 years to 15 years and 30 years, respectively. The net effect of the change in useful life is disclosed in Note 6.

If the actual useful lives of these assets are prolonged or shortened by five (5) years, income before tax would be as follows:

	Impact on income before tax Increase (Decrease)				
	Nine months ended September 30		Years ended December 31		
	2021	2020	2020	2019	2018
Prolonged by 5 years	P6.69 million	P6.69 million	P8.92 million	P8.90 million	P10.85 million
Shortened by 5 years	(P9.77 million)	(P9.77 million)	(P13.03 million)	(P13.04 million)	(P23.05 million)

The range used was based on the management's assessment where potential impact to operations might occur. The carrying values of the Company's property, plant and equipment are shown in Note 6.

*(c) Determining incremental borrowing rate*

To determine the incremental borrowing rate, the Company uses the government bond yield, adjusted for the credit spread specific to the Company and security using the right-of-use asset. The basis of the discount rates applied by the Company are disclosed in Note 20. Any change in the rates would have direct impact to interest expense for the period and on lease liability. Higher discount rate will result in lower interest expense and lease liabilities and vice versa.

The Company is exposed to fixed-rate interest rate risk related to its lease liabilities. Lease liabilities are amortizing liabilities where each of the lease payments is treated partly as a payment of principal and partly as payment of interest. Accordingly, the interest rate risk will have a diminishing impact on the Company over the term of the lease.

*(d) Retirement benefit obligation*

The present value of the defined benefit obligation depends on a number of factors that are determined using a number of assumptions. The assumptions used include discount rate and salary increase rate. In determining the appropriate discount rate, the Company considers the interest rates of government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related retirement benefit obligation. Details of retirement benefit obligation and the related sensitivity analysis are disclosed in Note 13.

**23.2 Critical judgments in applying the Company's accounting policies**

*(a) Recoverability of non-financial assets*

The Company's non-financial assets such as property, plant and equipment and investment properties are tested for impairment annually or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the assets carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost to sell or value in use. Management believes that there are no indications that the carrying amount of non-financial assets may not be recoverable. Details of property, plant and equipment and investment properties are disclosed in Notes 6 and 8, respectively.

*(b) Critical judgment in determining the lease term*

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The Company considers the factors below as the most relevant in assessing the options:

- If there are significant penalties to terminate (or not extend), the Company is typically reasonably certain to extend (or not terminate).
- If any leasehold improvements are expected to have a significant remaining value, the Company is typically reasonably certain to extend (or not terminate).
- Otherwise, the Company considers other factors including historical lease durations and the costs and business disruption required to replace the leased asset.

Extension options in the Company's lease agreement have not been included in the lease liabilities because the Company's lease agreement states that extension and termination should be made upon mutual agreement by both parties and considering the estimated useful life of the solar power plant and the effectivity of the SESC. The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

*(c) Estimating cost of dismantling, removing or restoring items of fixed assets*

Determining the asset retirement obligation requires estimation of the costs of dismantling, installing and restoring lease properties to their original condition. The Company determined the amount of obligation by obtaining estimates of dismantling costs from the proponent responsible for the operation of the asset, discounted at the Company's current credit-adjusted risk-free rate depending on the life of the capital costs. While it is believed that the assumptions used in the estimation of such costs are reasonable, significant changes in these assumptions may materially affect the recorded expense or obligation in future periods.

As at December 31, 2019, the obligation amounted to P1.06 million (Note 12). During 2020, the Company reversed the full amount of the provision as management assessed that this is no longer expected to be settled in the future. No asset retirement obligation was recognized in 2021.

*(d) Income taxes*

Significant judgment is required in determining income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain in the ordinary course of business. The Company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due.

Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred income tax provisions in the period in which such determination is made. Further, recognition of deferred income taxes depends on management's assessment of the probability of available future taxable income against which the temporary differences can be applied. The components of unrecognized deferred income taxes are shown in Note 19.

The Company reviews the carrying amounts of deferred income tax assets at each reporting date and reduces the amounts to the extent that it is no longer probable that sufficient taxable profit will allow all or part of its deferred income tax assets to be utilized.

Further, the computation for income taxes and related balances have been made within the context of full PFRS. There is no significant difference in the recorded amounts had the computation was made under PAS 34, "Interim Financial Statements".

## **Note 24 - Summary of significant accounting policies**

The principal accounting policies applied in the preparation of these financial statements are set out below. The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except for the adoption of new and amended standards as set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated. The accompanying interim financial statements of the Company have been prepared for inclusion in the REIT Plan in relation to a planned capital-raising activity.

### **24.1 Basis of preparation**

The financial statements of the Company have been prepared in accordance with PFRS. The term PFRS in general includes all applicable PFRS, PAS, and interpretations of the Philippine Interpretations Committee (PIC), Standing Interpretations Committee (SIC) and International Financial Reporting Interpretations Committee (IFRIC) which have been approved by the Financial Reporting Standards Council (FRSC) and adopted by the SEC.

The financial statements of the Company have been prepared using historical cost basis.

The preparation of financial statements in conformity with PFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 23.

#### *(a) New standards, amendments and interpretations adopted by the Company*

No new standards, amendments or interpretations that are effective beginning January 1, 2021 are expected to have a material impact on the Company's financial statements.

#### *(b) New standards, amendments to existing standards and interpretations not yet adopted by the Company*

A number of new standards, and amendments and interpretations to existing standards are effective for the Company's annual periods after January 1, 2021 and have not been early adopted nor applied by the Company in preparing these financial statements. None of these are expected to be relevant and have an effect on the financial statements of the Company, while the most relevant one is set out as follows:

- Classification of Liabilities as Current or Non-current - Amendments to PAS 1 (effective January 1, 2023). The amendments affect only the presentation of liabilities in the statement of financial position - not the amount or timing of recognition of any asset, liability, income or expenses, or the information that entities disclose about those items. The amendments:
  - clarify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period and align the wording in all affected paragraphs to refer to the 'right' to defer settlement by at least 12 months and make explicit that only rights in place 'at the end of the reporting period' should affect the classification of a liability;
  - clarify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability; and
  - make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

The amendments are not expected to have a material impact on the Company's classification of liabilities. The amendments provided clear guidance which will support the Company's assessment.

- Onerous Contracts - Cost of Fulfilling a Contract - Amendments to PAS 37 (effective January 1, 2022). The amendment to PAS 37 clarifies that the direct costs of fulfilling a contract include both the incremental costs of fulfilling the contract and an allocation of other costs directly related to fulfilling contracts. Before recognizing a separate provision for an onerous contract, the entity recognizes any impairment loss that has occurred on assets used in fulfilling the contract. The amendments are not expected to have a material impact on the Company's financial statements.

No other standards, amendments or interpretations that are effective after January 1, 2021 are expected to have a material impact on the Company's financial statements.

#### **24.2 Cash and cash equivalents; Restricted cash**

Cash includes cash on hand and in banks that earn interest at the respective bank deposit rates. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three (3) months or less from the date of acquisition and are subject to an insignificant risk of changes in value and bank overdrafts.

Restricted cash is subject to regulatory restrictions and therefore not available for general use of the Company. This is classified as non-current asset as this is expected to be collected more than 12 months after the end of the reporting period.

Other relevant policies are disclosed in Note 24.4.

#### **24.3 Trade and other receivables**

Trade receivables, which have a 60-day credit term, and other receivables are initially recognized and carried at transaction price and subsequently measured at amortized cost, less provision for impairment loss. The fair value of trade receivables at initial recognition is equivalent to the original invoice amount (as the effect of discounting is immaterial).

The Company applies the simplified approach in measuring expected credit loss which uses a lifetime expected loss allowance for all trade receivables. To measure expected credit loss, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is charged against profit or loss in the statement of total comprehensive income.

When a receivable remains uncollectible after the Company has exerted all legal remedies, it is written-off against the allowance account for receivables. Subsequent recoveries of amounts previously written-off are credited to profit or loss in the statement of total comprehensive income.

The expected loss rates on trade receivables are based on the payment profiles of sales over a period of 12 months before the beginning of each reporting period and the corresponding historical credit losses experience within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Company has identified the gross domestic product and inflation to be the most relevant factor, and accordingly adjusts the historical loss rates based on expected changes in this factor.

Other relevant policies are disclosed in Note 24.4.

#### **24.4 Financial instruments**

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. The Company recognizes a financial instrument in the statement of financial position, when, and only when, it becomes a party to the contractual provisions of the instrument.

## Financial assets

### *(a) Classification*

The Company classifies its financial assets in the following measurement categories: fair value through profit or loss (FVPL), fair value through other comprehensive income (FVOCI) and amortized cost. The Company did not hold financial assets under the category financial assets at FVPL and FVOCI as at September 30, 2021, December 31, 2020 and 2019.

The classification depends on the entity's business model for managing its financial assets and the contractual terms of the cash flows. The Company's financial assets measured at amortized cost comprise of cash and cash equivalents (Note 24.2), trade and other receivables (Note 24.3), security deposits and electric utility deposits (Note 24.7) and restricted cash in bank (Note 24.2) in the statement of financial position.

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. Interest income from these financial assets, if any, is included in other income using the effective interest rate method. Any gain or loss arising on derecognition is recognized directly in the statement of total comprehensive income and presented as other income or expense. Impairment losses, if any, are presented in the statement of total comprehensive income within operating expenses.

### *(b) Recognition and measurement*

#### *(i) Initial recognition and measurement*

Regular-way purchases and sales of financial assets are recognized on the trade date (the date on which the Company commits to purchase or sell the asset). Financial assets not carried at fair value through profit or loss are initially recognized at fair value plus transaction costs.

#### *(ii) Subsequent measurement*

Financial assets at amortized cost are subsequently carried at amortized cost using the effective interest method.

### *(c) Impairment*

The Company recognizes an expected credit loss for all debt instruments not held at FVPL. Expected credit losses are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms. Expected credit losses are recognized in two stages. For credit exposure for which there has not been a significant increase in credit risk since initial recognition, expected credit losses are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month expected credit loss). 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 expected credit loss).

For cash and cash equivalents, due from related parties, other receivables, security deposits and electric utility deposits and restricted cash, the Company applies a general approach in calculating expected credit losses. The Company recognizes a loss allowance based on either 12-month expected credit losses or lifetime expected credit losses, depending on whether there has been a significant increase in credit risk on these financial assets since initial recognition. The carrying amount of the financial asset is reduced through the use of an allowance account, and the amount of the loss is charged against profit or loss in the statement of total comprehensive income. When the financial asset remains uncollectible after the Company has exerted all legal remedies, it is written-off against the allowance account. Subsequent recoveries of amounts previously written-off are credited to profit or loss in the statement of total comprehensive income.

For trade receivables, the Company applies a simplified approach in calculating expected credit losses. Therefore, the Company does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime expected credit losses at each reporting date. The Company 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. Impairment testing of trade receivables is described in Note 24.3.

The Company considers a financial asset in default when contractual payments are past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written-off when there is no reasonable expectation of recovering the contractual cash flows.

#### *(d) Derecognition*

Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

### Financial liabilities

#### *(a) Classification*

The Company classifies its financial liabilities in the following categories: financial liabilities at fair value through profit or loss (including financial liabilities held for trading and those that are designated at fair value); and financial liabilities at amortized cost. The Company's financial liabilities are limited to financial liabilities at amortized cost.

Financial liabilities at amortized cost pertain to issued financial instruments that are not classified as fair value through profit or loss and contain contract obligations to deliver cash or another financial asset to the holder or to settle the obligation other than the exchange of a fixed amount of cash. These are included in current liabilities, except for maturities greater than 12 months after the reporting period which are classified as non-current liabilities.

The Company's trade payables and other liabilities (excluding due to government agencies) (Note 24.11), due to a related party (Note 24.19), loans and interest payables (Note 24.15) and lease liabilities (Note 24.18) are classified under financial liabilities at amortized cost.

#### *(b) Recognition and measurement*

##### *(i) Initial recognition*

Financial liabilities at amortized cost are initially recognized at fair value plus transaction costs.

(ii) Subsequent measurement

Financial liabilities are subsequently carried at amortized cost using the effective interest method.

(c) *Derecognition*

Financial liabilities are derecognized when extinguished, i.e., when the obligation is discharged or is cancelled, expires, or paid.

Offsetting of financial assets and liabilities

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparty. The details of the Company's financial assets and liabilities subject to offsetting are disclosed in Note 11.

**24.5 Fair value measurement**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value of a non-financial asset is measured based on its highest and best use. The asset's current use is presumed to be its highest and best use. The fair value of financial and non-financial liabilities takes into account non-performance risk, which is the risk that the entity will not fulfil an obligation.

The Company classifies its fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

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

The appropriate level is determined on the basis of the lowest level input that is significant to the fair value measurement.

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets is the current bid price. These instruments are included in Level 1.

The fair value of assets and liabilities that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the asset or liability is included in Level 2. If one or more of the significant inputs is not based on observable market data, the asset or liability is included in Level 3. The Company uses specific valuation technique such as discounted cash flow analysis to determine fair value for the remaining financial instruments.

The Company does not hold financial and non-financial assets and liabilities at fair value as at September 30, 2021, December 31, 2020 and 2019.



## **24.6 Input value-added tax**

Input VAT is stated at historical cost less provision for impairment, if any. Provision for unrecoverable input VAT, if any, is maintained by the Company at a level considered adequate to provide for potential uncollectible portions of the claims. The Company, on a continuing basis, makes a review of the status of the claims designed to identify those that may require provision for impairment losses. Input VAT is derecognized once applied against output VAT or claimed for refund.

## **24.7 Prepayments and other assets**

Prepayments and other assets are expenses paid in cash and recorded as assets before these are used or consumed, as the services or benefits will be received in the future. Prepayments and other assets expire and are recognized as expense either with the passage of time or through use or consumption.

Prepayments and other assets are carried at cost and are included in current assets, except when the related goods or services are expected to be received and rendered more than 12 months after the end of the reporting period, in which case, these are classified as non-current assets.

Security deposits and electrical utility deposits pertain to advances to lessor relating to rent and service providers, respectively, which will be refunded at the end of the service periods, as determined in the contract agreements. Other relevant policies are disclosed in Note 24.4.

## **24.8 Property, plant and equipment**

Property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items, which comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of total comprehensive income within cost of services or operating expenses whichever is applicable during the financial period in which these are incurred.

Depreciation is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives (in years), as follows:

Solar plant and equipment	30
Substation and transmission lines	15
Computer equipment	3
Service vehicle	5

Land is not depreciated.

The assets' residual values, depreciation method and estimated useful lives are reviewed periodically, and adjusted if appropriate, at each reporting date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 24.10).

The carrying amount of an item of property, plant and equipment is derecognized on disposal or when no future economic benefits are expected from its disposal at which time the cost and related accumulated depreciation is removed from the accounts. Gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized under other income or expense in the statement of total comprehensive income.

#### **24.9 Investment properties**

Investment properties are properties (land or building - or part of a building - or both) held by the owner or by lessee under a lease to earn rentals or for capital appreciation or both, rather than for use in the operations or for administrative purposes; or sale in the ordinary course of business.

The initial cost of the investment properties consists of its purchase price, including non-refundable purchase taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use. After initial recognition, investment properties are measured at cost and accounted in accordance with PAS 16, "Property, plant and equipment".

Investment properties are derecognized upon disposal or when the investment properties are permanently withdrawn from use and no future economic benefits are expected from its disposal.

Gains or losses arising from the retirement or disposal of investment properties are determined as the difference between the net disposal proceeds and the carrying amount of the assets and are recognized under other operating income or expense in the statement of total comprehensive income in the period of the retirement or disposal.

Investment properties acquired through equity-settled transactions are measured in reference to the fair value of investment properties, unless the fair value cannot be estimated reliably. If the Company cannot estimate reliably the fair value of the investment properties received, the entity shall measure the value of the investment properties, and the corresponding increase in equity, indirectly, by reference to the fair value of the equity instrument.

Other relevant accounting policies are disclosed in Note 24.8.

#### **24.10 Impairment of non-financial assets**

Assets that have an indefinite useful life such as investment properties (related to land) not subject to amortization is evaluated annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired.

Assets that have definite useful lives and are subject to depreciation and amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that are previously impaired are reviewed for possible reversal of the impairment at each reporting date. Subsequent reversals are credited to other income in the statement of total comprehensive income.

#### **24.11 Trade payables and other liabilities**

Trade payables and other liabilities are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers with average credit terms of 30 days. Trade payables and other liabilities are classified as current liabilities if payment is due within one year or less. If not, these are presented as non-current liabilities.

Trade payables and other liabilities are recognized initially at transaction price and subsequently measured at amortized cost using the effective interest rate method.

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

Other relevant accounting policies are disclosed in Note 24.4.

#### **24.12 Provisions and contingencies**

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated. Provisions are not recognized for future operating losses. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as finance cost in the statement of total comprehensive income.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision shall be reversed and derecognized in the statement of financial position.

Contingent liabilities are not recognized in the financial statements. These are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the financial statements but disclosed when an inflow of economic benefit is probable. If it becomes virtually certain that an inflow of economic benefits will arise, the asset and the related income are recognized in the financial statements.

#### **24.13 Equity**

##### *(a) Share capital*

The Company's share capital is composed of common and preferred shares at par value. The amount of proceeds from the issuance or sale of common and preferred shares representing the aggregate par value is credited to share capital.

Proceeds in excess of par value of shares issued or additional capital contribution without corresponding issuance of shares are credited to share premium.

Redeemable preference shares are classified as equity if the redemption is at the option of the Company. However, if redeemable at the option of the holder, these are classified as liabilities.

After initial measurement, share capital and share premium, if any, are carried at historical cost and are classified as equity in the statement of financial position.

*(b) Deposits for future shares subscription*

Deposits for future shares subscription pertain to deposits made by the subscribers of Company's shares through cash and/or non-cash considerations. These are classified as equity if and only if all of the following elements are present:

- the unissued authorized share capital of the Company is insufficient to cover the amount of shares indicated in the contract;
- there is approval on the proposed increase in authorized share capital (for which a deposit was made);
- there is shareholder's approval of said proposed increase; and
- the application for the approval of the proposed increase has been presented for filing or has been filed with the SEC.

Otherwise, the deposits are presented as financial liabilities. Deposits for future shares subscription are derecognized and converted to share capital once corresponding shares have been issued.

*(c) Retained earnings (Deficit)*

Retained earnings (Deficit) includes current and prior years' results of operations, net of transactions with shareholder and dividends declared, if any.

*(d) Dividend distribution*

Dividend distribution to Company's shareholder is recognized as a liability in its financial statements in the period in which the dividends are approved and declared by the BOD.

*(e) Share issuance costs*

Share issuance costs are incremental costs directly attributable to the issuance or subscription of new shares. Share issuance costs which might be incurred in anticipation of an issuance of shares are recorded as an asset and deferred in the statement of financial position until the shares are issued. Upon issuance of shares, the deferred costs are charged to share premium or retained earnings, if no available share premium. If the shares are not subsequently issued, the transaction costs are recognized as expense under both approaches.

**24.14 Revenue and cost recognition**

(i) The following is a description of principal activities from which the Company generates its revenue.

*(a) Sale of solar energy*

The Company recognizes revenue from contracts with customer which pertains to generation of electricity at a point in time when control of the goods or services are transferred to the customers at transaction price that reflects the consideration to which the Company expects to be settled in exchange for the services.

The Company's current revenue stream is generation of electricity from solar power energy which management assessed as a single performance obligation. Sale of electricity is recognized whenever the electricity generated by the Company is transmitted through the transmission line designated by the buyer for a consideration.

Revenue from sale of electricity is based on the applicable FIT rate as transaction price as approved by the ERC. Revenue from sale of electricity is recognized monthly based on the actual energy delivered.

*(b) Rental income*

Rental income arising from operating lease agreements on its investment properties is recognized as income on a straight-line basis over the lease term or based on a certain percentage of the earnings of the lessees plus any variable component which are measured based on the actual results of operations of the lessees, as provided under the terms of the lease contract.

Other relevant accounting policies are disclosed in Note 24.18.

*(ii) Interest income*

Interest income is accrued on a time proportion basis by reference to the outstanding principal and at the effective interest rate applicable, which is the rate that discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount. Interest income is recognized using the effective interest method.

*(iii) Costs and expenses*

Costs and expenses are recognized in the statement of total comprehensive income when decrease in future economic benefit related to a decrease in an asset or an increase in a liability has arisen that can be measured reliably. Costs and expenses are recognized on the basis of a direct association between the costs incurred and the earning of specific items of income; on the basis of systematic and rational allocation procedures when economic benefits are expected to arise over several accounting periods and the association with income can only be broadly or indirectly determined; or immediately when an expenditure produces no future economic benefits or when, and to the extent that, future economic benefits do not qualify or cease to qualify, for recognition in the statement of financial position as an asset.

Costs and expenses in the statement of total comprehensive income are presented using the function of expense method. Costs of services are expenses incurred that are associated with the services rendered. Operating expenses are costs attributable to administrative and other business activities of the Company.

**24.15 Borrowings and borrowing costs**

Borrowings are initially recognized at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortized cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognized in the statement of total comprehensive income over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan capitalized as a contra liability account and amortised over the period of the facility to which it relates.

Borrowings are derecognized in the statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in the statement of total comprehensive income under finance cost.

A substantial modification of the terms of the existing borrowings or part of the borrowings is accounted for as an extinguishment of the original financial liability and a recognition of new financial liability. The terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid (net of any fees received and discounted using the original effective interest rate), is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability. The resulting difference is recognized as a gain or loss under other income, net in the statement of total comprehensive income.

Where the terms of a financial liability are renegotiated and the entity issues equity instruments to a creditor to extinguish all or part of the liability (debt for equity swap), a gain or loss is recognized as other income or expense in the statement of total comprehensive income, which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period. In cases of breaches in loan covenants prior to the end of a reporting period, borrowings are classified as current liability, unless a sufficient waiver of the covenant is granted by the lender, such that the borrowings do not become immediately repayable.

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of that asset. All other borrowing costs are recognized and charged under finance cost in the statement of total comprehensive income in the year in which they are incurred.

#### **24.16 Current and deferred income tax**

Income tax expense comprises current and deferred income taxes. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date where the Company operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted at reporting date and are expected to apply when the related deferred income tax asset is realized, or the deferred income tax liability is settled.

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

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority where there is an intention to settle the balances on a net basis.

Deferred income tax assets and liabilities are derecognized when relevant temporary differences have been realized and settled, respectively. The Company reassesses at each reporting the need to recognize previously unrecognized deferred income tax asset.

#### **24.17 Employee benefits**

##### *(a) Short-term benefits obligation*

Liabilities for wages and salaries, including non-monetary benefits that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognized in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled.

### *(b) Retirement benefits*

The Company has a defined benefit plan, which is unfunded and covers substantially all of its qualified employees. The defined benefit plan satisfies the minimum benefit requirements of RA No. 7641, otherwise known as the “*Retirement Pay Law*”.

A defined benefit plan is a retirement plan that defines an amount of retirement benefit that an employee will receive on retirement, usually dependent on certain factors such as age, years of service and compensation.

The retirement benefit obligation is calculated using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity which approximate the terms of the retirement benefit obligation. The retirement benefit obligation recognized in the statements of financial position is the present value of the defined benefit obligation at the end of the reporting period.

Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions, if material, are charged or credited to equity in other comprehensive income in the period in which they arise.

Past service costs are recognized immediately in profit or loss.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation. This cost is charged to profit or loss.

### *(c) Termination benefits*

Termination benefits are payable when employment is terminated by the Company before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Company recognizes termination benefits at the earlier of the following dates: (a) when the Company can no longer withdraw the offer of those benefits; and (b) when the entity recognizes costs for a restructuring that is within the scope of PAS 37, “*Provisions, Contingent Liabilities and Contingent Assets*” and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

## **24.18 Leases**

### *Accounting policies applied beginning January 1, 2019*

#### *Company as a lessee*

Assets and liabilities arising from a lease are initially measured on a present value basis. The right-of-use asset is amortized over the shorter of the asset's useful life and the lease term on a straight-line basis.

#### *(a) Measurement of lease liabilities*

Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that are based on an index or a rate;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for the Company's leases, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Company:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received;
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held for entities which do not have recent third-party financing; and
- makes adjustments specific to the lease (i.e. term, currency and security).

Lease payments are allocated between principal and interest expense. The interest expense is charged to the statement of total comprehensive income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

#### *(b) Measurement of right-of-use assets*

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

Right-of-use assets are generally amortized over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Company is reasonably certain to exercise a purchase option, the right-of-use asset is amortized over the underlying asset's useful life.

#### *(c) Extension and termination options*

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The lease term is reassessed if an option is actually exercised (or not exercised) or the Company becomes obliged to exercise (or not exercise) it.

The assessment of reasonable certainty is revised only if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee.

#### *Accounting policies applied until December 31, 2018*

##### *Company as a lessee*

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Fixed lease payments are recognized as an expense in the statements of total comprehensive income on a straight-line basis while the variable rent is recognized as an expense based on terms of the lease contract.



### Company as a lessor

The Company determines at lease inception whether each lease is a finance lease or an operating lease.

Leases where the Company does not transfer substantially all the risks and benefits of ownership of the assets are classified as operating lease. Operating lease payments received are recognized as an income on a straight-line basis over the lease term except for variable rent which is recognized when earned.

### **24.19 Related party relationships and transactions**

#### *(a) Related party relationship*

A related party relationship exists when one party has the ability to control, directly or indirectly through one or more intermediaries, the other party or exercise significant influence over the other party in making financial and operating decisions. Such relationship also exists between and/or among entities which are under common control with the reporting enterprise, or between and/or among the reporting enterprises and their key management personnel or directors.

In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

#### *(b) Related party transaction*

Related party transaction is a transfer of resources, services or obligations between a reporting entity and a related party regardless of whether a price is charged or not.

### **24.20 Foreign currency transactions and translation**

#### *(a) Functional and presentation currency*

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The financial statements are presented in Philippine Peso, which is the Company's functional and presentation currency.

#### *(b) Transactions and balances*

Foreign currency transactions are translated into Philippine Peso using the exchange rates prevailing at the dates of the transactions. Outstanding foreign currency denominated monetary assets and liabilities are translated at the exchange rate prevailing at reporting date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rate of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of total comprehensive income through profit or loss.

### **24.21 Segment reporting**

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Company's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Company's various lines of business.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

## 24.22 Earnings per share

Basic EPS is computed by dividing net income attributable to common shareholders by the weighted average number of common shares outstanding, after considering impact of any share dividends, share splits or reverse share splits during the period. Diluted EPS is calculated by adjusting the earnings and number of shares for the effects of dilutive potential common shares.

The number of ordinary or potential ordinary shares changes as a result of a share split or reverse share split are applied retrospectively and adjust the calculation of basic and diluted EPS for all periods presented. This applies regardless of whether the change occurred during the reporting period or after the end of the period before the financial statements are authorized for issue.

## 24.23 Seasonal fluctuations

The Company's revenues (including future rental income from investment properties) are correlated to the amount of electricity generated by its solar power plant and the solar power plants operating on the investment properties, which in turn is dependent upon irradiance and weather conditions. Irradiance and weather conditions have natural variations from season to season and from year-to-year and may also change permanently because of climate change or other factors. The Company believes that such seasonality is effectively managed as the Company and its lessees have installed systems to monitor the daily output of such solar power plants and calibrate and improve output, as the need arises, based on an expected performance ratio.

## 24.24 Events after the reporting period

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

## 24.25 Reclassification and correction of errors

The Company reclassified finance costs for the year ended December 31, 2018 amounting to P87.62 million from other income, net as a separate line item in the statement of total comprehensive income.

In addition, the Company also adjusted its statements of cash flows as follows:

- To correct cash outflow arising from interest payments on loans from a bank by an increase amounting to P3.57 million and a decrease amounting to P11.99 million for the years ended December 31, 2019 and 2018, respectively; and
- Principal payment of loan from a shareholder amounting to P241.00 million for the year ended December 31, 2018 as a non-cash activity since this pertains to the assumption of loan by the Parent Company from Lumos.

The impact of the correction of error in the statements of cash flows are as follows:

	Previously reported balances	Adjustments	Adjusted balances
<i>December 31, 2019</i>			
Cash flows from operating activities	146,877,159	3,573,539	150,450,698
Cash flows from financing activities	(186,431,516)	(3,573,539)	(190,005,055)
<i>December 31, 2018</i>			
Cash flows from operating activities	423,259,558	(252,984,450)	170,275,108
Cash flows from financing activities	(522,908,277)	252,984,450	(269,923,827)

The opening balances of assets, liabilities and equity as at December 31, 2019 in the statement of financial position were not presented since the reclassification did not have any impact on the previously reported balances. The reclassification also did not impact previously reported financial position, net income and retained earnings.

#### **Note 25 - Subsequent events**

##### **Assignment of Solar Energy Service Contract of the Clark Solar Plant and the subsequent lease of the plant to the Parent Company**

On October 13, 2021, the Company assigned SESC No. 2014-07-086 of the Clark Solar Plant to its Parent Company, thereby establishing the Parent Company as the operator of such plant. On the same date, the Company, as a lessor, and its Parent Company, as lessee, executed a lease contract for latter's use of the Clark Solar Plant in line with the assignment of SESC. The assignment is still subject to the approval of DOE as of report date. The lease agreement is effective for almost 18 years commencing on November 1, 2021 and ending on September 3, 2039 with the Company's right to reevaluate the lease payments at the end of the 10th year to consider changes in circumstances either economic conditions or actual performance of the Parent Company vis-a-vis the three-year historical plant generation and market prices. In addition, subject also to the Company's right over the leasehold property, the Company and Parent Company can continue and may further extend the lease period in a way that is beneficial to both parties. The monthly lease payment is equivalent to the sum of fixed and variable lease rates.

These will result in the recognition of rental income on a straight-line basis over the lease term for the lease agreement classified as operating lease in the statements of total comprehensive income and corresponding lease receivables under trade and other receivables in the statements of financial position, if any, upon the effectivity of the lease agreement.

The management has determined that these are non-adjusting events.

#### **Note 26 - Impact of COVID-19**

In the worldwide context of COVID-19 pandemic disease and unprecedented crisis that started in the first quarter of 2020, the Philippine Government has taken measures which caused disruptions to businesses and economic activities, and its impact continues to evolve.

In 2020, the government enacted the Republic Act No. 11649, also known as the "*Bayanihan to Heal as One Act*" providing relief to loan payments, interest and penalties thereon. The Company availed of this relief which resulted in the deferral of its principal payment and interest on its loans payable to DBP. This, in effect, spreads the deferred principal and interest amount to the remaining payments to be made throughout the term of the loan.

Aside from the deferral of the principal and interest on loans payable, the Company incurred additional expenses due to the quarantine and social distancing measures required by the Philippine Government. Based on the management's assessment, the COVID-19 pandemic had no other significant impact in the Company's financial statements as at and for the nine months ended September 30, 2021.

The Company's financial statements as at and for the nine months ended September 30, 2021 have been prepared applying the going concern principle. The management of the Company is not aware of any other significant uncertainties arising after the September 30, 2021 that would have any impact on its ability to continue as going concern. The Company is continuously monitoring the situation.

**Citicore Energy REIT Corp.**

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Supplementary Schedules as Required by Rule 68 of the Securities Regulation Code

September 30, 2021

Schedules	Description
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 the financial statements
D	Long Term Debt
E	Indebtedness to Related Parties (Long-Term Loans from Related Companies)
F	Guarantees of Securities of Other Issuers
G	Share Capital
	Reconciliation of Retained Earnings Available for Dividend Declaration
	A Map Showing the Relationships between and among the Parent Company and its Ultimate Parent Company, Middle Parent, Subsidiaries or Co-subsidiaries and Associates
	Schedule of Financial Soundness Indicator

**Citicore Energy REIT Corp.**

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Schedule A - Financial Assets

September 30, 2021

Name of issuing entity and association of each issue	Principal amount of bonds and notes	Amount shown in the statement of financial position	Income received and accrued
Financial assets at amortized cost			
Cash in banks			
BDO Unibank, Inc.	-	1,016,695	10,855
Development Bank of the Philippines Security Bank Corporation	-	30,261,787	1,559
Security Bank Corporation	-	923,778	442
Short-term placements			
Development Bank of the Philippines	-	44,497,113	150,315
Cash on hand	-	65,000	-
Total cash and cash equivalents	-	76,764,373	163,171
Trade and other receivables	-	40,861,686	-
Electric utility deposits	-	6,580,541	-
Security deposits	-	1,779,310	-
Restricted cash	-	752,774	-
Total financial assets	-	126,738,684	163,171

**Citicore Energy REIT Corp.**

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## Schedule B - Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related Parties)

September 30, 2021

Name and designation of debtor	Balance at beginning of period	Additions	Amounts collected	Amounts written-off	Current	Non-current	Balance at the end of the period
Advances to directors, officers, employees*	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Due from related parties							
Citicore Renewable Energy Corporation	129,887,214	98,055,274	-	-	-	-	227,942,488
Citicore Power, Inc.**	87,021,747	-	(87,021,747)	-	-	-	-
Total due from related parties	216,908,961	98,055,274	(87,021,747)	-	-	-	227,942,488

\*As required by Rule 68 of the Securities Regulation Code, this schedule shall be filed with respect to each person among the directors, officers and employees from whom an aggregate indebtedness of more than P1 million or one percent (1%) of total assets, whichever is less, is owed for items arising outside the ordinary course of business. There were no advances with respect to each person among the directors, officers and employees amounting to more than P1 million outside the ordinary course of business as at September 30, 2021.

\*\*During 2021, the Company offset the intercompany receivables with intercompany payables and consolidated the ending balance to the Parent Company.



**Citicore Energy REIT Corp.**

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Schedule D - Long Term Debt

September 30, 2021

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Title of Issue and type of obligation	Amount authorized by indenture	Amount shown under caption "Current portion of long-term debt" in related balance sheet	Amount shown under caption "Long-Term Debt" in related balance sheet	Notes
N/A	N/A	N/A	N/A	N/A

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**Citicore Energy REIT Corp.**

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

September 30, 2021

Name of related party	Balance at the beginning of the period	Balance at the end of the period
Citicore Renewable Energy Corporation	-	68,521,747

**Citicore Energy REIT Corp.**

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Schedule F - Guarantees of Securities of Other Issuers

September 30, 2021

Name of issuing entity of securities guaranteed by the Company for which this statement is filed	Title of issue of each class of securities guaranteed	Total amount guaranteed and outstanding	Amount owned by person for which statement is filed	Nature of guarantee
N/A	N/A	N/A	N/A	N/A

**Citicore Energy REIT Corp.**

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Schedule G - Share Capital

September 30, 2021

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Title of issue	Number of authorized shares	Number of issued and outstanding	Number of shares reserved for options, warrants, conversion, and other rights	Number of shares held by related parties	Directors, officers, and employees	Others
Common shares	2,159,999,994	2,159,999,994	N/A	2,159,999,874	120	N/A

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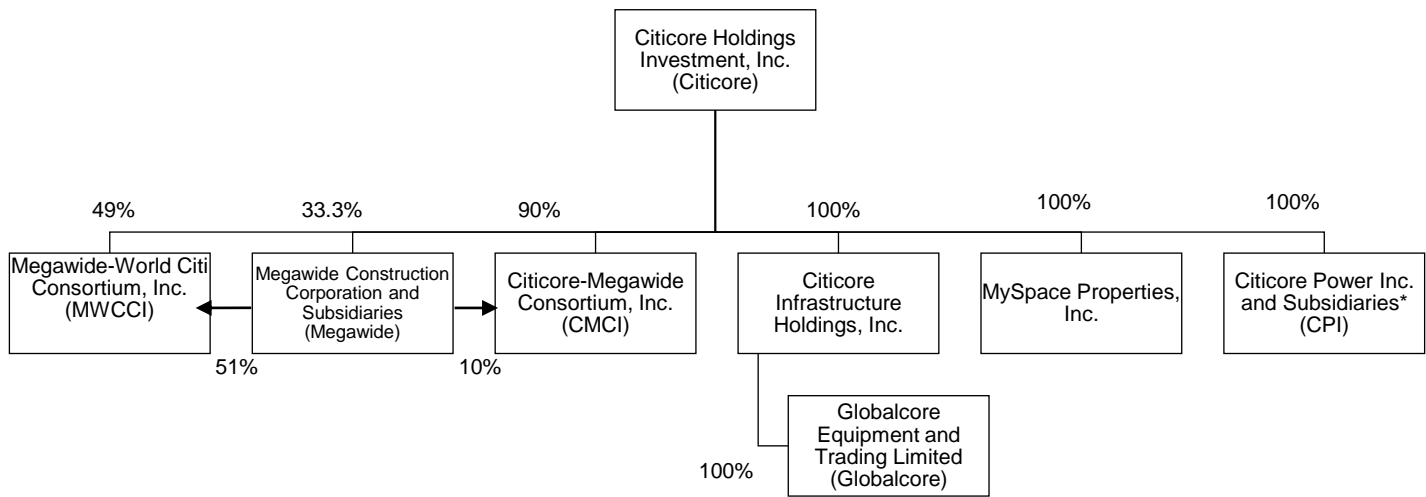
**Citicore Energy REIT Corp.**  
(Formerly Enfinity Philippines Renewable Resources Inc.)  
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Reconciliation of Retained Earnings Available for Dividend Declaration  
For the nine months ended September 30, 2021  
(All amounts in Philippine Peso)

<b>Unappropriated retained earnings, as adjusted to available for dividend declaration, beginning</b>	25,104,725
<b>Add : Net income actually earned during the period</b>	
Net income during the period closed to retained earnings	118,586,795
Less: Non-actual/unrealized income net of tax	
Equity in net income of associate/joint venture	-
Unrealized foreign exchange gain - net (except those attributable to cash and cash equivalents)	-
Unrealized actuarial gain	-
Fair value adjustment	-
Fair value adjustment of investment property resulting to gain	-
Adjustment due to deviation from PFRS - gain	-
Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS	-
Add: Non-actual losses	
Depreciation on revaluation increment (after tax)	-
Adjustment due to deviation from PFRS - loss	-
Loss on fair value adjustment of investment property (after tax)	-
<b>Net income actually earned during the period</b>	<b>118,586,795</b>
Add (Less):	
Dividends declarations during the period	-
Appropriations of retained earnings during the period	-
Reversal of appropriation	-
Effect of prior period adjustments	-
Treasury shares	-
<b>Unappropriated retained earnings available for dividend declaration, ending</b>	<b>143,691,520</b>

**Citicore Energy REIT Corp.**  
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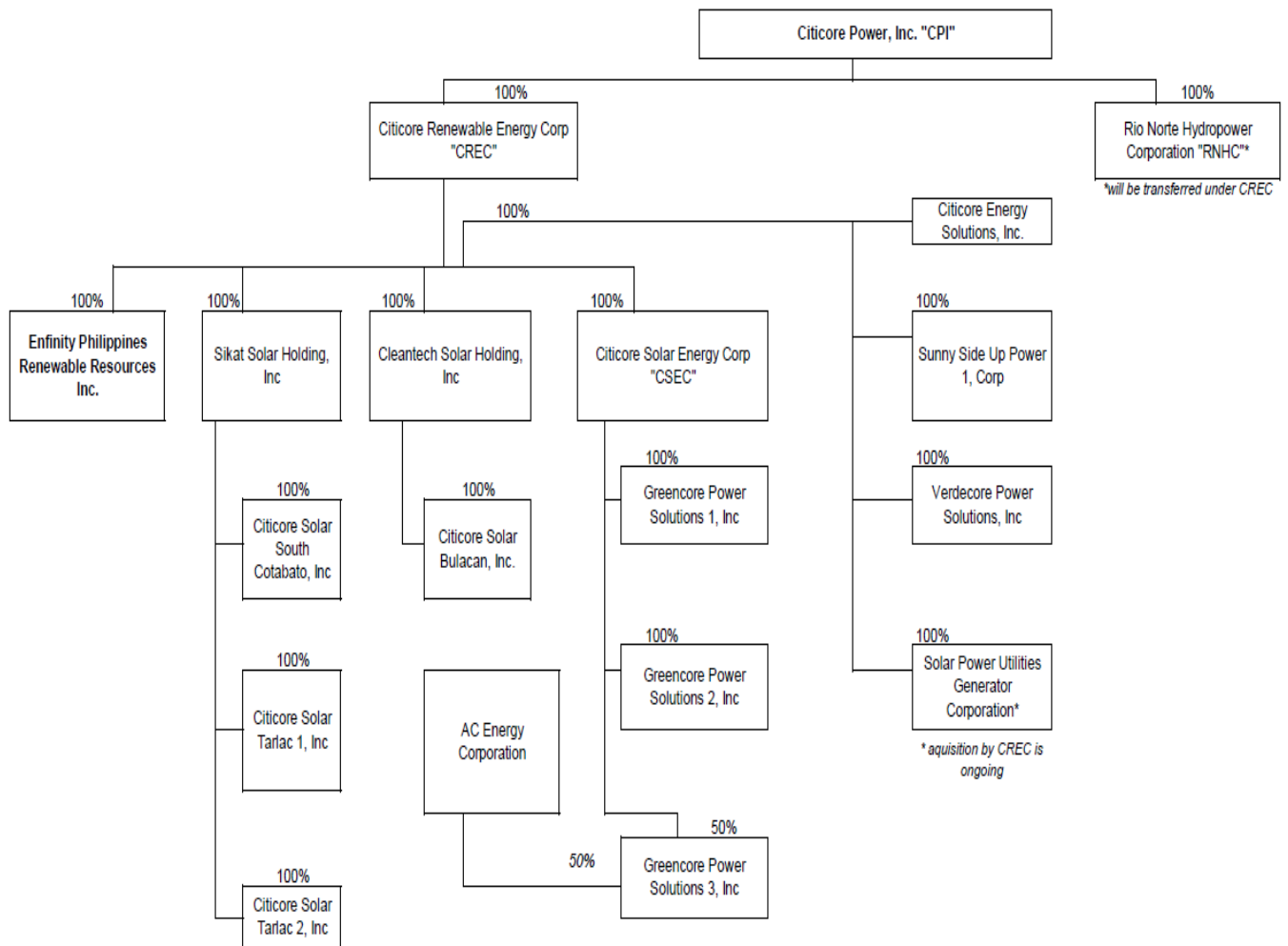
A Map Showing the Relationships between and among the Company and its  
 Ultimate Parent Company, Middle Parent, Subsidiaries or Co-subsidiaries and Associates  
 September 30, 2021



*\*See Schedule A*

**Citicore Energy REIT Corp.**  
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A Map Showing the Relationships between and among the Company and its  
 Ultimate Parent Company, Middle Parent, Subsidiaries or  
 Co-subsidiaries and Associates (Schedule A)  
 September 30, 2021



*Note: The table above is not an exclusive enumeration of the subsidiaries of CPI.*

**Citicore Energy REIT Corp.**

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Schedule of Financial Soundness Indicator

As at and for the nine months ended September 30, 2021 and 2020 and

As at and for the year ended December 31, 2020

(With comparative ratios as at and for the years ended December 31, 2019 and 2018)

	September 30, 2021	December 31, 2020	September 30, 2020	December 31, 2019	December 31, 2018
Current ratio <sup>a</sup>	1.09x	1.36x	1.75x	0.94x	0.84x
Acid test ratio <sup>b</sup>	0.88x	1.31x	1.67x	0.88x	0.77x
Solvency ratio <sup>c</sup>	-	0.22x	0.17x	0.19x	0.12x
Debt-to-equity ratio <sup>d</sup>	-	1.83x	1.88x	2.38x	3.19x
Asset-to-equity ratio <sup>e</sup>	1.17x	3.15x	3.16x	3.66x	4.41x
Interest rate coverage ratio <sup>f</sup>	5.97x	3.56x	4.55x	3.02x	1.66x
Debt service coverage ratio <sup>g</sup>	5.91x	1.19x	1.70x	1.09x	0.70x
Net debt/ EBITDA <sup>h</sup>	(0.46)x	4.23x	5.42x	5.05x	7.75x
Earnings per share (Php) <sup>i</sup>	0.05	0.05	0.04	0.04	0.01
Book value per share <sup>j</sup>	0.70	8.06	6.91	(0.51)	(7.06)
Return on assets <sup>k</sup>	6.67%	6.00%	5.26%	4.72%	0.67%
Return on equity <sup>l</sup>	11.37%	20.29%	17.81%	18.89%	3.58%
Net profit margin <sup>m</sup>	62.19%	38.69%	43.40%	32.08%	5.15%

<sup>a</sup> Current assets/current liabilities<sup>b</sup> Cash and cash equivalents + Trade and other receivables, net/Current liabilities<sup>c</sup> Net operating profit after tax + depreciation and amortization/Loans payable<sup>d</sup> Loans payable/ Total equity<sup>e</sup> Total assets/ Total equity<sup>f</sup> Earnings before interest, taxes, depreciation and amortization/Interest expense<sup>g</sup> Earnings before interest, taxes, depreciation and amortization/Current loan payable + Interest expense + Current lease liabilities<sup>h</sup> Short-term and long-term bank borrowings less cash and cash equivalents/Earnings before interest, taxes, depreciation and amortization<sup>i</sup> Net income attributable to ordinary equity holders of the Company/Weighted average number of ordinary shares<sup>j</sup> Total equity less Preferred Equity/Total number of shares outstanding<sup>k</sup> Net income attributable to owners of the Company/Average total assets<sup>l</sup> Net income attributable to owners of the Company/Average total equity<sup>m</sup> Net income/Revenue