Citicore Energy REIT Corp.

(Formerly Enfinity Philippines Renewable Resources Inc.)
(A subsidiary of Citicore Renewable Energy Corporation)

Financial Statements
As at December 31, 2023 and 2022 and for each of the three years in the period ended December 31, 2023

Independent Auditor’s Report

To the Board of Directors and Shareholders of
Citicore Energy REIT Corp.
(Formerly Enfinity Philippines Renewable Resources Inc.)
(A subsidiary of Citicore Renewable Energy Corporation)
11F Rockwell Santolan Town Plaza
276 Col. Bonny Serrano Avenue
San Juan City, Metro Manila

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 December 31, 2023 and 2022, and its financial performance and its cash flows for each of the three years in the period ended December 31, 2023, 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 December 31, 2023 and 2022;
- the statements of total comprehensive income for each of the three years in the period ended December 31, 2023;
- the statements of changes in equity for each of the three years in the period ended December 31, 2023;
- the statements of cash flows for each of the three years in the period ended December 31, 2023; and
- the notes to the financial statements, including material accounting policy information.

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.

Our Audit Approach

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where management made subjective judgments; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the Company, the accounting processes and controls, and the industry in which the Company operates.

Key Audit Matters

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

Key audit matters identified in our audit are summarized as follows:

Key audit matters	**How our audit addressed the key audit matters**
<u>ASEAN Green bonds listing</u> On February 10, 2023, the Company listed its maiden ASEAN Green Bonds amounting to P4.5 billion which bear a coupon interest rate of 7.0543% in the Philippine Dealing and Exchange Corp. (Note 11). Bond proceeds were used for the acquisition of new investment properties (Note 8) and the subsequent lease of these investment properties to related parties (Notes 12 and 15). The transactions are identified to have material impact to the financial statements and involved complex accounting treatment and judgment.	We addressed the key audit matter by obtaining understanding of these transactions and by performing certain audit procedures, which included the following: a. Bond offering - We traced the full amount of bond offering proceeds to the Company's bank statement. We also considered the requirements of Philippine Financial Reporting Standards (PFRS 9), "*Financial Instruments*" in the subsequent measurement of bonds payable at amortized cost as at December 31, 2023 and to ascertain the proper accounting treatment of bond issuance costs. b. Acquisition of new investment properties and the subsequent lease of these to related parties - We obtained respective deeds of absolute sale for the purchase of these investment properties including appraisal reports to determine proper valuation and also traced payments to bank statements to ascertain actual disbursement.

Key audit matters	**How our audit addressed the key audit matters**
	For subsequent lease to related parties, we obtained the related supporting documents including lease contracts and performed validation and recalculation of the amounts reported in the financial statements. We also considered the requirement of PFRS 16, *"Leases"* in the recognition of lease receivables and lease income.
<u>Fair value of investment properties</u> The Company leases ten (10) freehold land and subleases three (3) leasehold land to its related parties. All freehold and leasehold land assets are classified as investment properties which are accounted for using the cost model. The Company discloses the fair value of investment properties as required by PAS 40, *"Investment Property"*. The carrying value and fair value of investment properties amounted to P7.18 billion and P17.03 billion, respectively, as at December 31, 2023. Management determined the fair value of the investment properties based on the report issued by an accredited appraiser. The appraiser used the discounted cash flow model based on the lessor's interest in the land. The determination of the fair values of these properties involved significant assumption and estimations and complex calculations. These assumptions include discount rates which are influenced by the prevailing market rates and comparable market transactions. Discount rates are subject to higher level of estimation uncertainty due to the current economic conditions. The disclosures on the fair value of investment properties are included in Note 8 to the financial statements.	We obtained understanding of the nature, scope and objective of the appraiser's work. We evaluated the competence and capabilities of the accredited appraiser and objectivity by considering the accredited appraiser's qualifications, experience and reporting responsibilities. We also obtained an understanding of accredited appraiser's work including the data used, assumptions and calculation methods and evaluated the relevance and reasonableness of the accredited appraiser's findings and conclusions and consistency with other audit evidence we obtained. Data and assumptions used were validated as follows: a. Contract rent and unexpired lease term were traced to the lease agreements with related parties; and b. We compared the parameters used for discount rate and terminal value of the land against market data. We also assessed the adequacy of the fair value disclosures based on the requirements of PFRS 13, *"Fair Value Measurement"*.

Other Information

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

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

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

When we read other information, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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.

- 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.

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

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

Report on the Bureau of Internal Revenue Requirement

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information in Note 26 to the financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such supplementary information is the responsibility of management and has been subjected to the auditing procedures applied in our audits of the basic financial statements. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The engagement partner on the audit resulting in this independent auditor's report is Pocholo C. Domondon.

Isla Lipana & Co.

Pocholo C. Domondon
Partner
CPA Cert. No. 108839
P.T.R. No. 0011401; issued on January 12, 2024 at Makati City
T.I.N. 213-227-235
BIR A.N. 08-000745-128-2021; issued on December 9, 2021; effective until December 8, 2024
BOA/PRC Reg. No. 0142, effective until November 14, 2025

Makati City
March 19, 2024

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

Statements of Financial Position
As at December 31, 2023 and 2022
(All amounts in Philippine Peso)

	Notes	2023	2022
A S S E T S			
Current assets			
Cash	3	616,861,821	571,423,464
Trade and other receivables, net	4	64,504,503	52,446,926
Prepayments and other current assets	5	201,513,919	36,130,547
Total current assets		882,880,243	660,000,937
Non-current assets			
Trade and other receivables, net of current portion	4	369,976,872	213,970,456
Property, plant and equipment, net	6	1,212,929,526	1,272,055,348
Investment properties, net	8	7,182,437,936	2,925,297,244
Right-of-use assets, net	20	33,292,501	35,426,372
Other non-current assets	7	41,450,164	5,279,310
Total non-current assets		8,840,086,999	4,452,028,730
Total assets		9,722,967,242	5,112,029,667
LIABILITIES AND EQUITY			
Current liabilities			
Trade payables and other liabilities	9	107,437,383	51,253,584
Dividends payable	9, 14	312,332,383	280,442,419
Due to a related party	12	-	53,223,717
Lease liabilities	20	5,863,776	2,406,282
Total current liabilities		425,633,542	387,326,002
Non-current liabilities			
Lease liabilities, net of current portion	20	226,982,998	227,201,879
Security deposits and deferred rent income	12	140,914,842	143,130,106
Bonds payable	11	4,459,876,787	-
Retirement benefit obligation	13	314,672	314,672
Total non-current liabilities		4,828,089,299	370,646,657
Total liabilities		5,253,722,841	757,972,659
Equity			
Share capital	14	1,636,363,501	1,636,363,501
Additional paid-in-capital	14	2,307,335,739	2,307,335,739
Remeasurement on retirement benefits	13	50,894	50,894
Retained earnings		525,494,267	410,306,874
Total equity		4,469,244,401	4,354,057,008
Total liabilities and equity		9,722,967,242	5,112,029,667

The notes on pages 1 to 52 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 each of the three years in the period ended December 31, 2023
(All amounts in Philippine Peso)

	Notes	2023	2022	2021
Rental income	1, 15	1,798,186,978	1,374,529,631	17,773,892
Sale of electricity	15	-	-	334,519,230
Revenues		1,798,186,978	1,374,529,631	352,293,122
Cost of services	16	(103,045,990)	(91,269,041)	(74,207,762)
Gross profit		1,695,140,988	1,283,260,590	278,085,360
Operating expenses	17	(6,841,842)	(8,440,959)	(56,972,789)
Income from operations		1,688,299,146	1,274,819,631	221,112,571
Finance costs	18	(309,448,027)	(17,584,040)	(29,438,870)
Other income, net	18	19,245,257	3,377,749	26,005,926
Income before income tax		1,398,096,376	1,260,613,340	217,679,627
Income tax (expense) benefit	19	-	(8,200,316)	8,200,316
Net income for the year		1,398,096,376	1,252,413,024	225,879,943
Other comprehensive income				
Other comprehensive income that will not be subsequently reclassified to profit or loss				
Remeasurement gain on retirement benefits, net of tax	13	-	-	50,894
Total comprehensive income for the year		1,398,096,376	1,252,413,024	225,930,837
Earnings per share				
Basic and diluted	21	0.21	0.20	0.08

The notes on pages 1 to 52 are integral part of these financial statements.

Citicore Energy REIT Corp.
(Formerly Enfinity Philippines Renewable Resources Inc.)
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Statements of Changes in Equity
For each of the three years in the period ended December 31, 2023
(All amounts in Philippine Peso)

	Common shares (Note 14)	**Preference shares (Note 14)**	**Total share capital (Note 14)**	**Additional paid-in-capital (Note 14)**	**Remeasurement on retirement benefits**	**Retained earnings**	**Total**
Balances at January 1, 2021	72,860,309	467,139,690	539,999,999	-	-	25,104,725	565,104,724
Comprehensive income							
Net income for the year	-	-	-	-	-	225,879,943	225,879,943
Other comprehensive income for the year	-	-	-	-	50,894	-	50,894
Total comprehensive income for the year	-	-	-	-	50,894	225,879,943	225,930,837
Transactions with owners							
Reclassification of preference shares to common shares	467,139,690	(467,139,690)	-	-	-	-	-
Issuance of shares	834,545,502	-	834,545,502	2,465,066	-	-	837,010,568
Total transactions with owners	1,301,685,192	(467,139,690)	834,545,502	2,465,066	-	-	837,010,568
Balances at December 31, 2021	1,374,545,501	-	1,374,545,501	2,465,066	50,894	250,984,668	1,628,046,129
Comprehensive income							
Net income for the year	-	-	-	-	-	1,252,413,024	1,252,413,024
Other comprehensive income for the year	-	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	-	-	1,252,413,024	1,252,413,024
Transactions with owners							
Issuance of shares	261,818,000	-	261,818,000	2,408,725,600	-	-	2,670,543,600
Share issuance costs	-	-	-	(103,854,927)	-	-	(103,854,927)
Cash dividends	-	-	-	-	-	(1,093,090,818)	(1,093,090,818)
Total transactions with owners	261,818,000	-	261,818,000	2,304,870,673	-	(1,093,090,818)	1,473,597,855
Balances at December 31, 2022	1,636,363,501	-	1,636,363,501	2,307,335,739	50,894	410,306,874	4,354,057,008
Comprehensive income							
Net income for the year	-	-	-	-	-	1,398,096,376	1,398,096,376
Other comprehensive income for the year	-	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	-	-	1,398,096,376	1,398,096,376
Transactions with owners							
Issuance of shares	-	-	-	-	-	-	-
Share issuance costs	-	-	-	-	-	-	-
Cash dividends	-	-	-	-	-	(1,282,908,983)	(1,282,908,983)
Total transactions with owners	-	-	-	-	-	(1,282,908,983)	(1,282,908,983)
Balances at December 31, 2023	1,636,363,501	-	1,636,363,501	2,307,335,739	50,894	525,494,267	4,469,244,401

The notes on pages 1 to 52 are integral part of these financial statements.

Citicore Energy REIT Corp.
(Formerly Enfinity Philippines Renewable Resources Inc.)
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Statements of Cash Flows
For each of the three years in the period ended December 31, 2023
(All amounts in Philippine Peso)

	Notes	2023	2022	2021
Cash flows from operating activities				
Income before income tax		1,398,096,376	1,260,613,340	217,679,627
Adjustments for:				
Depreciation and amortization	6, 20	71,360,501	71,363,428	61,751,372
Finance costs	18	309,448,027	17,584,040	29,438,870
Unrealized foreign exchange (gain) losses, net	22	(10,960)	113,799	55,318
Retirement benefit income	13	-	-	(2,550,098)
Gain on compromise settlement of due to government agencies	9, 18	-	-	(25,200,913)
Interest income	3, 4, 18	(19,234,297)	(3,070,975)	(277,078)
Operating income before working capital changes		1,759,659,647	1,346,603,632	280,897,098
Changes in working capital:				
Trade and other receivables		(168,063,993)	(136,326,810)	(166,432,084)
Prepayments and other current assets		(171,718,274)	(17,586,521)	(6,942,596)
Other non-current assets		(36,170,854)	7,486,370	(3,790,634)
Trade payables and other liabilities		11,352,965	(7,701,307)	(17,741,987)
Due to a related party		(53,223,717)	(71,442,959)	-
Security deposits		(6,126,256)	141,239,078	-
Net cash generated from operations		1,335,709,518	1,262,271,483	85,989,797
Interest received		5,147,697	855,202	277,078
Net cash provided by operating activities		1,340,857,215	1,263,126,685	86,266,875
Cash flows from investing activities				
Additions to investment properties	8	(4,267,241,500)	(2,507,918,610)	-
Interest received from short-term placements		14,086,600	-	-
Net cash used in investing activities		(4,253,154,900)	(2,507,918,610)	-
Cash flows from financing activities				
Proceeds from issuance of shares	14	-	2,670,543,600	-
Principal payment of loans from a bank	10	-	-	(31,611,570)
Interest payment on loans from a bank	10	-	-	(36,940,830)
Principal payment of lease liabilities	20	(2,406,115)	(20,109,933)	(955,048)
Interest payment on lease liabilities	20	(10,589,344)	(9,951,228)	(4,464,960)
Payments of share issuance costs	5, 14		(68,190,556)	(35,017,592)
Payments of dividends	14	(1,250,181,713)	(805,090,842)	-
Interest payment on bonds	11	(238,082,626)	-	-
Proceeds from bonds issuance	11	4,500,000,000	-	-
Payments of bond issuance costs	11	(41,004,160)	-	-
Net cash provided by (used in) financing activities		2,957,736,042	1,767,201,041	(108,990,000)
Net increase (decrease) in cash		45,438,357	522,409,116	(22,723,125)
Cash at January 1	3	571,423,464	49,014,348	71,737,473
Cash at December 31	3	616,861,821	571,423,464	49,014,348

The notes on pages 1 to 52 are integral part of these financial statements.

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.

Prior to May 25, 2021, 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 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 Republic Act (RA) No. 9856, otherwise known as the *"Real Estate Investment Trust Act of 2009"* and its implementing rules and regulations.

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. On October 13, 2021, the Company assigned the SESC to Citicore Renewable Energy Corp. (the "Parent Company" or CREC), making the latter the operator of the Clark Solar Power Plant. The assignment was approved by the DOE on December 24, 2021.

On May 25, 2021, the Company's Board of Directors (BOD) and shareholders approved, among others, the following amendments to the Company's Articles of Incorporation (AOI): (i) change of corporate name from Enfinity Philippines Renewable Resources Inc. to Citicore Energy REIT Corp.; (ii) amendment of the primary purpose to that of a real estate investment trust; (iii) 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; and (iv) increase of authorized share capital to P3.84 billion divided into 15.36 billion common shares with par value of P0.25 per share.

On May 26, 2021, as part of the increase in authorized share capital, the Parent Company subscribed to 2.4 billion shares as consideration for the assignment by Parent Company of its advances to the Company amounting to P602,465,066. In addition, Parent Company and Citicore Solar Tarlac 1, Inc. (CST1) (formerly nv vogt Philippine Solar Energy Three, Inc.) subscribed to 19,461,142 shares and 918,720,864 shares, respectively, or a total of 938,182,006 shares, as consideration for the assignment of parcels of land, with an aggregate area of 138,164 sq.m., located in Brgy. Armenia, Tarlac (Note 14).

The Company's submission to the SEC for the foregoing amendments was approved on October 12, 2021. Upon issuance of the shares during 2021, the Company's shareholding structure was 16.7% and 83.3% owned by CST1 and Parent Company, respectively. Prior to October 12, 2021, the Parent Company owns 100% of the Company.

The Company's ultimate parent company 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 November 4, 2021, the Company's BOD and shareholders 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". The Company's submission to the SEC for the foregoing amendment was approved on November 17, 2021.

On January 14, 2022 and February 2, 2022, the Philippine Stock Exchange ("PSE") issued notice of acceptance and the Philippine SEC issued permit to sell, respectively, in relation to the Company's application for initial public offering. The Company attained its status as "public company" on February 22, 2022 when it listed its shares as a REIT in the main board of the PSE. As a public company, it is covered by the Part II of Securities Regulation Code ("SRC") Rule 68.

As at December 31, 2022, the Company has 135 shareholders, each owning one hundred (100) or more shares. As at December 31, 2023, the Company has 137 shareholders, each owning one hundred (100) or more shares.

The total shares outstanding are held by the following shareholders as at December 31, 2023:

	Percentage
CREC	47.76%
CST1	14.04%
Public	38.21%
	100.00%

On June 8, 2022, the Company's stockholders approved the issuance of fixed-rate bonds not exceeding thirty five percent (35%) of the value of the deposited property of the Company or up to the allowable leverage under the REIT Act of 2009 and its implementing rules and regulations. On February 10, 2023, the Company listed its maiden ASEAN Green Bonds amounting to P4.5 billion which bear a coupon interest rate of 7.0543% in the Philippine Dealing and Exchange Corp (Note 11). In 2022, the Company received PRS AA+ rating with stable outlook from PhilRatings for both the Company and its proposed bond issuance. The rating, which is considered as an investment grade, allowed the Company to increase its leverage limit from the minimum 35% of the deposited property to a maximum of 70% as prescribed in the REIT IRR. PRS AA+ rating is continuously monitored as long as the rated bond issuance is outstanding.

On March 15, 2024, the Parent Company and CST1 sold a total of 1,884,374,000 common shares in the Company at P2.6534 per share to SM Investments Corporation (SMIC) raising approximately P5.0 billion. The Parent Company will continue to be the single largest shareholder in the Company with a 32.88% effective ownership post-transaction. Proceeds from the sale will be used by the Parent Company to fund further development of solar construction projects across different locations nationwide.

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

These financial statements have been approved and authorized for issuance by the Company's BOD on March 19, 2024.

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.

The Company derives revenues from two (2) main segments as follows:

(a) Sale of solar energy

This business segment pertains to the generation of electricity from solar power energy through its Clark Solar Power Project. National Transmission Corporation (TransCo) is the Company's sole customer for its sale of solar energy. As a result of assignment of SESC of the Clark Solar Plant to its Parent Company, the sale of solar energy business was terminated with the approval of the DOE on December 24, 2021 effective December 25, 2021 (Note 15). The assignment entailed the transfer of rights as a service contractor with the Philippine government but did not convey ownership over the assets. This was a change in the revenue model using the same solar plant and equipment. The Company still generates cash flows from these assets in the form of lease income instead of sale of solar energy before the assignment. Notwithstanding the change in revenue model, the cash-generating unit remains intact and owned by the Company.

(b) Leasing

This business segment pertains to the rental operations of the Company with related parties which commenced in November 2021 (Note 15).

All amounts reported in the financial statements of the Company as at and for the years ended December 31, 2023 and 2022 are attributable to this segment except for trade receivables from TransCo amounting to P80.23 million and interest income arising from amortization of discount on trade receivables amounting to P4.42 million (Note 4), which are attributable to sale of solar energy segment.

The results of operations of the reportable segments of the Company for the years ended December 31 are as follows:

	2023			2022		
	Leasing	Sale of solar energy	Total	Leasing	Sale of solar energy	Total
Revenue	1,798,186,978	-	1,798,186,978	1,374,529,631	-	1,374,529,631
Cost of services	(103,045,990)	-	(103,045,990)	(91,269,041)	-	(91,269,041)
Gross profit	1,695,140,988	-	1,695,140,988	1,283,260,590	-	1,283,260,590
Operating expense	(6,841,842)	-	(6,841,842)	(8,440,959)	-	(8,440,959)
Finance costs	(309,448,027)	-	(309,448,027)	(17,584,040)	-	(17,584,040)
Other income, net	14,828,979	4,416,278	19,245,257	690,020	2,687,729	3,377,749
Income before income tax	1,393,680,098	4,416,278	1,398,096,376	1,257,925,611	2,687,729	1,260,613,340
Income tax expense	-	-	-	-	(8,200,316)	(8,200,316)
Net income for the year	1,393,680,098	4,416,278	1,398,096,376	1,257,925,611	(5,512,587)	1,252,413,024

The segment assets and liabilities of the reportable segments of the Company as at December 31 are as follows:

	2023			2022		
	Leasing	Sale of solar energy	Total	Leasing	Sale of solar energy	Total
Segment assets						
Current	865,429,026	17,451,217	882,880,243	653,134,328	6,866,609	660,000,937
Non-current	8,777,306,298	62,780,701	8,840,086,999	4,372,694,328	79,334,402	4,452,028,730
	9,642,735,324	80,231,918	9,722,967,242	5,025,828,656	86,201,011	5,112,029,667
Segment liabilities						
Current	425,633,542	-	425,633,542	387,326,002	-	387,326,002
Non-current	4,828,089,299	-	4,828,089,299	370,646,657	-	370,646,657
	5,253,722,841	-	5,253,722,841	757,972,659	-	757,972,659

All revenues of the Company are from domestic entities incorporated in the Philippines, hence, the Company did not present geographical information required by Philippine Financial Reporting Standards (PFRS) 8, *"Operating Segments".*

3 Cash

Cash as at December 31 consist of:

	2023	2022
Cash on hand	115,000	65,000
Cash in banks	616,746,821	571,358,464
	616,861,821	571,423,464

Cash in banks earn interest at the prevailing bank deposit rates.

Total interest income earned from cash in banks and short-term placements for the years ended December 31 is as follows:

	Note	2023	2022	2021
Interest income	18	14,818,019	383,246	246,942

4 Trade and other receivables, net

Trade and other receivables, net as at December 31 consist of:

	Note	2023	2022
Current			
Trade receivables from TransCo		17,451,217	6,866,609
Lease receivables	12	45,258,258	43,875,912
Other receivable		3,739,124	3,648,501
Allowance for doubtful account of other receivable		(1,944,096)	(1,944,096)
		1,795,028	1,704,405
		64,504,503	52,446,926
Non-current			
Trade			
Receivables from TransCo		62,780,701	79,334,402
Lease receivables	12	307,196,171	134,636,054
		369,976,872	213,970,456

Trade receivables are generally collectible within a 60-day period. In accordance with the Renewable Energy Payment Agreement (REPA), in the event that 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%. There are no interest income arising from late payments of TransCo for the years ended December 31, 2023, 2022 and 2021.

Details of trade receivables from TransCo as at reporting periods are as follows:

	Current	Non-current	Total
December 31, 2023			
Trade receivables	20,465,885	65,403,932	85,869,817
Discount on receivables	(3,014,668)	(2,623,231)	(5,637,899)
	17,451,217	62,780,701	80,231,918
December 31, 2022			
Trade receivables	11,282,887	84,972,301	96,255,188
Discount on receivables	(4,416,278)	(5,637,899)	(10,054,177)
	6,866,609	79,334,402	86,201,011

In 2020, the ERC issued Resolution No. 06, Series of 2020, which was further clarified in February 2021, to confirm that the actual recovery of the arrears FIT rate adjustment shall be for a period of 5 years whereas those from January 2016 generation shall start billing in December 2020 and payment schedule starts in January 2021. During 2021, a reversal was made amounting to P4.85 million for the November and December 2020 billings where TransCo confirmed that the FIT rate adjustments will be collected beginning December 2021. This reversal was offset with the additional revenue recognized during December 2021 amounting to P83.53 million to be recovered within the next 5 years after December 31, 2021 (Note 15).

Discount on trade receivables from TransCo arising from this amounted to P5.64 million as at December 31, 2023 (December 31, 2022 - P10.05 million). Interest income arising from amortization of discount on trade receivables from TransCo for the year ended December 31, 2023 amounted to P4.42 million (2022 - P2.68 million; 2021 - P30 thousand) (Note 18).

Lease receivables pertain to accrued rent resulting from the straight-line method of recognizing rental income.

Other receivable mainly 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.

The Company does not hold any collateral as security. Management believes that an allowance for doubtful accounts as at December 31, 2023 and 2022, 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 except from non-current portion of receivable from TransCo related to FIT-rate adjustments. All previous billings of the Company were collected in full.

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

5 Prepayments and other current assets

Prepayments and other current assets as at December 31 consist of:

	2023	2022
Input value-added tax (VAT)	175,627,184	18,353,780
Prepaid taxes	25,886,735	11,441,865
Deferred bond issuance costs	-	6,334,902
	201,513,919	36,130,547

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

Prepaid taxes include creditable withholding tax, overpayment of withholding taxes and income taxes.

Deferred bond issuance costs pertain to expenses incurred relative to the maiden ASEAN Green Bonds offering of the Company (Notes 1 and 11).

6 Property, plant and equipment, net

Details and movements of property, plant and equipment, net as at and for the years ended December 31 are as follows:

	Solar plant and equipment	Substation and transmission lines	Computer equipment	Service vehicle	Total
Cost					
January 1, 2022, December 31, 2022 and 2023	1,664,296,964	44,477,618	40,000	135,500	1,708,950,082
Accumulated depreciation					
January 1, 2022	362,820,894	14,837,301	36,667	70,008	377,764,870
Depreciation	55,895,001	3,204,430	3,333	27,100	59,129,864
December 31, 2022	418,715,895	18,041,731	40,000	97,108	436,894,734
Depreciation	55,894,292	3,204,430	-	27,100	59,125,822
December 31, 2023	474,610,187	21,246,161	40,000	124,208	496,020,556
Net book values					
December 31, 2023	1,189,686,777	23,231,457	-	11,292	1,212,929,526
December 31, 2022	1,245,581,069	26,435,887	-	38,392	1,272,055,348

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 a result, the chattel mortgage agreement was rescinded by DBP on November 3, 2021.

There were no additions for the years ended December 31, 2023 and 2022.

Depreciation expenses for the years ended December 31 are recognized as follows:

	Notes	2023	2022	2021
Cost of services	16	59,098,722	59,099,431	59,111,784
Operating expenses	17	27,100	30,433	40,434
		59,125,822	59,129,864	59,152,218

Following the approval of the DOE on the assignment of SESC No. 2014-07-086 of the Clark Solar Plant to its Parent Company effective December 25, 2021, the Company leased out the Clark Solar Plant to its Parent Company in exchange of fixed and variable lease rental (Note 12). The Parent Company became the Clark Solar Plant operator.

Based on the results of management assessment, the Company believes that there were no indicators of impairment as at December 31, 2023 and 2022.

7 Other non-current assets

Other non-current assets as at December 31 consist of:

	Note	2023	2022
Security deposits	20	5,279,310	5,279,310
Cash bond		36,170,854	-
		41,450,164	5,279,310

Cash bonds pertain to deposits to Department of Agrarian Reform (DAR) for the land conversion from agricultural to industrial use which are refundable after 12 to 24 months.

8 Investment properties, net

Details and movements of investment properties as at December 31 are as follows:

	Freehold land assets	Leasehold land assets	Total
Cost			
January 1, 2022	234,545,502	53,940,794	288,486,296
Additions	2,507,918,610	139,466,312	2,647,384,922
December 31, 2022	2,742,464,112	193,407,106	2,935,871,218
Additions	4,267,241,500	-	4,267,241,500
December 31, 2023	7,009,705,612	193,407,106	7,203,112,718
Accumulated amortization			
January 1, 2022	-	473,166	473,166
Amortization	-	10,100,808	10,100,808
December 31, 2022	-	10,573,974	10,573,974
Amortization	-	10,100,808	10,100,808
December 31, 2023	-	20,674,782	20,674,782
Net book values			
December 31, 2023	7,009,705,612	172,732,324	7,182,437,936
December 31, 2022	2,742,464,112	182,833,132	2,925,297,244

The amounts recognized in the statements of total comprehensive income for the years ended December 31 related to the investment properties are as follows:

	Notes	Freehold land assets	Leasehold land assets	Total
2023				
Rental income		789,806,177	719,860,717	1,509,666,894
Amortization of deferred rent income		2,441,220	2,583,646	5,024,866
Total revenue	15	792,247,397	722,444,363	1,514,691,760
Cost of services	16			
Depreciation		-	(10,100,808)	(10,100,808)
Property management fee		(9,412,952)	(10,394,836)	(19,807,788)
Fund management fee		(3,137,651)	(3,464,945)	(6,602,596)
Finance costs	18	(289,292,003)	(12,277,764)	(301,569,767)
Profit arising from investment properties		490,404,791	686,206,010	1,176,610,801
2022				
Rental income		380,451,085	708,621,591	1,089,072,676
Amortization of deferred rent income		1,220,610	1,291,823	2,512,433
Total revenue	15	381,671,695	709,913,414	1,091,585,109
Cost of services	16			
Depreciation		-	(10,100,808)	(10,100,808)
Property management fee		(3,810,812)	(7,804,735)	(11,615,547)
Fund management fee		(1,953,054)	(2,601,578)	(4,554,632)
		(5,763,866)	(20,507,121)	(26,270,987)
Finance costs	18	-	(11,346,680)	(11,346,680)
Profit arising from investment properties		375,907,829	678,059,613	1,053,967,442

(a) Freehold land asset

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 P4.87 million 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 CST1 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 P229.68 million 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 with reference to its fair value. The approval of the increase in the authorized share capital was obtained from the SEC on October 12, 2021. The actual transfer and registration of the parcels of land to the Company's name were finalized on October 27, 2021.

In 2022, the Company executed a deed of absolute sale with Citicore Solar Bulacan, Inc. (CSBI) (formerly Bulacan Solar Energy Corporation) and Citicore Solar South Cotabato, Inc. (CSSCI) (formerly nv vogt Philippine Solar Energy One, Inc.), entities under common control, for the purchase of several parcels of land located in San Ildefonso, Bulacan and Brgy. Centrala, Suralla, South Cotabato for a total consideration of P1.75 billion and P753.80 million, respectively (Note 12).

The proceeds from the P4.5 billion bonds which the Company raised in February 2023 (Note 11) were used to acquire parcels of land from multiple land-owners spread across the three barangays in Tuy, Batangas, namely: Brgy, Lumbangan, Brgy. Luntal, and Brgy. Bolbok. Additional acquisitions were also made in Arayat, Pampanga, Mexico, Pampanga and Pangasinan. These parcels of land are ideal for utility scale solar power plants due to proximity to the National Grid Corporation of the Philippines (NGCP) substation and proven solar irradiance resources. The cost of acquisition, taxes and other land related expenses were capitalized as part of investment properties. These parcels of land were subsequently leased out to its related parties (Note 12).

The aggregate fair value of these parcels of land as determined by an independent appraiser as at December 31, 2023 amounted to P10.15 billion (2022 - P4.15 billion). The fair value of the parcels of land was estimated by the independent appraiser using the discounted cash flow analysis grounded on the principle that the value of an economic entity is the present worth of the economic benefits it will generate in the future (i.e., economic benefits come in the form of lease of the solar power plant). This approach requires a forecast of the economic entity's stream of net income based on lease contract. These net income or rents are then summed up and discounted back to present value by an appropriate discount rate, then add the terminal value of the property. The valuation process consists of estimation of the current market value of the leased property and present value of the unexpired contract rentals. The discounted cash flow analysis falls under the income approach which is a method in which the appraiser derives an indication of value for income-producing property by converting anticipated future benefits into current property value. This approach falls under Level 3 of the fair value hierarchy. As required by the REIT Implementing Rules and Regulations (REIT IRR), a full valuation of the Company's assets shall be conducted by an independent property valuer at least once a year. Management assessed that there are no significant changes in the business environment from the date of last valuation up to reporting date which would impact the fair value of the properties.

The fair value is sensitive to the following unobservable inputs: (1) lease income growth rates (fixed and variable lease) which were based on the signed lease contracts and (2) discount rate using the weighted average cost of capital based on the average capital structure of the companies in the solar energy sector as of the valuation date.

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

(b) Leasehold land assets

The Company, as a lessee, entered on the following lease agreements:

- On July 26, 2021, the Company entered into a contract of sublease and contract of lease with the owners of parcels of land with a total aggregate area of approximately 4.8 hectares and 5.6 hectares, respectively, which are located in Brgy. Dalayap, Tarlac City, Tarlac. Each of these land properties are covered by an existing lease contract with an original term from November 1, 2015 to October 31, 2040 with Citicore Solar Tarlac 2, Inc. (CST2) (formerly nv vogt Philippines Solar Energy Four, Inc.), an entity under common control. The Company subleased the land back to CST2 effective November 1, 2021 (Note 12). These lease agreements are effective for 19 years commencing on November 1, 2021 until October 31, 2040 which may be extended at the option of the Company for another 25 years upon the acceptance by and consent of the lessor.

- On July 26, 2021, the Company entered into a deed of assignment with Citicore Solar Cebu, Inc. (CSCI) (formerly First Toledo Solar Energy Corp.) (assignor), an entity under common control, and a third-party lessor, to transfer, assign, and convey unto the Company (assignee) all of the assignor's rights and obligations under the contract of lease dated November 12, 2015 for the lease of parcel of land with total aggregated area of approximately 73 hectares located in Brgy. Talavera, Toledo City, Cebu. The third-party lessor consented to the assignment of the contract of lease in favor of the Company and the sublease of the leased area by the Company in favor of the assignor. CSCI operates a 60 MW installed capacity solar power plant in the leased area that was successfully commissioned on June 30, 2016. The Company shall pay an advance rental every two years, subject to escalation rate of 12% every five years, for a period of 25 years, reckoned from the effective date stipulated in the Renewable Energy Payment Agreement but not later than May 31, 2016, subject to renewal. The agreement took effect on January 1, 2022. On July 26, 2021, the Company entered into sublease agreement with CSCI (sublessee) related to the identified leased area effective January 1, 2022 (Note 12).

- On July 28, 2021, the Company entered into a lease agreement with an owner of several parcels of land located in Brgy. Rizal, Silay City, Negros Occidental. These land properties are covered by an existing lease contract that commenced on June 1, 2016 with Citicore Solar Negros Occidental, Inc. (CSNO) (formerly Silay Solar Power, Inc.), an entity under common control. The new lease agreement commenced on January 1, 2022 until October 31, 2040 which may be extended for additional five (5) years unless the parties agreed to terminate the lease agreement at the end of the initial term. The lease payment is subject to annual escalation rate of 2% beginning in the third year of the lease. CSNO operates a 25 MW installed capacity solar power plant in the leased area that was successfully commissioned on March 8, 2016. On July 28, 2021, the Company entered into sublease agreement with CSNO (sublessee) to sublease the identified leased area effective January 1, 2022 (Note 12).

The aggregate fair value of these parcels of land classified as leasehold land assets as determined by an independent appraiser as at December 31, 2023 amounted to P6.88 billion (2022 - P7.06 billion). The same valuation technique was used in measuring the fair value as that of the freehold land assets.

Right-of-use assets arising from these leasing arrangements are presented under leasehold land assets. Land is the underlying asset to which the right-of-use assets would be grouped if these were owned by the Company.

9 Trade payables and other liabilities

Trade payables and other liabilities as at December 31 consist of:

	Notes	2023	2022
Trade payables		480,488	44,629
Due to government agencies		56,837,111	41,421,188
Interest payable	11	43,993,528	-
Deferred rent income, current portion	12	6,126,256	6,126,256
Accrued expenses		-	3,661,511
		107,437,383	51,253,584

Trade payables to third parties 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. The remaining balance of due to government agencies pertains to unpaid real property taxes and business taxes to a local government unit, withholding taxes and mandatory government contributions. Withholding taxes include final withholding tax amounting to P8.39 million for cash dividends declared on November 9, 2023 and paid on January 22, 2024 (2022 - P7.55 million final withholding tax for cash dividends declared on November 9, 2022 and paid on January 5, 2023) (Note 14).

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

10 Loans payable

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 have 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 current ratio and debt service coverage ratio of not less than one (1) as defined in the Term Loan Facility Agreement.

The Company made a principal payment amounting to P31.61 million for the year ended December 31, 2021.

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 12). 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 recognized 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.

Finance costs including amortization of debt issuance cost for the year ended December 31, 2021 recognized in the statements of total comprehensive income amounted to P24.97 million (Note 18).

Movements in loans payable for the year ended December 31, 2021 are as follows:

	Amount
Principal amount	
January 1	1,043,181,818
Assignment of loan	(1,011,570,248)
Payments	(31,611,570)
December 31	-
Debt issuance cost	
January 1	(6,925,986)
Amortization	6,925,986
December 31	-
	-

Movements in interest payable for the year ended December 31, 2021 are as follows:

	Amount
January 1	31,916,918
Interest expense	18,047,924
Assumed by Parent Company	(13,024,012)
Interest payments	(36,940,830)
December 31	-

11 Bonds payable

From January 30, 2023 to February 3, 2023, the Company offered P4.5 billion ASEAN Green Bonds to the public at face value and subsequently issued and listed these ASEAN Green Bonds in the Philippine Dealing & Exchange Corp. (PDEx) on February 10, 2023. The ASEAN Green Bonds are denominated in Philippine Peso, maturing in 5 years from the issue date and bear a fixed interest rate of 7.0543% per annum. Interest is payable quarterly in arrears on May 10, August 10, November 10, and February 10 of each year. Prior to the maturity date, the Company has the right, but not the obligation, to redeem (in whole but not in part) the outstanding ASEAN Green Bonds on early redemption option dates as follows:

Early redemption option dates	Early redemption option price
On the 3rd anniversary of the issue date and every interest payment date preceding the 4th anniversary of the issue date	101%
On the 4th anniversary of the issue date and every interest payment date thereafter	100.5%

The ASEAN Green Bonds shall have the benefit of a negative pledge on all present and future assets and revenues of CREIT, subject to certain permitted liens. The Company shall remain, for as long as any of the ASEAN Green Bonds remain outstanding, compliant with the aggregate leverage limit imposed by the REIT Law. Under the REIT Law, the total borrowings and deferred payments of a REIT should not exceed thirty-five percent (35%) of its deposited property, provided, however, that the total borrowings and deferred payments of a REIT that has a publicly disclosed investment grade credit rating by a duly accredited or internationally recognized rating agency may exceed thirty-five percent (35%) but not more than seventy percent (70%) of its deposited property and provided further that in no case shall its fund manager borrow for the REIT from any of the funds under its management. The ASEAN Green Bonds are rated Aa+ with stable outlook by PhilRatings. The rating is subject to regular annual reviews, or more frequently as market developments may dictate, while the ASEAN Green Bonds are outstanding. As at December 31, 2023, the Company is compliant with this covenant.

The Company incurred total bond issuance cost amounting to P47.34 million which includes P6.33 million incurred during 2022 (Note 5).

The amortized cost of the ASEAN Green Bonds as at December 31, 2023 follows:

	Amount
Principal	4,500,000,000
Bond issuance cost	
January 1	(47,339,062)
Amortization	7,215,849
December 31	(40,123,213)
	4,459,876,787

Total finance costs recognized in the statements of total comprehensive income for the year ended December 31, 2023 amounted to P289.29 million. Finance costs include amortization of bond issuance cost amounting to P7.22 million. Movements in interest payable for the year ended December 31, 2023 follow:

	Note	Amount
Interest expense		289,292,003
Amortization of bond issuance cost		(7,215,849)
Interest payments		(238,082,626)
December 31, 2023	9	43,993,528

On February 10, 2023, the Parent Company subscribed to P500.00 million of the Company’s ASEAN Green Bonds with coupon rate of 7.0543% at face value.

12 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 as at December 31, 2023 and 2022 and for each of the three years in the period ended December 31, 2023 with related parties are as follows:

	Transactions			Outstanding balance Receivables (Payables)		
Related parties	2023	2022	2021	2023	2022	Terms and conditions
Parent Company						
Lease income	285,769,013	282,393,829	-	34,770,872	16,226,090	Refer to (e) and Notes 4 and 15.
Advances to (from)	53,223,717	71,442,959	265,850,948	-	(53,223,717)	Refer to (a).
Assignment of loans payable	-	-	(1,011,570,248)	-	-	Refer to (b) and Note 10.
Assumed interest payable	-	-	(13,024,012)	-	-	Refer to Note 10.
				-	(53,223,717)	
Security deposits						
Additions	-	22,180,645	-	(22,180,645)	(22,180,645)	Refer to (e).
Accretion of interest expense	842,017	406,868	-	9,224,860	10,066,877	
				(12,955,785)	(12,113,768)	
Deferred rent income						
Additions	-	10,473,745	-	(10,473,745)	(10,473,745)	Refer to (e).
Amortization	1,101,390	550,694	-	1,652,084	550,694	
				(8,821,661)	(9,923,051)	
Issuance of shares	-	-	607,330,352	-	-	Refer to (c), Notes 8, 10 and 14.
Entities under common control						
Lease income	1,506,291,710.	1,089,072,676	17,773,892	317,683,557	162,285,876	Refer to (e) and Notes 4 and 15.
Advances to	-	-	87,021,747	-	-	Refer to (a).
Acquisition of properties	-	2,507,918,610	-		-	Refer to (e) and Note 8.
Property management fee	23,784,441	14,942,644	-	-	-	Refer to (f).
Fund management fee	7,928,147	4,980,881	-	-	-	Refer to (g).
Security deposits						
Additions	-	128,247,815	-	(128,247,815)	(128,247,815)	Refer to (e).
Accretion of interest expense	3,068,975	1,484,160	- -	79,876,332	82,945,307	
				(48,371,483)	(45,302,508)	
Deferred rent income						
Additions	-	84,429,467	-	(84,429,467)	(84,429,467)	Refer to (e).
Amortization	5,024,866	2,512,432	-	7,537,298	2,512,432	
				(76,892,169)	(81,917,035)	
Issuance of shares	-	-	229,680,216	-	-	Refer to (c) and Notes 8 and 14.

(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 (from) related parties are unsecured, with no guarantee, non-interest bearing, collectible (payable) in cash both on demand and after more than 12 months and are expected to be collected (settled) in cash or offset with outstanding liability (receivable).

There was no offsetting as at and for the years ended December 31, 2023 and 2022.

In December 2022, the Company and the Parent Company agreed that the remaining balance of due to Parent Company amounting to P53.22 million is to be settled in cash within 12 months from December 31, 2022.

These are non-interest bearing and not covered by guarantees or collaterals.

(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 year ended December 31, 2021 are as follows:

	Notes	Amount
Beginning		1,043,181,818
Cash settlement prior assignment		(31,611,570)
Assignment of loan	10	1,011,570,248
Cash settlement after assignment		(31,611,570)
Subscription of shares	14 (b)	(602,465,066)
Ending amount subsequently classified as advances		377,493,612

On May 7, 2021, the Company made another cash settlement which was after the assignment, amounting to P31.61 million. This was paid by the Company on behalf of the Parent Company, hence, offset against due from the Parent Company account.

(c) Share issuances

Details of share issuances for the year ended December 31, 2021 are as follows:

	Notes	Conversion of advances	Land properties exchange	Total
Parent Company	8, 10, 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) 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 year ended December 31, 2023 amounted to P1.00 million (2022 - P1.98 million and 2021 - P0.84 million) (Note 17).

The Company's management functions are being handled by the Parent Company and another related party at no cost. No other short-term or long-term compensation was paid to key management personnel for each of the three years in the period ended December 31, 2023.

(e) 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. Dalayap, Tarlac City, Tarlac with CST2

      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. The Company recognized lease income related to this property for the year ended December 31, 2023 amounting to P58.01 million (2022 - P61.76 million) (Note 15).

    - Land property located in Brgy. Rizal, Silay City, Negros Occidental with CSNO

      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. The Company recognized lease income related to this property for the year ended December 31, 2023 amounting to P294.63 million (2022 - P279.05 million) (Note 15).

    - Land property located in Brgy. Talavera, Toledo City, Cebu with CSCI

      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. The Company recognized lease income related to this property for the year ended December 31, 2023 amounting to P369.80 million (2022 - P369.10 million) (Note 15).

- Lease agreement of below land properties to related parties:

    - 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. The Company recognized lease income related to this property for the year ended December 31, 2023 amounting to P68.01 million (2022 - P72.38 million) (Note 15).

    - Land property located in San Ildefonso, Bulacan with CSBI

      In 2021, the Company entered into a memorandum of agreement with CSBI for the future sale of land properties owned by CSBI to the Company. In 2022, the Company executed a deed of absolute sale for the purchase of several parcels of land located in San Ildefonso, Bulacan from CSBI for a total consideration of P1.75 billion (Note 8). The purchase price was fully paid as at December 31, 2022. The land properties were recognized as part of investment properties as at December 31, 2022. Subsequently, the Company and CSBI entered into a lease agreement for the same land properties.

      The lease agreement is effective for 25 years commencing on January 1, 2022 until December 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. The Company recognized lease income related to these land properties for the year ended December 31, 2023 amounting to P203.94 million (2022 - P215.46 million) (Note 15).

- Land property located in Brgy. Centrala, Suralla, South Cotabato with CSSCI

  In 2021, the Company entered into a memorandum of agreement with CSSCI for the future sale of land properties located in Brgy. Centrala, Suralla, South Cotabato to the Company. In 2022, the Company entered into a contract to sell with CSSCI related to the acquisition of said property, on which CSSCI committed that from the signing of the contract until the signing of deed of absolute sale, CSSCI shall not make any offer, or entertain or discuss any offer, for the sale, mortgage, lease of said property with any person other than the Company. This has resulted in addition to the Company's investment properties. On June 6, 2022, the Company executed a deed of absolute sale for the purchase of said properties for a total consideration of P753.80 million. The purchase price was fully paid as at December 31, 2022. Subsequently, the Company and CSSCI entered into a lease agreement for the same property.

  The lease agreement is effective for 25 years commencing on January 1, 2022 until December 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. The Company recognized lease income related to these properties for the year ended December 31, 2023 amounting to P89.70 million (2022 - P93.84 million) (Note 15).

- Land properties located in Brgy. Lumbangan and Brgy. Luntal, Tuy, Batangas with Citicore Solar Batangas 1, Inc. (CS Batangas 1) (formerly Greencore Power Solutions 4, Inc.)

  In 2023, the Company entered into a contract of lease with CS Batangas 1 for the lease of land properties located in Brgy. Luntal and Brgy. Lumbangan, Municipality of Tuy, Batangas, respectively. The lease agreement is effective for 25 years commencing on January 1, 2023 to December 31, 2047. The lease payment is subject to an annual escalation rate of 2.5%. The Company recognized lease income related to these properties for the period ended December 31, 2023 amounting to P94.25 million and P83.79 million, respectively (Note 15).

- Land property located in Bolbok Phase 1 and Phase 2, Tuy, Batangas with Citicore Solar Batangas 2, Inc. (CS Batangas 2) (formerly Greencore Power Solutions 2, Inc.)

  The Company entered into a contract of lease with CS Batangas 2 for the lease of land properties (Bolbok Phase 1 and Phase 2) located in Brgy. Bolbok, Municipality of Tuy, Batangas. The lease agreement is effective for 25 years commencing on February 1, 2023 to January 31, 2048 with an extendible period of additional 50 years at the option of the lessor. The lease payment is subject to an annual escalation rate of 2.5%. The Company recognized lease income related to these properties for the period ended December 31, 2023 amounting to P68.73 million and P84.43 million, respectively (Note 15).

- Land property located in Arayat Phase 3, Arayat, Pampanga with CS Pampanga 1, Inc., (CS Pampanga 1)

  In 2023, the Company entered into a contract of lease with CS Pampanga 1 for the lease of land properties located in Municipality of Arayat, Pampanga. The lease agreement is effective for 25 years commencing on February 1, 2023 to January 31, 2048 with an extendible period of additional 50 years at the option of the lessor. The lease payment is subject to an annual escalation rate of 2.5%. The Company recognized lease income related to these properties for the period ended December 31, 2023 amounting to P58.28 million (Note 15).

- Land property located in San Manuel, Pangasinan with CS Pangasinan 2, Inc. (CS Pangasinan 2)

  In 2023, the Company entered into a contract of lease with CS Pangasinan 2 for the lease of land properties located in San Manuel, Pangasinan. The lease agreement is effective for 25 years commencing on July 1, 2023 until June 30, 2048 with an extendible period of additional 50 years at the option of the lessor. The lease payment is subject to an annual escalation rate of 2.5%. The Company recognized lease income related to these properties for the period ended December 31, 2023 amounting to P37.74 million (Note 15).

- Land property located in Mexico, Pampanga with Parent Company

  In 2023, the Company entered into a contract of lease with its Parent Company for the lease of land properties located in Mexico, Pampanga. The lease agreement is effective for 25 years commencing on August 1, 2023 until July 31, 2043 with an extendible period of additional 50 years at the option of the lessor. The lease payment is subject to an annual escalation rate of 2.5%. The Company recognized lease income related to these properties for the period ended December 31, 2023 amounting to P3.38 million (Note 15).

- Assignment of SESC 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 was approved by the DOE on December 25, 2021 (Note 2). 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 re-evaluate 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. No rental income was recognized from this lease agreement during 2021 considering that the DOE only approved the assignment on December 24, 2021 effective December 25, 2021. Hence, commencement date of the contract was moved to January 1, 2022. The Company recognized lease income related to this property for the year ended December 31, 2023 amounting to P283.50 million (2022 - P282.94 million) (Note 15).

In addition to the clauses discussed above, subject also to the Company's right over the leasehold properties, the Company and related party-lessees can continue and may further extend the lease period in a way that is beneficial to both parties. The lease payment for the lease agreements above is equivalent to the sum of fixed and variable lease rates.

The recognized lease receivables from related parties as at December 31, 2023 and 2022 pertain to accrued rent resulting from the straight-line method of recognizing rental income.

During 2023, the Company received security deposits from its lessees amounting to P29.80 million, which is equivalent to one-month to two-month lease payments for freehold land properties . During 2022, the Company received security deposits from its lessees amounting to P150.43 million, which is equivalent to three-month lease payments for freehold land properties and one-month lease payment for solar property and leasehold land properties. The security deposits shall remain valid until expiration of the lease agreements and shall serve as guarantee for the lessees' faithful compliance with the terms, conditions, and obligations of lease agreements. The security deposits shall be adjusted annually and the lessees shall provide the necessary amount to keep the security deposits equivalent to the number of months' rent. Upon termination of the lease agreements, the security deposits will be refunded without interest by the Company less payment of all remaining monetary obligations of the lessees to the Company. The security deposits, or the balance thereof, whichever is applicable shall be refunded to the lessees within 60 days from the return of the leased properties to the Company. In case of failure by the lessee to pay any monetary obligation under the lease agreements when the same becomes due, the lessor shall have the option to apply the security deposits to said monetary obligations and the lessee shall be notified of such application. The lessee shall restore the security deposits to its original amount before the succeeding due date for the payment of the lease payment. Should the lessor exercise this right to application, the lessee shall be considered in default unless and until it complies with the said restoration of the original amount of the security deposit within the specified period and the interest and penalty for default provided under the lease agreements shall be applied on any shortfall on the security deposit. These security deposits were presented as non-current liabilities in the statements of financial position as at December 31, 2023. During 2023, the Company has applied security deposits on the contractual lease for certain lessees amounting to P29.80 million (2022- nil).

Details of security deposits and deferred rent income as at December 31 are as follows:

	Notes	2023	2022
Security deposits			
Gross amount		150,428,460	150,428,460
Additions		29,799,544	-
Applications		(29,799,544)	-
		150,428,460	150,428,460
Allowance for amortization of security deposits			
Beginning		(93,012,184)	-
Additions		-	(94,903,212)
Accretion of interest expense	18	3,910,992	1,891,028
		(89,101,192)	(93,012,184)
		61,327,268	57,416,276
Deferred rent income			
Beginning		91,840,086	-
Additions		-	94,903,212
Amortization	15	(6,126,256)	(3,063,126)
		85,713,830	91,840,086
Less: Current portion	9	(6,126,256)	(6,126,256)
Non-current portion		79,587,574	85,713,830

Accretion of interest expense for the year ended December 31, 2023 amounted to P3.9 million (2022 - P1.89 million) (Note 18).

Deferred rent income pertains to the difference between the nominal values of the deposits and their fair values. These are initially measured at fair value and subsequently amortized using the straight-line method. Amortization of deferred rent income for the year ended December 31, 2023 amounted to P6.13 million (2022 - P3.07 million) which was recognized as part of rental income in the statements of total comprehensive income (Note 15).

(f) Property management fee

On August 9, 2021, the Company entered into a property management agreement with Citicore Property Managers, Inc. (CPMI), an entity under common control. CPMI will receive a management fee based on certain percentage of the Company's guaranteed base lease. Payment in cash is due and payable 10 days from receipt of billing statement. Property management commenced in 2022 in line with the date of Company's listing to PSE. Property management fee amounted to P23.78 million for the year ended December 31, 2023 (2022 - P14.94 million) (Note 16).

(g) Fund management fee

On July 26, 2021, the Company entered into a fund management agreement with Citicore Fund Managers, Inc. (CFMI), an entity under common control. CFMI will receive a management fee equivalent to a certain percentage of the Company's guaranteed base lease, plus a certain percentage of the acquisition price for every acquisition made by it on behalf of the Company and plus a certain percentage of the sales price for every property divested by it on behalf of the Company. Payment in cash is due and payable 10 days from receipt of billing statement. Fund management agreement commenced in 2022 in line with the date of Company's listing to PSE. Fund management fee amounted to P7.93 million (2022 - P4.98 million) for the year ended December 31, 2023 (Note 16).

On July 26, 2021, the BOD approved the 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.

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. Management has assessed that there are no significant changes in the data and assumptions used in computing the present value of defined benefit obligation as at December 31, 2023 from the date of last actuarial valuation.

The retirement benefit obligation recognized in the statement of financial position as at December 31, 2023 and 2022 amounted to P314,672.

The movements in present value of defined benefit obligation for the year ended December 31, 2021 are as follows:

	Amount
January 1	2,915,664
Current service cost	203,989
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)
December 31	314,672

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 as part of retirement benefit income.

The components of retirement benefit (income) expense for the year ended December 31, 2021 are as follows:

	Note	Amount
Current service cost		203,989
Interest cost		3,308
Reversal of retirement benefit obligation		(2,757,395)
	16	(2,550,098)

The movements in remeasurement on retirement benefits for the year ended December 31, 2021 are as follows:

	Amount
January 1	-
Remeasurement	
Changes in financial assumptions	(44,744)
Experience adjustment	(6,150)
December 31	(50,894)

The principal assumptions used for the period ended December 31, 2021 are as follows:

	Rate
Discount rate	5.34%
Salary increase rate	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 December 31, 2023 and 2022 is 17.8 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
December 31, 2021			
Discount rate	+/-1.00%	(0.03 million)	0.04 million
Salary increase rate	+/-1.00%	0.04 million	(0.03 million)

Expected maturity analysis of undiscounted retirement benefits as at December 31, 2021 are as follows:

	Amount
One year to five years	81,802
More than five years to ten years	214,170
	295,972

14 Share capital

The details and movements of the Company's share capital as at December 31 are as follows:

	2023		2022		2021	
	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount
Authorized share capital						
Common shares – P0.25 par value	15,360,000,000	3,840,000,000	15,360,000,000	3,840,000,000	15,360,000,000	3,840,000,000
Issued and outstanding						
Common shares – P0.25 par value						
January 1	6,545,454,004	1,636,363,501	5,498,182,004	1,374,545,501	-	-
Reclassification	-	-	-	-	15,031,366	539,999,999
Effect in reduction in par value	-	-	-	-	2,144,968,628	-
Issuances	-	-	1,047,272,000	261,818,000	3,338,182,010	834,545,502
December 31	6,545,454,004	1,636,363,501	6,545,454,004	1,636,363,501	5,498,182,004	1,374,545,501
Common class A – P1 par value						
January 1	-	-	-	-	7,291,011	7,291,011
Reclassification	-	-	-	-	(7,291,011)	(7,291,011)
December 31	-	-	-	-	-	-
Common class B – P13.5 par value						
January 1	-	-	-	-	4,856,985	65,569,298
Reclassification	-	-	-	-	(4,856,985)	(65,569,298)
December 31	-	-	-	-	-	-
Redeemable preference shares A - P27 par value						
January 1	-	-	-	-	1,729,922	46,707,894
Reclassification	-	-	-	-	(1,729,922)	(46,707,894)
December 31	-	-	-	-	-	-
Redeemable preference shares B - P364.5 par value						
January 1	-	-	-	-	1,153,448	420,431,796
Reclassification	-	-	-	-	(1,153,448)	(420,431,796)
December 31	-	-	-	-	-	-
	6,545,454,004	1,636,363,501	6,545,454,004	1,636,363,501	5,498,182,004	1,374,545,501

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.

(a) Share reclassifications and increase in authorized share capital

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).

(b) Share subscriptions

(i) 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. Total consideration in excess of par value of shares issued amounting to P2,465,066 was credited as additional paid in capital. The Parent Company assigned P602,465,066 of its advances to fully pay the subscription price (Note 12). This is considered as a non-cash transaction.

(ii) 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 P4.87 million. 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 12). 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 P229.68 million. 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 12). This is considered as a non-cash transaction.

These parcels of land were recognized as investment properties (Note 8).

The application for the proposed increase in authorized share capital was filed with the SEC on May 25, 2021 and was approved on October 12, 2021, which resulted in the subsequent issuance of shares to the Parent Company and CST1 (Note 1).

(c) Sale to the public

On February 22, 2022, the Company successfully listed its shares with the PSE via the offer of (i) 1,047,272,000 new common shares with a par value of P0.25 per share issued and offered by the Company as “Primary Offer Shares”, and (ii) 1,134,547,000 existing shares offered by the Parent Company, selling shareholder, pursuant to a “Secondary Offer Shares” with an over-allotment option of up to 327,273,000 shares which were exercised at such date. All the shares offered by the Company and the Parent Company were sold at an offer price of P2.55 per share. The Company recognized additional paid-up capital (APIC) arising from this transaction amounting to P2.4 billion in 2022. Transaction costs attributable to Primary Offer Shares which were treated as deduction to APIC amounted to P103.85 million. Total transaction costs comprised of deferred share issuance costs amounting to P35.66 million as at December 31, 2021 which was subsequently applied against APIC and additional share issuance costs for the year ended December 31, 2022 amounting to P68.19 million.

(d) Dividends

On March 22, 2023, the BOD declared dividends amounting to P0.051 per share. This consists of the regular dividends coming from CREIT’s guaranteed base lease revenues from fourth quarter of 2022 and special dividends from variable lease revenues for the year, amounting to P0.044 and 0.007 per share, respectively. The aggregate dividends declared for shareholders of record as of April 21, 2023 amount to P333.82 million. The cash dividends were paid on May 15, 2023.

On May 10, 2023, the BOD approved the declaration of cash dividends of P0.047 per common share for shareholders on record as at June 9, 2023. Total dividends amounting to P307.64 million was fully paid on July 6, 2023.

On August 9, 2023, the BOD ratified and approved the declaration of cash dividends of P0.049 per common share for shareholders on record as at September 11, 2023. Total dividends amounting to P320.73 million was fully paid on October 4, 2023.

On November 9, 2023, the BOD ratified and approved the declaration of cash dividends of P0.049 per common share on record as at December 27, 2023. Total dividends amounting to P320.73 million was fully paid on January 22, 2024.

The Company has adopted a dividend policy in accordance with the provisions of the REIT law, pursuant to which the Company’s shareholders are entitled to receive at least 90% of annual distributable income for the current year. For the year ended December 31, 2023, the Company declared total dividends amounting to P1.3 billion (2022 - P1.2 billion) representing 106% (2022 - 107%) of the distributable income.

Details of distributable income for the period ended December 31 are as follows:

	2023	2022
Net income	1,398,096,376	1,252,413,024
Unrealized gains - Straight-line lease adjustments	(172,560,117)	(132,179,057)
Distributable income	1,225,536,259	1,120,233,967

Details of percentage of dividends to distributable income for the period ended December 31, 2023 are as follows:

Declaration date	Record date	Payment date	Dividends per share	Amount
May 10, 2023	June 9, 2023	July 6, 2023	P0.047	307,636,338
August 9, 2023	September 11, 2023	October 4, 2023	P0.049	320,727,246
November 9, 2023	December 27, 2023	January 22, 2024*	P0.049	320,727,246
March 19, 2024	April 18, 2024	May 15, 2024*	P0.054	353,454,516
Total amount of dividends distributed				1,302,545,346
Distributable income				1,225,536,259
% of dividends to distributable income				106%

Details of percentage of dividends to distributable income for the period ended December 31, 2022 are as follows:

Declaration date	Record date	Payment date	Dividends per share	Amount
May 11, 2022	June 8, 2022	June 24, 2022	P0.044	287,999,976
July 20, 2022	August 19, 2022	September 14, 2022	P0.044	287,999,976
November 9, 2022	December 9, 2022	January 5, 2023	P0.044	287,999,976
March 22, 2023	April 21, 2023	May 15, 2023*	P0.044	287,999,976
March 22, 2023	April 21, 2023	May 15, 2023*	P0.007	45,818,178
Total amount of dividends distributed				1,197,818,082
Distributable income				1,120,233,967
% of Dividends to distributable income				107%

**As per Section of Revenue Regulation No 13-2011, as amended, dividends distributed by REIT from its distributable income at any time after the close but not later than the last day of the 5th month from close of the taxable year shall be considered as paid on the last day of such taxable year.*

Events after the reporting period

On March 19, 2024, the BOD ratified and approved the declaration of cash dividends of P0.054 per outstanding common share or an aggregate amount of P353.45 million for the fourth quarter of 2023. The cash dividends are payable on May 15, 2024 to shareholders on record as at April 18, 2024. The management has determined that this is a non-adjusting event.

15 Revenue

(a) Sale of solar energy

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. Notwithstanding that the ERC Resolution was dated 2020, the Company has assessed that there was still uncertainty particularly absence of acceptance confirmation from TransCo on the implementation of the resolution including the approach to recover, capacity to settle or pay and the credit period as at December 31, 2020. Consequently, the said uncertainty resulted in the reversal of billings issued in November and December 2020 using the adjusted FIT rates (Note 4). During 2021, additional revenue amounting to P83.53 million was recognized related to FIT-rate adjustments for the generation from 2016 to be recovered in five years starting in December 2021 based on latest discussions with TransCo.

TransCo is the regulating body of all the FIT-rate eligible energy providers. Outstanding receivables under the FIT system due from TransCo amounted to P80.23 million as at December 31, 2023 (2022 - P86.20 million) (Note 4).

For the year ended December 31, 2021, revenue from sale of electricity amounted to P334.52 million. As a result of assignment of SESC of the Clark Solar Plant to its Parent Company, the sale of solar energy business has been terminated on December 25, 2021 as approved by DOE (Note 1).

(b) Leasing

Subsequent lease and sublease agreements with related parties that were accounted as operating leases resulted in the recognition of rental income for the years ended December 31 are as follows:

			2023				2022
Land properties	Note	Rental income	Amortization of deferred rent income	Total	Rental income	Amortization of deferred rent income	Total
Leasehold land assets							
Brgy. Talavera, Toledo City, Cebu		368,402,585	1,400,711	369,803,296	368,402,585	700,356	369,102,941
Brgy. Rizal, Silay City, Negros Occidental		293,633,817	1,000,311	294,634,128	278,546,822	500,155	279,046,977
Brgy. Dalayap, Tarlac City, Tarlac		57,824,315	182,623	58,006,938	61,672,184	91,312	61,763,496
		719,860,717	2,583,645	722,444,362	708,621,591	1,291,823	709,913,414
Freehold land assets							
Brgy. San Ildefonso, Bulacan		202,524,478	1,413,851	203,938,329	214,748,790	706,926	215,455,716
Brgy. Lumbangan, Tuy, Batangas		94,254,907	-	94,254,907	-	-	-
Brgy. Centrala, Suralla, South Cotabato		89,079,527	623,571	89,703,098	93,526,329	311,785	93,838,114
Bolbok Phase 2, Tuy, Batangas		84,428,382	-	84,428,382	-	-	-
Brgy. Luntal, Tuy, Batangas		83,786,972	-	83,786,972	-	-	-
Bolbok Phase 1, Tuy, Batangas		68,734,167	-	68,734,167	-	-	-
Brgy. Armenia, Tarlac City, Tarlac		67,603,256	403,799	68,007,055	72,175,966	201,899	72,377,865
Arayat Phase 3, Arayat, Pampanga		58,283,230	-	58,283,230	-	-	-
San Manuel, Pangasinan		37,736,073	-	37,736,073	-	-	-
Brgy. Sto. Domingo, Mexico, Pampanga (PELCO I)		3,375,185	-	3,375,185	-	-	-
		789,806,177	2,441,221	792,247,398	380,451,085	1,220,610	381,671,695
Solar plant property							
Clark Freeport Zone, Pampanga		282,393,828	1,101,390	283,495,218	282,393,829	550,693	282,944,522
	12	1,792,060,722	6,126,256	1,798,186,978	1,371,466,505	3,063,126	1,374,529,631

Rental income includes variable lease income amounting to P33.87 million for the year ended December 31, 2023 (2022 - P43.88 million).

The future minimum lease receivable under non-cancellable operating leases as at December 31 are as follows:

	2023	2022
Within one year	1,648,737,558	1,266,472,480
After one year but not more than five years	8,587,846,784	6,512,101,745
More than five years	17,774,432,036	9,493,051,850
	28,011,016,378	17,271,626,075

16 Cost of services

The components of cost of services for the years ended December 31 are as follows:

	Notes	2023	2022	2021
Depreciation and amortization	6, 20	71,333,401	71,332,995	61,710,938
Property management fee	12	23,784,441	14,942,644	-
Fund management fee	12	7,928,148	4,980,881	-
Taxes and licenses		-	7,165	610,854
Utilities		-	-	4,500,169
Repairs and maintenance		-	-	3,846,766
Outside services		-	-	3,511,285
Insurance		-	-	1,599,934
Salaries and wages		-	-	934,099
Retirement benefit income	13	-	-	(2,550,098)
Others		-	5,356	43,815
		103,045,990	91,269,041	74,207,762

17 Operating expenses

The components of operating expenses for the years ended December 31 are as follows:

	Notes	2023	2022	2021
Outside services		4,265,704	2,700,754	3,904,095
Directors' fees	12	998,684	1,975,000	842,105
Taxes and licenses		676,736	1,046,461	29,202,654
Professional fees		483,473	2,136,872	20,142,435
Dues and subscriptions		291,177	150,000	1,188,968
Bank charges		34,615	500	27,828
Depreciation	6	27,100	30,433	40,434
Transportation and travel		11,565	48,490	211,306
Repairs and maintenance		-	-	191,023
Communication, light and water		-	-	107,442
Charitable contribution		-	-	100,000
Others		52,788	352,449	1,014,499
		6,841,842	8,440,959	56,972,789

Portion of outside services, taxes and licenses, and professional fees include costs incurred for the ASEAN Green Bonds offering for the year ended December 31, 2023 and 2022. Portion of outside services, taxes and licenses, and professional fees include costs incurred for issuance of the Company's shares to the public for the year ended December 31, 2021.

18 Other income, net; finance costs

The components of other income, net for the years ended December 31 are as follows:

	Notes	2023	2022	2021
Interest income	3, 4	19,234,297	3,070,975	277,078
Foreign exchange gain (losses), net	22	10,960	(113,799)	(55,492)
Gain on compromise settlement of due to government agencies	9	-	-	25,200,913
Others		-	420,573	583,427
		19,245,257	3,377,749	26,005,926

The components of finance costs for the years ended December 31 are as follows:

	Notes	2023	2022	2021
Interests on security deposits	12	3,910,992	1,891,028	-
Interests on lease liabilities	20	16,245,032	15,693,012	4,464,960
Interests on bonds payable	11	289,292,003	-	-
Interests on loans payable from DBP	10	-	-	24,973,910
		309,448,027	17,584,040	29,438,870

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.

As a REIT-registered enterprise following its listing in the main board of the PSE on February 22, 2022 (Note 1), the Company will avail the following tax incentives:

- A tax deduction for dividends paid, in addition to the allowable deductions provided for under the Tax Code, to arrive at its taxable net income. For a REIT to enjoy this tax incentive, it should maintain its status as a “public company,” observe the mandatory 90% dividend pay-out requirement of distributable income to shareholders, and submit a sworn statement that the minimum ownership requirements for the relevant years were maintained at all times.
- Exemption from the minimum corporate income tax (MCIT), as well as documentary stamp tax (DST) on the sale, barter, exchange, or other disposition of listed investor securities through the PSE, including cross or block sales with prior approval of the PSE. It is also exempted from paying the initial public offering (IPO) tax on its initial and secondary offering of its investor securities. Republic Act No. 11494, otherwise known as the Bayanihan to Recover as One Act, permanently repealed the IPO tax.
- A lower creditable withholding tax rate of 1% of its receipt of income payments. It also benefits from the 50% reduction on the amount of DST due on sale or transfer of real property to a REIT, including the sale or transfer of any and all security interest, and applicable registration and annotation fees incidental to such transfers.

Income tax expense for the year ended December 31, 2023 amounted to nil (2022 - deferred income tax expense of P8.20 million).

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. The Company is still subject to ITH for the year ended December 31, 2021. As a result of the assignment of SESC effective December 25, 2021, the incentives as a BOI-registered enterprise for the sale of solar energy segment was transferred to the Parent Company starting January 1, 2022.

Management has considered this in reaching its conclusion to recognize certain deferred income tax assets in relation to both its sale of solar energy and leasing business segment as at December 31, 2021.

In 2022, deferred income tax assets, net amounting to P8,200,316 were reassessed by the management based on the availability of future taxable income and recoverability. The assessment resulted in the derecognition of the deferred income tax assets, net as the Company transitioned to a REIT company following the listing of shares in the PSE on February 22, 2022 (Note 1). The derecognition of deferred income tax assets, net was charged to deferred income tax expense in the statements of total comprehensive income.

The Company's accrued revenue from sale of solar energy was deemed taxable by the Company, hence, fully reported as part of taxable income.

The Company's unrecognized deferred income tax assets as at December 31 arise from the following temporary differences:

	2023	2022
NOLCO	166,786,288	106,018,391
Accrued expenses	33,620,012	33,620,012
Leases	24,688,078	11,348,657
Discount on receivables	5,637,899	10,054,177
Provision for doubtful accounts	1,944,096	1,944,096
Retirement benefit obligation	314,672	314,672
Unrealized foreign exchange loss	-	113,799
	232,991,045	163,413,804
Tax rate	25%	25%
	58,247,761	40,853,451

The details of the Company's NOLCO as at December 31 are as follows:

Year of incurrence	Year of expiration	2023	2022
2021	2026	68,674,211	68,674,211
2022	2025	37,344,180	37,344,180
2023	2026	60,767,897	-
		166,786,288	106,018,391
Tax rate		25%	25%
		41,696,572	26,504,598

The Company did not recognize deferred income tax assets arising from NOLCO as at December 31, 2023 and 2022 as management expects that there is no sufficient future taxable income where this deferred income tax asset would be utilized and considering the effective income tax rate of nil under the REIT law.

The reconciliation between income tax expense computed at the statutory tax rate and the actual income tax expense for the years ended December 31 as shown in the statements of total comprehensive income follows:

	2023	2022	2021		
	RCIT	RCIT	RCIT	Special rate	Total
Income tax at statutory tax rate	349,524,094	315,153,335	(7,681,132)	24,840,416	17,159,284
Income tax effects of:					
Non-deductible expenses	-	134,091	-	346,062	346,062
Non-taxable income due to ITH	-	-	-	(11,471,921)	(11,471,921)
Deductible expenses recognized as asset	-	-	(8,916,094)	-	(8,916,094)
Interest income subject to final tax	(1,202,144)	(95,812)	-	(27,708)	(27,708)
Derecognition of deferred income tax assets, net	-	(8,200,316)	-	-	-
Deductible expense recognized as APIC	-	(17,047,639)	-	-	-
Movement of unrecognized deferred income tax assets	17,394,310	8,173,493	-	(5,289,939)	(5,289,939)
Deductible expenses recognized as bond issuance costs	(10,030,802)	-	-	-	-
Movement of straight-line lease income subjected to effective zero-income tax rate	(43,140,030)	(33,044,764)	-	-	-
Deductible dividends payment	(312,545,428)	(273,272,704)	-	-	-
	-	(8,200,316)	(16,597,226)	8,396,910	(8,200,316)

20 Lease - Company as a lessee

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 P0.29 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 P5.28 million are presented as part of other non-current assets in the statements of financial position as at December 31, 2023 and 2022 (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 with a third party to the Company (Note 8);
- Sublease agreement and lease contract with third parties for land properties located in Brgy. Dalayap, Tarlac City, Tarlac previously being leased by CST2 (Note 8); and
- Lease agreement with a third party for a land property in Brgy. Rizal, Silay City, Negros Occidental previously being leased by CSNO (Note 8).

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.

Amounts recognized in the statements of financial position

Details of right-of-use asset, net for the lease agreement in (a) and movements in the account as at and for the years ended December 31 are as follows:

	Note	2023	2022
Cost			
December 31, 2023 and 2022		43,937,092	43,937,092
Accumulated amortization			
January 1		8,510,720	6,377,964
Amortization	16	2,133,871	2,132,756
December 31		10,644,591	8,510,720
Net book value		33,292,501	35,426,372

Investment properties held by the Company as a right-of-use asset related to lease agreements in (b) measured initially at its cost in accordance with PFRS 16 as at and for the years ended December 31 are as follows:

	Notes	2023	2022
Cost			
January 1		193,407,106	53,940,794
Additions		-	139,466,312
December 31		193,407,106	193,407,106
Accumulated amortization			
January 1		10,573,974	473,166
Amortization	16	10,100,808	10,100,808
December 31		20,674,782	10,573,974
Net book value	8	172,732,324	182,833,132

Details of the lease liabilities as at December 31 are as follows:

	2023	2022
Current	5,863,776	2,406,282
Non-current	226,982,998	227,201,879
	232,846,774	229,608,161

Movements in lease liabilities for the years ended December 31 are as follows:

	Notes	2023	2022
January 1		229,608,161	104,396,199
Additions	8	-	139,466,312
Principal payments		(2,406,115)	(20,109,933)
Interest payments		(10,589,344)	(9,951,228)
Interest expense	8, 18	16,245,032	15,693,012
Translation difference		(10,960)	113,799
December 31		232,846,774	229,608,161

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

Amounts recognized in the statements of total comprehensive income

Amounts recognized in the statements of total comprehensive income for the years ended December 31 related to the lease agreements are as follows:

	Notes	2023	2022	2021
Amortization expense	8, 16	12,234,679	12,233,564	2,599,154
Interest expense	8, 18	16,245,032	15,693,012	4,464,960
Translation difference	22	(10,960)	113,799	55,318
		28,468,751	28,040,375	7,119,432

The total cash outflows for the years ended December 31 for the lease agreements are as follows:

	2023	2022	2021
Payment of principal portion of lease liabilities	2,406,115	20,109,933	955,048
Payment of interest on lease liabilities	10,589,344	9,951,228	4,464,960
	12,995,459	30,061,161	5,420,008

Discount rate

The lease payments are discounted using the Company's incremental borrowing rate ranging from 6.75% to 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.

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.

21 Earnings per share (EPS)

Basic and diluted EPS for the years ended December 31 are as follows:

	2023	2022	2021
Net income	1,398,096,376	1,252,413,024	225,879,943
Weighted average number of common shares	6,545,454,004	6,397,090,471	2,772,000,029
Basic and diluted EPS	0.21	0.20	0.08

Weighted average number of common shares for the year ended December 31, 2023 is calculated as follows:

	Note	Number of shares	Ratio	Weighted number of shares
Beginning		6,545,454,004	1.00	6,545,454,004
Issuance of shares	14	-	1.00	-
		6,545,454,004		6,545,454,004

Weighted average number of common shares for the year ended December 31, 2022 is calculated as follows:

	Note	Number of shares	Ratio	Weighted number of shares
Beginning		5,498,182,004	1.00	5,498,182,004
Issuance of shares	14	1,047,272,000	0.86	898,908,467
		6,545,454,004		6,397,090,471

Weighted average number of common shares for the year ended December 31, 2021 is calculated as follows:

	Note	Number of shares	Ratio	Weighted number of shares
Beginning		2,159,999,994	1.00	2,159,999,994
Issuance of shares	14	3,338,182,010	0.18	612,000,035
		5,498,182,004		2,772,000,029

In March 2021, the Company's BOD and shareholders 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, subsequent decrease in par value and share subscriptions and issuance during 2021 were considered in the calculation of weighted average number of common shares outstanding retrospectively.

The Company has no potential dilutive common shares for each of the three years in the period ended December 31, 2023. Therefore, basic and diluted EPS are the same.

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 <u>Market risk</u>

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. The management of these risks is discussed in the succeeding section.

(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 relates to loans payable, cash in banks, short-term placements, and lease liabilities.

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 December 31, 2023 and 2022 (Note 10).

The Company is also exposed to fixed-rate interest rate risk related to its lease liabilities and bonds payable. The interest rate risk is deemed to have a diminishing impact on the Company over the term of the lease (Note 20) and bonds (Note 11).

Management believes that the related cash flow and interest rate risk on cash in banks and short-term placements is relatively low due to immaterial changes on interest rates within the duration of these financial instruments.

(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 December 31, 2023 refers to a portion of lease liabilities amounting to US$19,516 (2022 - US$19,858) with Philippine Peso equivalent of P1.08 million (2022 - P1.11 million).

Details of foreign exchange losses (gains), net for the years ended December 31 are as follows:

	Note	2023	2022	2021
Unrealized losses (gains), net		(10,960)	113,799	55,318
Realized losses, net		-	-	174
	18	(10,960)	113,799	55,492

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.

(c) Security price

The Company's exposure to debt securities price risk arises from its bonds payable. The bonds is publicly traded in the PDEx. Management assessed that the security price risk is not applicable considering that the bonds bear a fixed interest rate.

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 and cash equivalents, 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 as at December 31 are as follows:

	Notes	2023	2022
Cash and cash equivalents*	3	616,746,821	571,358,464
Trade and other receivables	4	436,425,471	268,361,478
Security deposits	7	5,279,310	5,279,310
Cash bond	7	36,170,854	-
		1,094,622,456	844,999,252

**excluding cash on hand*

Credit quality of financial assets

(i) Cash and cash equivalents

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 Note 3. The expected credit loss is determined to be immaterial. Cash on hand is not subject to credit risk.

(ii) Trade and other receivables

The Company has significant concentration of credit risk for the sale of energy segment business 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.

Trade receivables from leasing segment include receivables from related parties. The credit exposure on trade receivables from related parties is considered to be minimal as there is no history of default and collections are expected to be made based on the lease agreement. In addition, the related parties are considered to have good financial standing and are highly liquid. 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 includes 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 December 31, 2023 and 2022.

(iii) Security deposits and cash bond

Security deposits and cash bond include cash required from the Company in relation to its lease agreement and deposits for the land conversions, 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
December 31, 2023				
Trade payables and other liabilities*	9	-	44,474,016	-
Dividends payable	9, 14	-	312,332,383	-
Lease liabilities	20	-	5,863,776	226,982,998
Interest**		-	282,076,154	1,305,141,346
Security deposits	12	-	-	61,327,268
Bonds payable	11	-	-	4,459,876,787
		-	644,746,329	6,053,328,399
December 31, 2022				
Trade payables and other liabilities*	9	-	3,706,140	-
Dividends payable	9, 14	-	280,442,419	-
Due to a related party	12	-	53,223,717	-
Lease liabilities	20	-	2,406,282	227,201,879
Interest**		-	16,309,125	167,227,646
Security deposits	12	-	-	57,416,276
		-	356,087,683	451,845,801

**excluding due to government agencies and deferred rent income*
***expected interest on bonds payable and on 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 shareholders 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 shareholders 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 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 from third parties less cash and cash equivalents, while equity is total equity as shown in the statements of financial position. The Company has no outstanding short-term and long-term bank borrowings from third parties as at December 31, 2022. The Company's borrowings as at December 31, 2023 relates to bonds payable. The net debt reconciliation and gearing ratio as at December 31 are as follows:

	Notes	2023	2022	2021
Borrowings, January 1	10	-	-	1,036,255,832
Cash flows	10, 11	4,452,660,938	-	(31,611,570)
Non-cash movement	10, 11	7,215,849	-	(1,004,644,262)
Borrowings, December 31	10, 11	4,459,876,787	-	-
Cash and cash equivalents	3	(616,861,821)	-	(49,014,348)
Net debt (asset)		3,843,014,966	-	(49,014,348)
Total equity		4,469,244,401	-	1,628,046,129
Net gearing ratio		0.86:1	-	(0.03):1

Non-cash movement during 2021 pertains to the amortization of debt issuance cost and assignment of loans payable (Note 10). Non-cash movement during 2023 pertains to the amortization of bond issuance cost (Note 11).

As a REIT entity, the Company is subject to externally imposed capital requirements based on the requirement of the Aggregate Leverage Limit under the REIT IRR. Per Rule 5 - Section 8 of the REIT IRR issued by the SEC, the total borrowings and deferred payments of a REIT that has a publicly disclosed investment grade credit rating by a duly accredited or internationally recognized rating agency may exceed thirty-five percent (35%) but not more than seventy percent (70%) of its deposited properties. Provided, further, that in no case shall a fund manager, borrow from the REIT any of the funds under its management. As at December 31, 2023, the Company is compliant with the externally imposed capital requirements of REIT IRR and met the provisions of the REIT law related to the borrowing requirements to its fund manager.

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), dividends payable, due to a related party 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, non-current portion of trade receivables, security deposits and non-current portion of lease liabilities are close to market rates.

As at December 31, 2023 and 2022, the Company does not have financial instruments that are measured using the fair value hierarchy.

23 Critical accounting estimates and assumptions and judgments

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 as follows.

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. 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. No additional allowance for doubtful accounts was made during 2023, 2022 and 2021.

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.

If the actual useful lives of these assets are prolonged or shortened by five (5) years, income before tax for the years ended December 31 would be as follows:

	Impact on income before tax Increase (Decrease)	
	2023	2022
Prolonged by 5 years	P8.89 million	P10.29 million
Shortened by 5 years	(P13.06 million)	(P9.26 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 liabilities. 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 subject to amortization 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.

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 agreements have not been included in the lease liabilities because the Company's lease agreements state that extension and termination should be made upon mutual agreement by both parties and considering the estimated useful lives of the solar power plants of the related parties and the assignment of the SESC with Parent Company. 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) Income taxes and "No tax" regime

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 details 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.

As a REIT entity, the Company can effectively operate under a “no tax” regime provided that it meets certain conditions (e.g. listing status, minimum required dividend payments). A REIT entity is required to distribute at least 90% of its annual income as dividends to its investors and is allowed to treat the dividend as deduction for tax purposes making it effectively an income-tax free entity. As at December 31, 2023 and 2022, the Company met the provisions of the REIT law and complies with the 90% dividend distribution requirement. The Company had determined, based on its current tax regime and expected dividend distribution in the succeeding periods, that it can effectively operate on a “no-tax” regime. Accordingly, the Company has not recognized deferred taxes as at December 31, 2023 and 2022. The Company recognized deferred income tax asset as at December 31, 2021 prior to its listing on February 22, 2022, 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. The Company started to avail of its tax incentive as a REIT after its listing to PSE.

(d) Distinction between investment properties and property, plant and equipment

The Company determines whether a property is to be classified as an investment property or property, plant and equipment through the following:

- Investment properties comprise land and buildings which are not occupied, substantially for use by, or in the operations of, nor for sale in the ordinary course of business of the Company, but are held primarily to earn rental income or capital appreciation; and
- Property, plant and equipment generate cash flows that are attributable not only to them but also to the other assets used in the operations of the Company.

In making its judgment, the Company considers whether the property generates cash flows largely independent of the other assets held by the Company.

Some properties comprise a portion that is to earn rentals or for capital appreciation and another portion that is held for use in the operation or for administrative purposes. If these portions cannot be sold separately at the reporting date, the property is accounted for as an investment property only if an insignificant portion is held for use in the operation or for administrative purposes. Judgment is applied in determining whether ancillary services are so significant that a property does not qualify as an investment property. The Company considers each property separately in making its judgment.

(e) Effective interest rates of security deposits

The Company measures security deposits from its lessees at amortized cost using a zero-coupon yield curve as the appropriate effective interest rate. This rate is determined by estimating the yield of a security from the yields of a set of coupons bearing products through bootstrapping or interpolation with reference to the maturity date of each security deposit. Effective interest rates are reviewed by the Company periodically and updated if there have been material movements with the rates.

(f) Contingencies

The Company determines whether to disclose and accrue for contingencies based on an assessment of whether the risk of loss is remote, reasonably possible or probable. Management’s assessment is developed in consultation with the Company’s legal counsel and other advisors and is based on an analysis of possible outcomes under various strategies. Contingency assumptions involve judgment that are inherently subjective and can involve matters that are in litigation, which by its nature is unpredictable. The Company is a respondent in cases arising from the normal course of business, the outcome of which cannot be presently determined. In the opinion of the Company's management and its legal counsel, the eventual liability, if any, which may result from the outcome of these cases will not materially affect the Company’s financial statements.

24 Summary of material accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

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 and Sustainability Reporting Standards Council (FSRSC) 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 and amendment to existing standards and interpretations adopted by the Company

The Company has applied the following amendments for the first time for their annual reporting period commencing January 1, 2023:

- Disclosure of accounting policies - Amendments to PAS 1 and PFRS Practice Statement 2

  PAS 1, *"Presentation of Financial Statements"* was amended to require entities to disclose their material rather than their significant accounting policies. The amendments define what is 'material accounting policy information' (being information that, when considered together with other information included in an entity's financial statements, can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements) and explain how to identify when accounting policy information is material. They further clarify that immaterial accounting policy information does not need to be disclosed. If it is disclosed, it should not obscure material accounting information. To support this amendment, the IFRS Practice Statement 2 Making Materiality Judgements was also amended to provide guidance on how to apply the concept of materiality to accounting policy disclosures.

  The effects of adoption of amendments to PAS 1 and PFRS Practice Statement 2 as at January 1, 2023 are considered in the Summary of material accounting policies (Note 24) and Summary of other accounting policies (Note 25).

- Definition of accounting estimates - Amendments to PAS 8

  The amendment to PAS 8, *"Accounting Policies, Changes in Accounting Estimates and Errors*" clarifies how companies should distinguish changes in accounting policies from changes in accounting estimates. The distinction is important, because changes in accounting estimates are applied prospectively to future transactions and other future events, whereas changes in accounting policies are generally applied retrospectively to past transactions and other past events as well as the current period.

  The adoption did not have a significant impact on the Company's financial statements as at December 31, 2023 and 2022.

- Deferred tax related to assets and liabilities arising from a single transaction - Amendments to PAS 12

  The amendments to PAS 12, *"Income Taxes"* require companies to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences, and will require the recognition of additional deferred tax assets and liabilities. The amendment should be applied to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, entities should recognise deferred tax assets (to the extent that it is probable that they can be utilised) and deferred tax liabilities at the beginning of the earliest comparative period for all deductible and taxable temporary differences associated with:

  - right-of-use assets and lease liabilities, and
  - decommissioning, restoration and similar liabilities, and the corresponding amounts recognised as part of the cost of the related assets.

  The cumulative effect of recognising these adjustments is recognised in the opening balance of retained earnings, or another component of equity, as appropriate. PAS 12 did not previously address how to account for the tax effects of on-balance sheet leases and similar transactions and various approaches were considered acceptable. Some entities may have already accounted for such transactions consistent with the new requirements. These entities will not be affected by the amendments.

  The adoption did not have any impact on the amounts recognized in prior periods and is not expected to significantly affect the current or future periods.

(b) New standards, amendments and interpretations not yet adopted by the Company

Certain new accounting standards, amendments to accounting standards and interpretations have been published that are not mandatory for December 31, 2023 reporting periods and have not been early adopted by the Company. These standards, amendments or interpretations are not expected to have a material impact on the Company in the current or future reporting periods and on foreseeable future transactions.

24.2 Cash and cash equivalents

Short-term placements are presented as cash equivalents if they have a maturity of three (3) months or less from the date of acquisition, readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value.

Other relevant policies are disclosed in Note 24.4.

24.3 Trade and other receivables

Trade receivables from Transco which have a 60-day credit term, lease receivables 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.

<u>Financial assets</u>

(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 December 31, 2023 and 2022.

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), and security deposits and cash bonds (Note 24.7) in the statement of financial position. These are included in current assets, except for those expected to be realized greater than 12 months after the reporting period which are classified as non-current assets.

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) 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, other receivables, security deposits and cash bond, 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.

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), dividends payable (Note 24.13), security deposits (Note 24.17), due to a related party (Note 24.18), loans and interest payables (Note 24.15) lease liabilities (Note 24.17) and bonds payable (Note 24.15) are classified under financial liabilities at amortized cost.

24.5 Fair value measurement

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 does not hold financial and non-financial assets and liabilities at fair value as at December 31, 2023 and 2022.

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 cash bonds pertain to advances to lessor relating to rent and deposits for land conversions, 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.

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

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.

24.9 Investment properties

After initial recognition, investment properties are measured at cost and accounted in accordance with PAS 16, *"Property, plant and equipment"*. Land is not depreciated.

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.

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.

Due to government agencies are not considered financial liabilities but are derecognized similarly.

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) Retained earnings (Deficit)

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

(c) 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.

(d) 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 generation of electricity from solar power energy is assessed by management 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 24.17.

(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.

Other relevant accounting policies are disclosed in Note 24.4.

24.16 Current and deferred income tax

Income tax expense comprises current and deferred income taxes.

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 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 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 Leases

<u>Company as a lessee</u>

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.

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).

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.

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.

Right-of-use assets that meet the definition of investment property is presented in the statement of financial position as investment property. Other relevant accounting policies are disclosed in Note 24.9.

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.

Deposits from lessees which include security deposits are initially measured at fair value. After initial recognition, security deposits are subsequently measured at amortized cost using effective interest rate method. The difference between the cash received and its fair value is deferred and amortized on a straight-line basis over the lease term. Amortization of deferred credits and accretion of discount are recorded in the statement of total comprehensive income under rental income and finance cost accounts, respectively.

24.18 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.

24.19 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.

25 Summary of other accounting policies

25.1 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.

Liabilities related to employee benefits are derecognized once settled, cancelled or have expired.

25.2 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.

25.3 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.

25.4 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.

26 Supplementary information required by Bureau of Internal Revenue (BIR)

The following supplementary information required by Revenue Regulation (RR) No. 15-2010 is presented for purposes of filing with the BIR and is not a required part of the basic financial statements.

(a) Output VAT

Output VAT declared and the revenues upon which the same was based consist of:

	Gross amount of revenues	Output VAT
Zero-rated VAT sales	1,457,865,635	-

Revenues presented above are based on net receipts for VAT reporting purposes while revenues in the statements of total comprehensive income are based on revenue recognition policy per Note 24.14. Gross receipts from the rental of real properties on its leasing business are subject to zero-rated VAT. The Company's lessees are registered developers of renewable energy (RE) and under the Renewable Energy Act of 2008. RE developers benefit from VAT zero-rating.

(b) Input VAT

Movements in input VAT for the year ended December 31, 2023 follow:

	Amount
January 1	18,353,780
Add: Current year's domestic purchases of services	157,273,404
December 31	175,627,184

(c) Importations

The Company did not have importations during the year ended December 31, 2023.

(d) Excise tax

There were no transactions subject to excise tax for the year ended December 31, 2023.

(e) Documentary stamp tax

Documentary stamp taxes (DST) paid for the year ended December 31, 2023 amounted to P635,320 related to lease contracts, bond issuance and certain payment documents requiring DST. DST related to bond issuance were recorded as part of bond issuance cost amounting to P1,035, DST related to lease agreements where recorded as part of investment properties amounting to P629,224, while DST for certain payment documents amounting to P5,060 were recorded as part of taxes and licenses account under operating expenses in the statements of total comprehensive income.

(f) All other local and national taxes

	Amount
Business permits and licenses	640,624
BIR annual registration gee	500
Others	30,553
	671,677

The above local and national taxes are lodged under taxes and licenses account in cost of services and operating expenses in the statements of total comprehensive income.

(g) Withholding taxes

Withholding taxes paid and accrued for the year ended December 31, 2023 consist of:

	Paid	Accrued	Total
Withholding tax on compensation	288,076	6,425	294,501
Expanded withholding tax	24,148,171	1,194,242	25,342,413
Final withholding tax	60,389,268	22,113,954	82,503,222
	84,825,515	23,314,621	108,140,136

(h) Tax assessments and cases

In 2022, the Company has received letter of authority (LOA) from the BIR for taxable year 2021. The assessment was finalized and paid on February 1, 2024 through settlement of deficiency taxes and interests amounting to P2,015,673.

There are no other outstanding tax assessments and cases under preliminary investigation, litigation and/or prosecution in courts or bodies outside the BIR as at December 31, 2023.