

COVER SHEET

for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

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COMPANY NAME

E	N	F	I	N	I	T	Y		P	H	I	L	I	P	P	I	N	E	S		R	E	N	E	W	A	B	L	E
R	E	S	O	U	R	C	E	S		I	N	C																	

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

P	R	I	N	C	E		B	A	L	A	G	T	A	S		A	V	E	N	U	E							
E	X	T	E	N	S	I	O	N		C	L	A	R	K		F	R	E	E	P	O	R	T		Z	O	N	E
P	A	M	P	A	N	G	A																					

Form Type

A	A	F	S
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Department requiring the report

C	R	M	D
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Secondary License Type, if Applicable

N	/	A
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COMPANY INFORMATION

Company's Email Address

msercado@crec.com.ph

Company's Telephone Number/s

02-8255-4600

Mobile Number

N/A

No. of Stockholders

7 (seven)

Annual Meeting (Month/Day)

1st Monday of April

Fiscal Year (Month/Day)

December 31

CONTACT PERSON INFORMATION

The designated contact person ***MUST*** be an Officer of the Corporation

Name of Contact Person

Marie Arcie Anne M. Sercado

Email Address

msercardo@crec.com.ph

Telephone Number/s

02-8255-4600

Mobile Number

09478905921

CONTACT PERSON'S ADDRESS

11/F, SANTOLAN TOWN PLAZA, 276 COL. BONNY SERRANO AVE., SAN JUAN CITY

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

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

E P R R I

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

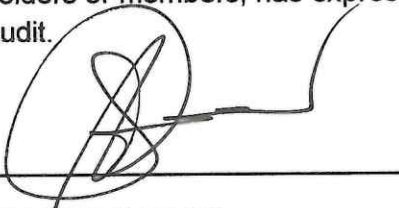
The management of **Enfinity Philippines Renewable Resources Inc.** is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the years ended December 31, 2020 and 2019, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

PwC, Isla Lipana & Co., the independent auditor, appointed by the shareholders, has audited the financial statements of the company in accordance with Philippine Standards on Auditing, and in its report to the stockholders or members, has expressed its opinion on the fairness of presentation upon completion of such audit.



EDGAR B. SAAVEDRA
Chairman



OLIVER Y. TAN
President



MANUEL LOUIE B. FERRER
Treasurer

Signed this 7th day of March 2021



ENFINITY RENEWABLE <epri2010@gmail.com>

Your BIR AFS eSubmission uploads were received

eafs@bir.gov.ph <eafs@bir.gov.ph>
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Fri, Apr 30, 2021 at 9:37 AM

Hi ENFINITY PHILIPPINES RENEWABLE RESOURCES INC,

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Transaction Code: **AFS-0-76EH6JGK099KC966FMY2N2X420N4WSNXYS**
Submission Date/Time: **Apr 30, 2021 09:37 AM**
Company TIN: **007-813-849**

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- The submission is without prejudice to the right of the BIR to require additional document, if any, for completion and verification purposes;
- The hard copies of the documents submitted through this facility shall be submitted when required by the BIR in the event of audit/investigation and/or for any other legal purpose.

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Independent Auditor's Report

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

Report on the Audit of the Financial Statements

Opinion

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

What we have audited

The financial statements of the Company comprise:

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

Basis for Opinion

We conducted our audit 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.

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.

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Independent Auditor's Report
To the Board of Directors and Shareholder of
Enfinity Philippines Renewable Resources Inc.
(A wholly-owned subsidiary of Citicore Renewable Energy Corporation)
Page 2

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.



Independent Auditor's Report
To the Board of Directors and Shareholder of
Enfinity Philippines Renewable Resources Inc.
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Page 3

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.

Other Matter

The financial statements as at and for the year ended December 31, 2019 were audited by another auditor who expressed an unmodified opinion on those statements on March 16, 2020.

Report on the Bureau of Internal Revenue Requirement

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information in Note 23 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 audit 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.

Isla Lipana & Co.

Pocholo C. Domondon
Partner

CPA Cert. No. 108839

P.T.R. No. 0011401; issued on January 5, 2021 at Makati City

SEC A.N. (individual) as general auditors 1567-AR-1, Category A; effective until May 27, 2022

SEC A.N. (firm) as general auditors 0142-SEC, Category A;

valid to audit 2020 to 2024 financial statements

T.I.N. 213-227-235

BIR A.N. 08-000745-128-2019; issued on January 14, 2019; effective until January 13, 2022

BOA/PRC Reg. No. 0142, effective until January 21, 2023

Makati City
March 9, 2021



Isla Lipana & Co.


Statement Required by Rule 68,
Securities Regulation Code (SRC)

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

We have audited the financial statements of Enfinity Philippines Renewable Resources Inc. (the "Company") as at and for the year ended December 31, 2020, on which we have rendered the attached report dated March 9, 2021.

In compliance with SRC Rule 68 and based on the certification received from the Company's corporate secretary, the Company has only one (1) shareholder owning one hundred (100) or more shares as at December 31, 2020.

Isla Lipana & Co.


Pocho C. Domondon
Partner
CPA Cert. No. 108839
P.T.R. No. 0011401; issued on January 5, 2021 at Makati City
SEC A.N. (individual) as general auditors 1567-AR-1, Category A; effective until May 27, 2022
SEC A.N. (firm) as general auditors 0142-SEC, Category A;
valid to audit 2020 to 2024 financial statements
T.I.N. 213-227-235
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Makati City
March 9, 2021

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

Statement of Financial Position
As at December 31, 2020
(With comparative figures as at December 31, 2019)
(All amounts in Philippine Peso)

	Notes	2020	2019
<u>ASSETS</u>			
Current assets			
Cash and cash equivalents	2	71,737,473	47,064,583
Trade and other receivables, net	3	258,905,233	128,630,106
Prepayments and other current assets	4	11,601,430	11,443,248
Total current assets		342,244,136	187,137,937
Non-current assets			
Property, plant and equipment, net	5	1,390,337,430	1,449,496,776
Right-of-use asset, net	18	39,685,116	41,811,104
Other non-current assets	6	8,975,048	8,668,208
Total non-current assets		1,438,997,594	1,499,976,088
Total assets		1,781,241,730	1,687,114,025
<u>LIABILITIES AND EQUITY</u>			
Current liabilities			
Trade payables and other liabilities	7	125,610,375	78,379,762
Loans payable	8	126,446,281	120,913,719
Lease liabilities	18	294,139	21,201
Total current liabilities		252,350,795	199,314,682
Non-current liabilities			
Loans payable, net of current portion	8	909,809,551	974,342,172
Lease liabilities, net of current portion	18	51,060,996	51,410,357
Retirement benefit obligation	11	2,915,664	-
Other non-current liability	10	-	1,056,902
Total non-current liabilities		963,786,211	1,026,809,431
Total liabilities		1,216,137,006	1,226,124,113
Equity			
Share capital	12	539,999,999	539,999,999
Retained earnings (Deficit)		25,104,725	(79,010,087)
Total equity		565,104,724	460,989,912
Total liabilities and equity		1,781,241,730	1,687,114,025

The notes on pages 1 to 33 are integral part of these financial statements.

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

Statement of Total Comprehensive Income
For the year ended December 31, 2020
(With comparative figures for the year ended December 31, 2019)
(All amounts in Philippine Peso)

	Notes	2020	2019
Revenues	13	269,076,808	248,010,727
Cost of services	14	(94,623,573)	(98,375,976)
Gross profit		174,453,235	149,634,751
Operating expenses	15	(7,987,959)	(3,386,831)
Income from operations		166,465,276	146,247,920
Finance costs	8, 18	(64,054,226)	(68,727,061)
Other income, net	16	1,703,762	2,050,084
Income before income tax		104,114,812	79,570,943
Income tax expense	17	-	-
Net income for the year		104,114,812	79,570,943
Other comprehensive income for the year		-	-
Total comprehensive income for the year		104,114,812	79,570,943

The notes on pages 1 to 33 are integral part of these financial statements.

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

Statement of Changes in Equity
For the year ended December 31, 2020
(With comparative figures for the year ended December 31, 2019)
(All amounts in Philippine Peso)

	Common shares (Note 12)	Preference shares (Note 12)	Total share capital (Note 12)	Retained earnings (Deficit)	Total
Balances at January 1, 2019	72,860,309	467,139,690	539,999,999	(158,581,030)	381,418,969
Comprehensive income					
Net income for the year	-	-	-	79,570,943	79,570,943
Other comprehensive income for the year	-	-	-	-	-
Total comprehensive income for the year	-	-	-	79,570,943	79,570,943
Balances at December 31, 2019	72,860,309	467,139,690	539,999,999	(79,010,087)	460,989,912
Comprehensive income					
Net income for the year	-	-	-	104,114,812	104,114,812
Other comprehensive income for the year	-	-	-	-	-
Total comprehensive income for the year	-	-	-	104,114,812	104,114,812
Balances at December 31, 2020	72,860,309	467,139,690	539,999,999	25,104,725	565,104,724

The notes on pages 1 to 33 are integral part of these financial statements.

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

Statement of Cash Flows
For the year ended December 31, 2020
(With comparative figures for the year ended December 31, 2019)
(All amounts in Philippine Peso)

	Notes	2020	2019
Cash flows from operating activities			
Income before income tax		104,114,812	79,570,943
Adjustments for:			
Finance costs	8, 18	64,054,226	68,727,062
Depreciation and amortization	5, 18	61,285,334	61,270,709
Retirement benefit expense	11	2,915,664	-
Provision for doubtful accounts	3	1,944,096	-
Unrealized foreign exchange losses, net	19	11,175	60,375
Interest income	2, 3	(662,181)	(2,110,459)
Reversal of provision for asset retirement obligation	10	(1,056,902)	-
Operating income before working capital changes		232,606,224	207,518,630
Changes in working capital:			
Trade and other receivables		(132,219,223)	(65,175,700)
Prepayments and other current assets		(158,182)	1,126,048
Trade payables and other liabilities		19,004,500	1,606,079
Other non-current assets		(306,840)	(308,357)
Net cash generated from operations		118,926,479	144,766,700
Interest received		662,181	2,110,459
Net cash provided by operating activities		119,588,660	146,877,159
Cash flow from an investing activity			
Additions to property, plant and equipment	5	-	(175,500)
Cash flows from financing activities			
Principal payment of lease liabilities	18	(87,598)	(235,237)
Interest payment on lease liabilities	18	(4,026,048)	(3,686,845)
Interest payment on loans	8	(29,438,488)	(59,782,161)
Principal payment of loans	8	(61,363,636)	(122,727,273)
Net cash used in financing activities		(94,915,770)	(186,431,516)
Net increase (decrease) in cash and cash equivalents		24,672,890	(39,729,857)
Cash and cash equivalents at January 1		47,064,583	86,794,440
Cash and cash equivalents at December 31	2	71,737,473	47,064,583

The notes on pages 1 to 33 are integral part of these financial statements.

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

Notes to the Financial Statements

As at and for the year ended December 31, 2020

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

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

Note 1 - General information

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

The Company was registered with the Philippine Board of Investments (BOI) on October 16, 2015 as a renewable energy developer of solar energy resources under the Renewable Energy Act of 2008, (RA 9513).

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

The Company's parent company is Citicore Renewable Energy Corporation (the "Parent Company") which is incorporated in the Philippines and is engaged in power generation under the Renewable Energy Law. The Certificate Authorizing Registration (CAR) for the transfer of shares of previous shareholders to the Parent Company was issued by the Bureau of Internal Revenue (BIR) on March 18, 2019 and June 2, 2020.

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

The principal place of business and registered office address of the Company is located at Prince Balagtas Avenue Extension, Clark Freeport Zone, Pampanga.

The financial statements have been approved and authorized for issuance by the Company's Board of Directors (BOD) on March 9, 2021.

Note 2 - Cash and cash equivalents

Cash and cash equivalents as at December 31 consist of:

	2020	2019
Cash on hand	35,000	31,000
Cash in banks	12,763,953	1,321,944
Short-term placements	58,938,520	45,711,639
	<u>71,737,473</u>	<u>47,064,583</u>

Cash in banks earn interest at the prevailing bank deposit rates. Short-term placements represent money market placements or short-term investments with maturities up to three (3) months and annual interest ranging from 1.23% to 1.85% in 2020 (2019 - 3.70% to 4.00%). Total interest earned for the year ended December 31, 2020 amounted to P0.66 million (2019 - P2.07 million) (Note 16).

Note 3 - Trade and other receivables, net

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

	Note	2020	2019
Trade receivables		41,996,272	36,324,140
Due from related parties	9	216,908,961	90,361,870
		258,905,233	126,686,010
Other receivable		1,944,096	1,944,096
Allowance for doubtful accounts for other receivable		(1,944,096)	-
		-	1,944,096
		258,905,233	128,630,106

Trade receivables are generally collectible within a 60-day period. In accordance with the Renewable Energy Payment Agreement (REPA), in the event that National Transmission Corporation (TransCo) fails to pay any amount stated in the feed-in tariff (FIT) statement of account upon the lapse of one billing period from the relevant payment date, TransCo shall pay to the Company such unpaid amount plus interest thereon, calculated from the relevant payment date to the day such amount is actually paid. Interest rate is the rate prevailing for a 91-day treasury bill plus 3%. Interest income arising from late payments of TransCo amounted to P0.04 million in 2019 (Note 16). There was no late payment transaction in 2020.

Other receivable pertains to a refund for overpaid insurance. During 2020, the Company provided an allowance for doubtful accounts for this receivable amounting to P1.94 million due to the changes in its credit quality. The provision was recognized as part of operating expenses in the statement of total comprehensive income (Note 15).

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

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

Note 4 - Prepayments and other current assets

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

	2020	2019
Prepaid taxes	1,430,404	1,854,350
Input value-added tax (VAT)	9,435,619	9,403,280
Advances to employees	217,509	134,976
Others	517,898	50,642
	11,601,430	11,443,248

Prepaid taxes include overpayment of withholding taxes and income taxes.

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

Note 5 - 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, 2019	1,664,296,964	44,477,618	-	-	1,708,774,582
Additions	-	-	40,000	135,500	175,500
December 31, 2019 and 2020	1,664,296,964	44,477,618	40,000	135,500	1,708,950,082
Accumulated depreciation					
January 1, 2019	195,085,235	5,223,350	-	-	200,308,585
Depreciation	55,914,483	3,204,430	10,000	15,808	59,144,721
December 31, 2019	250,999,718	8,427,780	10,000	15,808	259,453,306
Depreciation	55,914,483	3,204,430	13,333	27,100	59,159,346
December 31, 2020	306,914,201	11,632,210	23,333	42,908	318,612,652
Net book values					
December 31, 2020	1,357,382,763	32,845,408	16,667	92,592	1,390,337,430
December 31, 2019	1,413,297,246	36,049,838	30,000	119,692	1,449,496,776

The Clark Solar Power Project was funded through a Term Loan Facility Agreement with Development Bank of the Philippines (DBP) (Note 8). 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.

Depreciation for the years ended December 31 were charged to:

	Notes	2020	2019
Cost of services	14	59,118,913	59,118,913
Operating expenses	15	40,433	25,808
		59,159,346	59,144,721

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

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

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

Note 6 - Other non-current assets

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

	Note	2020	2019
Electric utility deposits		6,580,541	6,580,541
Security deposits	18	1,779,310	1,779,310
Restricted cash		615,197	308,357
		8,975,048	8,668,208

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

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

Note 7 - Trade payables and other liabilities

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

	Note	2020	2019
Trade payables		6,794,533	6,647,557
Due to government agencies		85,508,641	66,787,314
Interest payable	8	31,916,918	3,690,805
Accrued expenses		1,390,283	1,254,086
		125,610,375	78,379,762

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

Accrued expenses mainly include utilities, operations and maintenance expenses.

Note 8 - Loans payable

Details of loans payable as at December 31 follow:

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

Movements in loans payable for the years ended December 31 follow:

	2020	2019
Principal amount		
January 1	1,104,545,454	1,227,272,727
Payments	(61,363,636)	(122,727,273)
December 31	1,043,181,818	1,104,545,454
Debt issuance cost		
January 1	(9,289,563)	(11,258,274)
Amortization	2,363,577	1,968,711
December 31	(6,925,986)	(9,289,563)
	1,036,255,832	1,095,255,891

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

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

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

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

Total finance costs recognized in the statement of total comprehensive income for the year ended December 31, 2020 amounted to P60.03 million (2019 - P65.04 million). Finance costs include amortization of debt issuance cost amounting to P2.36 million (2019 - P1.97 million). As at December 31, 2020, interest payable amounted to P31.92 million (2019 - P3.69 million) (Note 7).

Movements of interest payable for the years ended December 31 follow:

	2020	2019
January 1	3,690,805	3,975,000
Interest expense net of amortization of debt issuance cost	57,664,602	63,071,506
Interest payments	(29,438,489)	(63,355,701)
December 31	31,916,918	3,690,805

Note 9 - Related party transactions

In the normal course of business, the Company transacts with companies which are considered related parties under PAS 24, "Related Party Disclosures".

The transactions and outstanding balances of the Company with related parties as at and for the years ended December 31 follow:

	2020		2019		Terms and conditions
	Transactions	Outstanding receivables	Transactions	Outstanding receivables	
Advances (Note 3)					Advances to related parties are made to finance working capital requirements. These are unsecured, with no guarantee, non-interest bearing, collectible on demand and are expected to be collected in cash or offset with outstanding liability.
Parent Company	39,525,344	129,887,214	101,236,796	90,361,870	
Entity under common control	87,021,747	87,021,747	-	-	
	126,547,091	216,908,961	101,236,796	90,361,870	

The Company's management is being handled by the Parent Company at no cost. No short-term or long-term compensation was paid to key management personnel for the years ended December 31, 2020 and 2019.

Note 10 - Other non-current liabilities

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

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

Note 11 - Retirement benefits

In 2020, the Company provided for the estimated retirement benefits based on the requirements of Republic Act (RA) No. 7641, 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 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 principal assumptions used for the year ended December 31, 2020 are as follows:

Discount rate	4.07%
Salary increase rate	5.00%

During 2020, the Company recognized retirement benefit expense amounting to P2.92 million recorded under cost of services in the statement of total comprehensive income (Note 14).

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

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

The sensitivity analysis has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as at December 31, 2020, with all other assumptions held constant.

	Changes in assumptions	Impact on retirement benefit obligation
Discount rate	Increase by 1.00%	Decrease by P1.02 million
	Decrease by 1.00%	Increase by P0.01 million
Salary increase rate	Increase by 1.00%	Increase by P0.69 million
	Decrease by 1.00%	Decrease by P0.56 million

Expected maturity of undiscounted defined benefit obligation amounting to P5.75 million as at December 31, 2020 is after 5 years.

Note 12 - Share capital

The Company's share capital as at December 31, 2020 and 2019 consists of:

Authorized, issued and outstanding:	
Common class A - 7,291,011 shares at P1 par value	7,291,011
Common class B - 4,856,985 shares at P 13.5 par value	65,569,298
Redeemable preference shares A - 1,729,922 shares at P27 par value	46,707,894
Redeemable preference shares B - 1,153,448 shares at P364.5 par value	420,431,796
	539,999,999

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

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

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

Note 13 - Revenues

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

On March 12, 2016, the Clark Solar Power Project started delivering power to the grid following its commissioning. On June 3, 2016, the Clark Solar Power Project was issued a Certificate of Endorsement (COE) for FIT Eligibility under COE-FIT No. S-2016-04-020 by the DOE. By virtue of the endorsement, the Clark Solar Power Project is qualified to avail of the FIT system, upon the issuance by the Energy Regulatory Commission (ERC) of the Certificate of Compliance. On November 22, 2016, the ERC issued the Certificate of Compliance (COC) to the Company.

As a result, the Company was entitled to the FIT rate per kilowatt hour of energy output for a period of 20 years from March 12, 2016.

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

TransCo is the regulating body of all the FIT-rate eligible energy providers. Outstanding receivables under the FIT system due from TransCo amounted to P42.00 million as at December 31, 2020 (2019 - P36.32 million) (Note 3).

Note 14 - Cost of services

The components of cost of services for the years ended December 31 follow:

	Notes	2020	2019
Depreciation amortization	5, 18	61,244,901	61,244,901
Taxes and licenses		17,281,122	17,784,779
Utilities		4,933,938	5,051,365
Outside services		3,711,108	7,360,805
Retirement benefit expense	11	2,915,664	-
Salaries and wages		1,843,562	1,440,549
Insurance		1,657,448	2,152,889
Repairs and maintenance		1,023,368	3,233,916
Others		12,462	106,772
		94,623,573	98,375,976

Note 15 - Operating expenses

The components of operating expenses for the years ended December 31 follow:

	Notes	2020	2019
Taxes and licenses		4,340,315	1,775,610
Provision for doubtful accounts	3	1,944,096	-
Dues and subscriptions		949,262	674,390
Transportation and travel		197,253	171,359
Repairs and maintenance		146,405	21,401
Communication, light and water		138,214	123,717
Charitable contributions		126,000	105,000
Professional fees		41,500	181,020
Depreciation	5	40,433	25,808
Bank charges		7,912	188,259
Others		56,569	120,267
		7,987,959	3,386,831

Note 16 - Other income, net

The components of other income, net for the years ended December 31 follow:

	Notes	2020	2019
Reversal of asset retirement obligation	10	1,056,902	-
Interest income	2, 3	662,181	2,110,459
Foreign exchange losses, net	19	(15,321)	(60,375)
		1,703,762	2,050,084

Note 17 - Income taxes

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

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

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

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

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

	2020	2019
Provision for assessment	85,485,864	65,852,089
Retirement benefit obligation	2,915,664	-
Excess of lease payments over interest on lease liabilities and amortization of right-of-use asset	2,038,390	1,890,751
Provision for doubtful accounts	1,944,096	-
Unrealized foreign exchange loss	11,175	60,375
Net operating loss carryover (NOLCO)	-	9,966,459
Provision for asset retirement obligation	-	209,753
Minimum corporate income tax (MCIT)	-	72,283
	92,395,189	78,051,710

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

Year of incurrence	Year of expiration	2020	2019
2016	2019	-	2,206,000
2018	2025	9,966,459	9,966,459
Total		9,966,459	12,172,459
Expired		-	(2,206,000)
Applied		(9,966,459)	-
		-	9,966,459

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

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

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

	2020	2019
Income tax at special tax rate of 10%	10,411,481	7,957,094
Income tax effects of:		
Movement of unrecognized deferred income tax assets	1,369,293	(2,530,589)
Non-deductible expense	27,599	88,271
Interest income subjected to final tax	(66,218)	(207,523)
Nontaxable income due to ITH	(11,742,155)	(5,307,253)
	-	-

Note 18 - Lease

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 \$105 with an escalation rate of 10% starting on the fourth year of the lease and every three (3) years thereafter. Upon termination of the lease, the leased property shall revert back to the lessor. There are no restrictions placed upon the lessee by entering into the lease agreement.

Security deposits for the lease agreement amounting to P1.78 million were presented as part of other non-current assets in the statement of financial position as at December 31, 2020 and 2019. 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.

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

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

	Increase (Decrease)
Right-of-use asset	43,937,092
Lease liabilities	51,606,419
Advance lease payment	(1,779,310)
Accrued rent	(9,448,638)

(a) Amounts recognized in the statement of financial position

Details of right-of-use asset, net as at December 31 and movements in the account for the years then ended are as follows:

	Note	Amount
Cost		
Adoption of PFRS 16 at January 1, 2019; December 31, 2019 and 2020		43,937,092
Accumulated amortization		
Adoption of PFRS 16 at January 1, 2019		-
Amortization	14	2,125,988
December 31, 2019		2,125,988
Amortization	14	2,125,988
December 31, 2020		4,251,976
Net book value		
December 31, 2020		39,685,116
December 31, 2019		41,811,104

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

	2020	2019
Current	294,139	21,201
Non-current	51,060,996	51,410,357
	51,355,135	51,431,558

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

	2020	2019
January 1	51,431,558	51,606,419
Principal payments	(87,598)	(235,236)
Interest payments	(4,026,048)	(3,686,845)
Interest expense	4,026,048	3,686,845
Translation difference	11,175	60,375
December 31	51,355,135	51,431,558

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

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

	Note	2020	2019
Amortization expense of right-of-use asset	14	2,125,988	2,125,988
Interest expense		4,026,048	3,686,845
Translation difference		11,175	60,375
		6,163,211	5,873,208

The total cash outflows for the lease agreement for the year ended December 31, 2020 amounted to P4.11 million (2019 - P3.92 million).

(c) Discount rate

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

(d) Extension and termination options

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

Note 19 - Financial risk, capital management and fair value estimation

19.1 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.

19.1.1 Market risk

Market risk is the risk that changes in market prices, such as interest rates, security price and foreign exchange rates, will affect the Company's total comprehensive income or the value of its financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing return. The management of these risks is discussed as follows:

(a) Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates would unfavorably affect future cash flows from financial instruments. The Company's exposure to risk for changes in market interest rates primarily relates to loans payable with fixed interest rate. The Company monitors the fluctuations in interest rates to establish trend in the interest rates movements.

Based on the sensitivity analysis performed, the impact on income before tax during 2020 of a 2.5% increase in the interest rate related to loans payable, with all other variables held constant, is a decrease by P27.71 million (2019 - 1.25%, P14.74 million) on the Company's reported operating income. The threshold used was based on the movement of average market interest rate during the year.

The Company's loans payable as at December 31, 2020 amounted to P1.04 billion (2019 - P1.1 billion) (Note 8).

(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, 2020 refers to a portion of lease liabilities amounting to US\$20,392 (2019 - US\$20,549) with Philippine Peso equivalent of P0.98 million (2019 - P1.04 million).

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

	2020	2019
Unrealized losses, net	11,175	60,375
Realized losses, net	4,146	-
	15,321	60,375

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

19.1.2 Credit risk

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

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	2020	2019
Cash and cash equivalents	2	71,737,473	47,064,583
Trade and other receivables	3	260,849,329	128,630,106
Electric utility deposits	6	6,580,541	6,580,541
Security deposits	6	1,779,310	1,779,310
Restricted cash	6	615,197	308,357
		341,561,850	184,362,897

Credit quality of financial assets

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

Cash deposited/placed in banks are considered stable as the banks qualify as universal and commercial banks as defined by the Philippine Banking System and are approved by the BOD to minimize credit risk. The amounts deposited in these banks are disclosed in Notes 2 and 6.

(ii) Trade and other receivables

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

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

(iii) Security deposits and electrical utility deposits

Security deposits and electrical utility deposits include cash required from the Company in relation to its lease agreement and service agreement, respectively. These deposits are assessed as high grade as there were 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 the management.

19.1.3 Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as these falls 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.

Based on management's assessment, the Company has adequate assets available in order to ensure settlement of liabilities maturing within 12 months and to support daily working capital requirements.

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

	Notes	Less than 1 year	More than 1 year
2020			
Trade payables and other liabilities*	7	40,101,734	-
Loans payable	8	126,446,281	909,809,551
Interest**		48,586,983	184,798,079
Lease liabilities	18	294,139	51,060,996
		215,429,137	1,145,668,626
2019			
Trade payables and other liabilities*	7	11,592,448	-
Loans payable	8	120,913,719	974,342,172
Interest**		57,036,733	217,685,455
Lease liabilities	18	21,201	51,410,357
		189,564,101	1,243,437,984

*excluding due to government agencies

**expected interest on borrowings and lease liabilities up to maturity dates

The amounts disclosed are the contractual undiscounted cash flows except lease liabilities, which equal 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.

19.2 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 shareholder or issue new shares.

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

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

The net debt reconciliation and gearing ratio as at December 31 are presented below:

	Notes	2020	2019
Loans payable, January 1	8	1,095,255,891	1,216,014,453
Cash flows		(61,363,636)	(122,727,273)
Non-cash movement	8	2,363,577	1,968,711
Loans payable, December 31	8	1,036,255,832	1,095,255,891
Cash and cash equivalents	2	(71,737,473)	(47,064,583)
Net debt		964,518,359	1,048,191,308
Total equity		565,104,724	460,989,912
Net gearing ratio		1.70:1	2.27:1

Non-cash movement pertains to the amortization of debt issuance cost (Note 8).

There were no changes made in the capital management policies of the Company for the years ended December 31, 2020 and 2019.

19.3 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), loans payable and lease liabilities approximate their fair values, due to the liquidity, short-term maturities and nature of such items. The fair value of lease liability and non-current portion of loans payable are close to market rates.

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

Note 20 - Critical accounting estimates and assumptions and judgements

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

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

20.1 Critical accounting estimates and assumptions

(a) Estimated useful lives of property, plant and equipment

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

In 2019, the BOD approved the change in the estimated useful life of the solar plant and equipment and substation and transmission lines from 23 years to 15 to 30 years. The net effect of the change in useful life is disclosed in Note 5.

If the actual useful lives of these assets are prolonged or shortened by five (5) years from January 1 of the current year, income before tax for the year ended December 31, 2020 would have been higher by P8.92 million and lower by P13.03 million (2019 - P8.90 million higher and P13.04 million lower). 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 5.

(b) 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 18.

(c) Retirement benefit obligation

The present value of the defined benefit obligation depends on a number of factors that are determined using a number of assumptions. The assumptions used include discount rate and salary increase rate. In determining the appropriate discount rate, the Company considers the interest rates of government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related retirement benefit obligation. Details of retirement benefit obligation and the related sensitivity analysis are disclosed in Note 11.

20.2 Critical judgments in applying the Company's accounting policies

(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 21.3 and 21.4.

In 2020, the Company provided allowance for doubtful accounts for other receivables amounting to P1.94 million (2019 - nil). This is equivalent to the full lifetime expected credit loss using the expected credit loss model. The carrying values of the Company's trade and other receivables are shown in Note 3.

(b) Recoverability of non-financial assets

The Company's non-financial assets such as property, plant and equipment are tested 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 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 property, plant and equipment may not be recoverable.

(c) Critical judgment in determining the lease term

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

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

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

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

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

As at December 31, 2019, the obligation amounted to P1.06 million (Note 10). During 2020, the Company reversed the full amount of the provision as management assessed that this is longer expected to be settled in the future.

(e) *Income taxes*

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

Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred income tax provisions in the period in which such determination is made. Further, recognition of deferred income taxes depends on management's assessment of the probability of available future taxable income against which the temporary differences can be applied. The components of deferred income tax are shown in Note 17.

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.

Note 21 - Summary of significant 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 both years presented, unless otherwise stated.

21.1 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, Philippine Accounting Standards (PAS), and interpretations of the Philippine Interpretations Committee (PIC), Standing Interpretations Committee (SIC) and International Financial Reporting Interpretations Committee (IFRIC) which have been approved by the Financial Reporting Standards Council (FRSC) and adopted by the SEC.

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

The preparation of financial statements in conformity with PFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 20.

The Company has applied the following standard and interpretation for the first time for their annual reporting period commencing January 1, 2020:

- The IASB has made amendments to PAS 1, "*Presentation of Financial Statements*" and PAS 8, "*Accounting Policies, Changes in Accounting Estimates and Errors*" which use a consistent definition of materiality throughout International Financial Reporting Standards and the Conceptual Framework for Financial Reporting, to clarify when information is material and incorporate some of the guidance in PAS 1 about immaterial information.

In particular, the amendments clarify:

- that the reference to obscuring information addresses situations in which the effect is similar to omitting or misstating that information, and that an entity assesses materiality in the context of the financial statements as a whole, and
- the meaning of 'primary users of general-purpose financial statements' to whom those financial statements are directed, by defining them as 'existing and potential investors, lenders and other creditors' that must rely on general purpose financial statements for much of the financial information they need.

- Definition of a Business - amendments to PFRS 3, "*Business Combination*". The amended definition of a business requires an acquisition to include an input and a substantive process that together significantly contribute to the ability to create outputs. The definition of the term 'outputs' is amended to focus on goods and services provided to customers, generating investment income and other income, and it excludes returns in the form of lower costs and other economic benefits.
- The amendments made to PFRS 7, "*Financial Instruments: Disclosures*", PFRS 9, "*Financial Instruments*" and PAS 39, "*Financial Instruments: Recognition and Measurement*" provide certain reliefs in relation to interest rate benchmark reforms.

The reliefs relate to hedge accounting and have the effect that the reforms should not generally cause hedge accounting to terminate. However, any hedge ineffectiveness should continue to be recorded in the statement of total comprehensive income.

- The IASB has issued a revised Conceptual Framework which will be used in standard-setting decisions with immediate effect. Key changes include:
 - increasing the prominence of stewardship in the objective of financial reporting;
 - reinstating prudence as a component of neutrality;
 - defining a reporting entity, which may be a legal entity, or a portion of an entity;
 - revising the definitions of an asset and a liability;
 - removing the probability threshold for recognition and adding guidance on derecognition;
 - adding guidance on different measurement basis, and
 - stating that profit or loss is the primary performance indicator and that, in principle, income and expenses in other comprehensive income should be recycled where this enhances the relevance or faithful representation of the financial statements.
- Covid-19 Related Rent Concessions - amendments to PFRS 16, "*Leases*". PFRS 16 has been amended to:
 - provide lessees with an exemption from the requirement to determine whether a COVID-19 related rent concession is a lease modification; and
 - require lessees that apply the exemption to account for COVID-19 related rent concessions as if they were not lease modifications.

The amendment is mandatory for annual reporting periods beginning on or after June 1, 2020 but earlier application is permitted, including in financial statements not yet authorized for issue as at May 28, 2020.

The Company did not receive any Covid-19 related rent concessions during the year ended December 31, 2020

The amendments listed above did not have any impact on the amounts recognized in prior periods and are not expected to significantly affect the current or future periods.

No other standards, amendments or interpretations that are effective beginning January 1, 2020 are expected to have a material impact on the Company.

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

A number of new standards, and amendments and interpretations to existing standards are effective for the Company's annual periods after January 1, 2020 and have not been early adopted nor applied by the Company in preparing these financial statements. None of these are expected to be relevant and have an effect on the financial statements of the Company, while the most relevant one is set out as follows:

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

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

21.2 Cash and cash equivalents; Restricted cash

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

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

Other relevant policies are disclosed in Note 21.4.

21.3 Trade and other receivables

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

The Company applies the simplified approach to 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 recognized within operating expenses 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 operating expenses 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 twelve (12) months before the beginning of each reporting period and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Company has identified the gross domestic product 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 21.4.

21.4 Financial instruments

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

Financial assets

(a) Classification

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

The classification depends on the entity's business model for managing its financial assets and the contractual terms of the cash flows. The Company's financial assets measured at amortized cost comprise of cash and cash equivalents (Note 21.2), trade and other receivables (Note 21.3), security deposits and electric utility deposits (Note 21.7) and restricted cash in bank (Note 21.2) in the statement of financial position.

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

(b) Recognition and measurement

(i) Initial recognition and measurement

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

(ii) Subsequent measurement

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

(c) Impairment

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

For cash and cash equivalents, due from related parties, other receivables, security deposits and electric utility deposits and restricted cash, the Company applies a general approach in calculating expected credit losses. The Company recognizes a loss allowance based on either 12-month expected credit losses or lifetime expected credit losses, depending on whether there has been a significant increase in credit risk on these financial assets since initial recognition.

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 21.3.

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

(d) Derecognition

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

Financial liabilities

(a) Classification

The Company classifies its financial liabilities in the following categories: financial liabilities at fair value through profit or loss (including financial liabilities held for trading and those that are designated at fair value); and financial liabilities at amortized cost. The Company's financial liabilities are limited to other 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 twelve (12) months after the reporting period which are classified as non-current liabilities.

The Company's trade payables and other liabilities (excluding payable to government agencies) (Note 21.10), loans and interest payables (Note 21.15) and lease liabilities (Note 21.18) are classified under financial liabilities at amortized cost.

(b) Recognition and measurement

(i) Initial recognition

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

(ii) Subsequent measurement

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

(c) Derecognition

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

Offsetting of financial assets and liabilities

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparty. The Company has no financial instruments that met the offsetting criteria as at December 31, 2020 and 2019.

21.5 Fair value measurement

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

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

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

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

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

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

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

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

21.6 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.

21.7 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.

Security deposits and electrical utility deposits pertain to advances to lessor relating to rent and service providers, respectively, which will be refunded at the end of the service periods, as determined in the contract agreements. Other relevant policies are disclosed in Note 21.4.

Prepayments and other assets, security deposits and electrical utility deposits 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.

21.8 Property, plant and equipment

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

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

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

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

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 21.9).

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

21.9 Impairment of non-financial assets

Assets that have definite useful lives and which 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.

21.10 Trade payables and other liabilities

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

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

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

Other relevant accounting policies are disclosed in Note 21.4.

21.11 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.

21.12 Asset retirement obligation

Decommissioning costs are provided for at the present value of expected costs to settle the obligation using the estimated cash flow and are recognized as part of the cost of the relevant asset. The cash flows are discounted at the current pre-tax rate that reflects the risks specific to the decommissioning liability. The unwinding of the discount is expensed in statement of total comprehensive income as part of other income, net. The estimated future costs of decommissioning are reviewed annually and adjusted as appropriate. Changes in the estimated future costs, or in the discount rate applied, are added to or deducted from the costs of the asset.

Asset retirement obligation is reversed when the obligation is no longer expected to be settled by the Company in the future. The liability is derecognized against the asset recognized related to the liability or in the statement of total comprehensive income within other income, net if the asset is already fully amortized.

21.13 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.

21.14 Revenue and cost recognition

(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 main revenue is generation of electricity from solar power energy which the management assessed to involve 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) Interest income

Interest income is accrued on a time proportion basis by reference to the principal outstanding 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.

(c) 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. Cost 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.

21.15 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 to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is 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 an 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.

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.

21.16 Current and deferred income tax

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

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

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

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

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

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

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

21.17 Employee benefits

(a) Short-term benefits obligation

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

(b) Retirement benefits

The Company has a defined benefit plan, which is unfunded and covers substantially all of its qualified employees. The defined benefit plan satisfies the minimum benefit requirements of Republic Act 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.

21.18 Leases - Company as a lessee

Assets and liabilities arising from a lease are initially measured on a present value basis. The interest expense is recognized in the statement of total comprehensive income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is amortized over the shorter of the asset's useful life and the lease term on a straight-line basis.

(a) Measurement of lease liabilities

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

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

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

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

To determine the incremental borrowing rate, the Company:

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

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

(b) Measurement of right-of-use assets

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

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

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

(c) Extension and termination options

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

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

21.19 Related party relationships and transactions

(a) Related party relationship

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

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

(b) Related party transaction

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

21.20 Foreign currency transactions and translation

(a) Functional and presentation currency

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

(b) Transactions and balances

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

21.21 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.

21.22 Reclassifications

During 2020, the Company reclassified finance costs amounting to P68.73 million from other income, net as a separate line item in the statement of total comprehensive income.

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

Note 22 - Impact of COVID-19

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

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

Aside from the deferral of the principal and interest on loans payable, the Company incurred additional expenses due to the quarantine and social distancing measures required by the Philippine Government. Based on the management's assessment, the COVID-19 pandemic had no other significant impact in the Company's financial statements as at and for the year ended December 31, 2020.

The Company's financial statements as at and for the year ended December 31, 2020 have been prepared applying the going concern principle. The management of the Company is not aware of any other significant uncertainties arising after the 2020 year-end financial statements that would have a significant financial impact in its ability to continue as going concern. The Company is continuously monitoring the situation.

Note 23 - 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	263,169,908	-

Revenues presented above are based on net receipts from sale of energy for VAT reporting purposes while revenues in the statement of total comprehensive income are based on revenue recognition policy per Note 21.14.

(b) Input VAT

Movements in input VAT for the year ended December 31, 2020 follow:

	2020
Beginning balance	9,403,280
Add: Current year's domestic purchases of services	32,339
	9,435,619

(c) Importations

The Company did not have importations during the year ended December 31, 2020.

(d) Excise tax

There were no transactions subject to excise tax for the year ended December 31, 2020.

(e) Documentary stamp tax

Documentary stamp taxes paid for the year ended December 31, 2020 amounted to P204,554 for insurance and surety bond contracts. The amount is recorded as part of taxes and licenses account under operating expenses in the statement of total comprehensive income.

(f) Withholding taxes

Withholding taxes paid and accrued as at and for the year ended December 31, 2020 consist of:

	Paid	Accrued	Total
Withholding tax on compensation	79,478	9,836	89,314
Expanded withholding tax	762,185	-	762,185
	841,663	9,836	851,499

(g) All other local and national taxes

	Amount
Local government tax	1,026,102
Energy regulations tax	303,995
Gross receipts tax on loan payments	293,427
License and permit fees	128,827
Local business tax	28,507
Other taxes	2,250
	1,783,108

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

(h) Tax assessments and cases

There are no outstanding tax assessments and cases under preliminary investigation, litigation and/or prosecution in courts or bodies outside the BIR as at December 31, 2020.