COVER SHEET

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SEC Registration Number

A C E N E R G Y C O R P O R A T I O N

A N D S U B S I D I A R I E S

(Company's Full Name)

4 t h F l o o r , 6 7 5 0 O f f i c e T o w e r ,

A y a l a A v e n U e , M a k a T i C i t y

(Business address: No. Street City / Town / Province)

ATTY. ALAN T. ASCALON	7-730-6300
Contact Person	*Company's Telephone Number*

1 2	3 1	1 7 - A	0 4	2 0
Month	Day	Form Type	Month	Day

Not Applicable

(Secondary License Type, If Applicable)

C F D	-
Dept. Requiring this Doc.	*Amended Articles Number/Section*

Total Amount of Borrowings

3,182	-	-
Total No. of Stockholders	*Domestic*	*Foreign*

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

CASHIER

STAMPS

Remarks: Please use BLACK ink for scanning purposes.

4F 6750 Office Tower Ayala Avenue
Makati City 1226 Philippines
Tel +632 7730 6300
www.acenergy.com.ph

CERTIFICATION

I, Mariejo P. Bautista, Controller of **AC Energy Corporation** (the "Company") with SEC registration number 069-039274 with principal office at 4th Floor, 6750 Ayala Avenue, Makati City, do hereby certify and state that:

1) In compliance with the guidelines issued by the Securities and Exchange Commission (SEC) for the filing of structured and current reports by publicly listed companies with the SEC in light of the imposition of an Enhanced Community Quarantine and Stringent Social Distancing Measures over the National Capital Region and nearby provinces to prevent the spread of the 2019 Coronavirus Disease (COVID-2019), the Company is timely filing its SEC Form 17-A by uploading the same through the PSE EDGE in accordance with the relevant PSE rules and procedures.

2) The information contained in the attached SEC Form 17-A is true and correct to the best of my knowledge.

3) On behalf of the Company, I hereby undertake to a) submit an electronic copy of the attached SEC Form 17-A with proper notarization and certification through the SEC's Online Submission Tool (OST), if required, b) pay the filing fees (where applicable), c) pay the penalties due (where applicable), d) other impositions (where applicable), on or before the applicable schedule prescribed by the SEC.

4) I am fully aware that non-submission of the electronic copy of reports as well as certification through OST (if required) shall invalidate the reports, applications, compliance, requests and other documents. Hence, the corresponding penalties under existing rules and regulations of the Commission shall apply without prejudice to the imposition of penalties under Section 54 of the Securities Regulation Code and other applicable existing rules and regulations for failure to comply with the orders of the Commission.

5) I am executing this certification this 30 March 2021 to attest to the truthfulness of the foregoing facts and for whatever legal purpose it may serve.

Mariejo P. Bautista
Controller
Passport No. EC8230873
Issued 7 July 2016 at DFA Manila

SEC Number: 39274
File Number:

AC ENERGY CORPORATION
(formerly AC Energy Philippines, Inc.)
(Company's Full Name)

4th Floor, 6750 Office Tower, Ayala Avenue, Makati City
(Company's Address)

7730-6300
(Telephone Number)

2020 December 31
(Fiscal Year ending) (month & day)

17-A
(Form Type)

____
Amendment Designation (If Applicable)

December 2020
(Period Ended Date)

____
(Secondary License Type and File Number) /

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A, *AS AMENDED*

ANNUAL REPORT PURSUANT TO SECTION 17 OF THE SECURITIES REGULATION CODE AND SECTION 141 OF THE CORPORATION CODE OF THE PHILIPPINES

1. For the fiscal period ended	**December 31, 2020**
2. Commission identification number	**39274**
3. BIR Tax Identification No.	**121-000-506-020**
4. Exact name of issuer as specified in its charter	**AC ENERGY CORPORATION**
5. Province, country or other jurisdiction of incorporation or organization	**Metro Manila, Philippines**
6. Industry Classification Code:	(SEC Use Only)
7. Address of issuer's principal office	**4th Floor, 6750 Office Tower, Ayala Avenue, Makati City** Postal Code: 1226
8. Issuer's telephone number, including area code	**(632) 7-730-6300**
9. Former name, former address and former fiscal year, if changed since last report	**AC Energy Philippines, Inc.**

10. Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the RSA

Number of shares of common stock outstanding	**13,692,457,210 shares**
Amount of debt outstanding	**None registered in the Philippine SEC and listed in PDEX/others**

11. Are any or all of the securities listed on a Stock Exchange?

Yes [**X**] No [ ]

Stock Exchange	Philippine Stock Exchange
Classes of Securities Listed	Common shares

12. Check whether the issuer:

(a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17.1 thereunder or Section 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of The Corporation Code of the Philippines during the preceding twelve (12) months (or for such shorter period that the registrant was required to file such reports);

Yes [**X**] No [ ]

(b) has been subject to such filing requirements for the past ninety (90) days.

Yes [**X**] No [ ]

13. State the aggregate market value of the voting stock held by non-affiliates of the registrant. The aggregate market value shall be computed by reference to the price at which the stock was sold, or the average bid and asked prices of such stock, as of a specified date within sixty (60) days prior to the date of filing. If a determination as to whether a particular person or entity is an affiliate cannot be made without involving unreasonable effort and expense, the aggregate market value of the common stock held by non-affiliates may be calculated on the basis of assumptions reasonable under the circumstances, provided the assumptions are set forth in this Form (As of December 31, 2020, Php17,199,174,241 equivalent to the total number of shares in the hands of the public based on the Company's Public Ownership Report, multiplied by the average price of the last trading day).

APPLICABLE ONLY TO ISSUERS INVOLVED IN INSOLVENCY/SUSPENSION OF PAYMENTS PROCEEDINGS DURING THE PRECEEDING FIVE YEARS

14. Check whether the issuer has filed all documents and reports required to be filed by Section 17 of the Code subsequent to the distribution of securities under a plan confirmed by a court or the Commission. **Not applicable**

Yes [ ] No [ ]

DOCUMENTS INCORPORATED BY REFERENCE

15. Briefly describe documents incorporated by reference and identify the part of the SEC Form 17-A into which the document is incorporated:

2020 Opinion on and Individual Supplementary Schedules
2020 Consolidated Financial Statements of AC Energy Corporation and Subsidiaries
2020 Financial Statements of AC Energy Corporation (with BIR ITR Filing Reference)

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PART I BUSINESS AND GENERAL INFORMATION

Item 1. Business

AC Energy Corporation ("ACEN" or the "Company", formerly AC Energy Philippines, Inc.) is a corporation duly organized and existing under Philippine law with Securities and Exchange Commission ("SEC") Registration No. 069-39274 and listed with the Philippine Stock Exchange ("PSE") with ticker symbol "ACEN" (formerly "ACEPH").

As of 22 March 2021, AC Energy and Infrastructure Corporation ("AC Energy", formerly AC Energy, Inc.) owns 55.99% of the outstanding capital stock of the Company. AC Energy is a Philippine corporation wholly owned by Ayala Corporation. AC Energy, its subsidiaries, and affiliates (the "AC Energy Group") manages a diversified portfolio of renewable and conventional power generation projects and engages primarily in power project development operations and in other businesses located in the Philippines, Indonesia, Vietnam, and Australia.

ACEN is engaged in the businesses of power and petroleum exploration.

- **For power business,** the Company manages diversified portfolio power plants with renewable and conventional sources. As of 31 December 2020, the Company had a total attributable capacity of 990 MW in operation and under construction across the region, which includes strategic investments in renewable and conventional power generation projects.

- **For petroleum exploration business,** the Company undertakes the exploration and production of crude and natural gas and related activities through its majority owned subsidiary, ACE Enexor, Inc. ("ACE Enexor", formerly PHINMA Petroleum and Geothermal, Inc.). ACE Enexor is listed in the PSE with the ticker "ACEX".

History and Corporate Milestones

The Company was incorporated on 8 September 1969 and was originally known as "Trans-Asia Oil and Mineral Development Corporation," reflecting its original purpose of engaging in petroleum and mineral exploration and production. In order to diversify its product and revenue portfolio, the Company invested in power generation and supply, which eventually became its main business and revenue source. On 11 April 1996, the Company's name was changed to "Trans-Asia Oil and Energy Development Corporation." On 22 August 2016, the Company changed its name to "PHINMA Energy Corporation," and extended its corporate life by another fifty (50) years.

AC Energy was designated in 2011 as Ayala Corporation's vehicle for investments in the power sector to pursue greenfield, as well as currently operating, power related projects for both renewable and conventional technologies in various parts of the Philippines. From 2011 to 2019, AC Energy has grown from a Philippine energy company to a regional player with investment, development, and operation capabilities in the Asia Pacific Region. In addition to capacity held under ACEN, AC Energy has over ~1,400MW in attributable capacity in operation and under construction located in Indonesia, Vietnam, and India, as well as 710MW of legacy coal assets.

In February 2019, PHINMA, Inc. ("PHI") disclosed the signing of an agreement on the sale of approximately 51.48% of outstanding shares in the Company held collectively by PHINMA Corporation ("PHN") and PHI to AC Energy of the Ayala Group. AC Energy is a corporation engaged in the business of managing a diversified portfolio of renewable and conventional power generation projects and in power project development and operations. AC Energy is ACEN's partner in the South Luzon Thermal Energy Corporation ("SLTEC") coal plant venture. AC Energy, which is fully committed to the energy sector, was in the best position to grow the Company and viewed ACEN as a strategic fit into its own business.

On 24 June 2019, AC Energy acquired the 51.48% combined stake of PHI and PHN in the Company for a total purchase price of PhP 3,669,125,213.19. In addition, AC Energy acquired an additional 156,476 Company shares under the mandatory tender offer which ended on 19 June 2019, and subscribed to 2.632 billion Company shares thereafter.

At the annual stockholders' meeting held on 17 September 2019, as the Company marked its 50th year in the business and following AC Energy's acquisition of a controlling stake in the Company, the Company's management was formally transferred from the PHINMA Group to the Ayala Group, in particular to AC Energy. At the same meeting, the stockholders of the Company voted to rename the Company to "AC Energy Philippines, Inc." to recognize its affiliation with its largest stockholder, AC Energy. The SEC approved the change of name of the Company on 11 October 2019. On 20 April 2020, the stockholders of the Company voted to rename the Company to "AC Energy Corporation" to emphasize that the business and operations of the Company are no longer limited to the Philippines but are also in other countries in the Asia Pacific region. The SEC approved the change of name of the Company on 5 January 2021.

As the parent company of ACEN, AC Energy has general management authority with corresponding responsibility over all operations and personnel of ACEN. The management of the Company includes planning, directing, and supervising all the operations, sales, marketing, distribution, finance, and other business activities of the Company as provided in the management contract effective until 1 September 2023.

AC Energy and ACEN executed an Amended and Restated Deed of Assignment effective as of 9 October 2019 under which, in exchange for the issuance of 6,185,182,288 shares of ACEN, AC Energy will transfer certain of its onshore operating and development companies to ACEN (the "AC Energy-ACEN Exchange"). On 30 October 2020, the BIR issued a ruling confirming that the AC Energy-ACEN Exchange qualifies as a tax-free exchange under the National Internal Revenue Code. Subsequently, the SEC approved the issuance of the shares on 21 December 2020. On 28 January 2021, the shares issued pursuant to the AC Energy-ACEN Exchange were listed on the Exchange.

As of 19 March 2021, AC Energy owns 55.99% of the outstanding voting shares of the Company.

The following table sets forth the Company's corporate milestones post AC Energy's acquisition of a controlling stake therein:

Year	Milestones
2019	• ACEN enters into two power supply agreements ("PSAs") with Meralco for (1) a baseload supply of 200MW from 26 December 2019 until 25 December 2029, and (2) a mid-merit supply of 110MW from 26 December 2019 until 25 December 2024, after being declared a winning bidder in separate competitive selection process bidding by Meralco. The PSAs are subject to the approval of the ERC. • AC Energy assigns its right to purchase the 20% ownership stake of Axia Power Holdings Philippines Corporation ("Axia Power"), a subsidiary of Marubeni Corporation, in SLTEC in favor of ACEN, subject to satisfaction of conditions precedent. • AC Energy, through ACEN, enters into a share purchase agreement with Macquarie Infrastructure Holdings (Philippines) Pte. Limited, Langoer Investments Holding B.V., and the Government Service Insurance System (collectively, the Philippine Investment Alliance for Infrastructure or "PINAI") for the acquisition of PINAI's 31% effective preferred equity ownership and 15% effective common equity ownership in North Luzon Renewables Energy Corp. ("North Luzon Renewables"), subject to the satisfaction of conditions precedent.
2020	• ACEN completes its acquisition of PINAI's ownership in North Luzon Renewables). • ACEN completes its acquisition of PINAI's entire ownership in San Carlos Solar Energy, Inc. ("SACASOL") and Negros Island Solar Power, Inc. ("ISLASOL"), respectively • ACEN and its subsidiary, ACE Endevor, Inc.

Year	Milestones
	(“Endevor”) enter into a shareholders agreement with Axia Power for the development, construction, and operation of Ingrid Power Holdings, Inc.’s (“Ingrid Power”) 150 MW diesel power plant project in Pililla, Rizal, which is expected to be operational in the first quarter of 2021. • The Board of Directors of ACEN approves the consolidation of AC Energy’s international business and assets into ACEN *via* a tax-free exchange, whereby AC Energy will transfer 100% of its shares of stock in AC Energy International (AC Energy’s 100%-owned subsidiary holding AC Energy’s international business and investments), consisting of 1,650,166,347 common shares and 15,035,347,600 redeemable shares, to ACEN in exchange for the issuance to AC Energy of additional common shares (the “AC Energy International Transaction”). The additional common shares shall be issued out of the increase of ACEN’s authorized capital stock (“ACS”) to Php 48,400,000,000.00 consisting of 48,400,000,000 with a par value of Php 1.00 per share. The AC Energy International Transaction and increase in ACS are subject to further Board and regulatory approvals. • ACEN, AC Energy, and Arran Investment Pte Ltd (“Arran”), an affiliate of GIC Private Limited, sign an investment agreement for Arran’s acquisition of an effective 17.5% ownership stake in ACEN (the “Arran Investment”). The 17.5% ownership stake is on a fully-diluted basis assuming that the Follow-On Offering, as hereinafter defined, and the AC Energy International Transaction have been completed.
2021	• ACEN enters into (1) a Deed of Absolute Sale of Shares with Solar Philippines Power Project Holdings, Inc. (“SP”) for the Company’s acquisition of SP’s 244,000 common shares in Solar Philippines Central Luzon Corporation (“SPCLC”), and (2) a Subscription Agreement with SPCLC for ACEN’s subscription to 375,000 common shares to be issued out of the unissued ACS of SPCLC. The acquisition and subscription will allow ACEN to have a significant ownership in SPCLC and is meant to implement the joint venture between ACEN and SP for the development and operation of solar power projects in the Philippines. • ACEN completes a rights offer of 2,267,580,434 common shares (the “SRO”), raising around Php 5.4 billion to partially fund at least six renewable energy projects. • The Executive Committee of ACEN, pursuant to authority delegated by the Board, approves a follow-on offering price range of Php 6.00 to Php 8.20 per share (the “Follow-On Offering” or the “FOO”). On 8 February 2021, the Company submitted a

Year	Milestones
	registration statement for up to 2,430,248,617 common shares (primary and secondary shares with over-allotment) with the SEC. On 18 March 2021, the Board approved the primary share issuance size of 1,580,000,000 common shares. • ACEN signs a shareholders' agreement with Citicore Solar Energy Corporation and Greencore Power Solutions 3, Inc. ("Greencore 3") for the development, construction, and operation of a PV solar power plant in Arayat and Mexico, Pampanga with an installed nominal capacity of 50 MWac.

DESCRIPTION OF PRINCIPAL BUSINESSES

POWER BUSINESS

The principal product of power generation and supply is the electricity produced and delivered to the end-consumers. It involves the conversion of fuel or other forms of energy to electricity, or the purchase of electricity from power generation companies and the Philippine Wholesale Electricity Spot Market ("WESM").

ACEN conducts its power generation and supply activities directly or through its subsidiaries, associates, and joint ventures. In 2020, the total energy sales reached 2,648 gigawatt hours (GWh) from 1,886 GWh in 2019. The Company does not have any foreign sales.

The following tables set forth selected data on the Company's power generation portfolio in operation as of 31 December 2020 and prior to the implementation of the AC Energy-ACEN Exchange.

Plant/ Project Name	Location	Project type	Net capacity (MW)	Effective Economic Interest (%)[1]	Attributable capacity (MW)	COD
Thermal Energy						
One Subic[4]	Subic Bay Freeport	Diesel	108	100	108	Feb 1994 (NPC-SPC)
BPGC	Norzagaray, Bulacan	Diesel	48	100	48	Feb 1998
Power Barge 101)[2]	Iloilo City	Diesel (power barge)	24	100	24	April 1981 (NPC)
Power Barge 102 [2]	Iloilo City	Diesel (power barge)	24	100	24	April 1981 (NPC)
CIP [3]	Bacnotan, La Union	Diesel	20	100	20	January 2013[3]
SLTEC	Batangas, Philippines	Coal	244	100	244	Unit 1 COD: April 2015; Unit 2 COD: February 2016
Renewable Energy						
Guimaras Wind	Guimaras	Wind	54	100	54	November 2014
North Luzon Renewables	Ilocos Norte	Wind	81	67	54	2014

Northwind Power	Ilocos Norte	Wind	52	68	35	Phase 1: 2005 Phase 2: 2008 Phase 3: 2014
Maibarara Geothermal Plant	Batangas	Geothermal	32	25	8	Unit 1 (20MW): 8 February 2014 Unit 2 (12MW): 30 April 2018
ISLASOL	Negros Occidental	Solar	80	60	48	2016
SACASOL	Negros Occidental	Solar	45	100	45	Phase AB: 2014; Phase CD: 2015
Montesol	Negros Occidental	Solar	18	100	18	2016
South Negros Biopower	Negros Occidental	Biomass	22	7	2	2021 target
North Negros Biopower	Negros Occidental	Biomass	22	6	1	2021 target
San Carlos Biopower	Negros Occidental	Biomass	19	7	1	2021 target

Notes:
(1) Effective economic interest refers to the Company's economic interest directly and/or indirectly held in the project based on management estimates.
(2) Respective net capacities of PB101 and PB102 are based on the long-term net output expectation of the diesel plants. PB 103 is currently out of operation.
(3) CIP transferred from Carmelray Industrial Park II, Calamba, Laguna, Philippines to Brgy. Quirino, Bacnotan, La Union, Philippines in December 2012 and resumed operations in January 2013.
(4) One Subic has been de-rated by 2MW, down from 110MW.

Renewable Energy Portfolio

As of 31 December 2020, the Company's portfolio of projects under its renewable energy platform had a total net attributable capacity of approximately 447MW renewable energy in operation and under construction, divided into 291MW of solar energy, 144MW of wind power, 8MW of geothermal power, and 4MW of biomass. In addition to the Company's direct interests in power projects, the Company has established renewable energy development platforms as part of its renewable energy strategy.

Renewable Energy Projects in Operation

Guimaras Wind Project

Guimaras Wind Corporation ("Guimaras Wind", formerly PHINMA Renewable Energy Corporation) was incorporated and registered with the SEC on 2 September 1994 to engage in the development and utilization of renewable energy, and the pursuit of clean and energy-efficient projects. Guimaras Wind was awarded by the Philippine Department of Energy ("DOE") Wind Energy Service Contract ("WESC") No. 2009-10-009, pursuant to which it developed the 54-MW San Lorenzo Wind Power Project in Guimaras, Iloilo.

Guimaras Wind started delivering power to the grid on 7 October 2014 during the commissioning operations of the first three (3) units of wind turbine generators. The 54-MW wind energy plant started commercial operations on 27 December 2014.

North Luzon Renewables Wind Farm

The North Luzon Renewables wind farm started commercial operations on 11 November 2014. The wind farm is comprised of 27 wind turbines with individual capacity of 3MW each. The power generated by the wind farm is supplied to the National Grid Corporation of the Philippines ("NGCP") via its 62-kilometer, 115 kV transmission line from the project site to the NGCP substation in Laoag City, Ilocos Norte.

On 11 December 2014, the DOE through the issuance of a certificate of endorsement certified the project as an eligible project under the feed-in-tariff ("FIT") system. In April 2015, NLR received the FIT COC from the ERC entitling the wind farm to a FIT Rate of ₱8.53/kWh for a period of 20 years. The FIT Rate covers the period from 11 November 2014 to 10 November 2034. On 6 July 2020, the ERC issued Resolution No. 06, Series of 2020 increasing the FIT of eligible renewable energy plants. The resolution provides for retroactive increase starting January 2016 up to December 2020. Based on the resolution, the project's FIT Rate in 2020 is now ₱9.90/kWh.

Northwind Power

The Northwind Power wind farm currently has total of 26 wind turbines and is the first commercial wind farm established in Southeast Asia. Commercial operations started in June 2005 with 15 wind turbines (Phase 1) followed by an additional five turbines in August 2008 (Phase 2), all by Vestas, and another six turbines by Siemens in September 2014 (Phase 3), increasing the project's generation capacity to 51.9MW. The Northwind Project delivers all its generation to the national grid via its own 57-kilometer 69kV transmission line from its plant site in Bangui, Ilocos Norte to the substation of the NGCP in Laoag City, Ilocos Norte.

The tariff on the generation of Phases 1 and 2 is a FIT Rate of ₱5.76/kWh specific to the company, approved by the ERC in its decision dated 30 June 2014. The tariff on the Phase 3 turbines is the national FIT Rate of ₱8.53/kWh and is valid for a period of 20 years.

Maibarara Geothermal Plant

On 19 May 2010, ACEN, PetroGreen Energy Corporation ("PetroGreen"), a wholly-owned subsidiary of publicly-listed PetroEnergy Resources Corporation ("PetroEnergy"), and PNOC Renewables Corporation ("PNOC RC") signed a joint venture agreement to form Maibarara Geothermal, Inc. ("MGI"), with the following shareholding interests: PetroGreen—65%; ACEN—25%; and PNOC RC—10%. MGI developed and operates the Maibarara Geothermal Plant pursuant to the geothermal renewable energy service contract awarded by the DOE to PetroEnergy, PetroGreen's parent company, and subsequently assigned by PetroEnergy to MGI. On 27 August 2019, ACEN and MGI executed an Amendment to the Unit 1 electricity supply agreement ("ESA") and Unit 2 ESA wherein the electricity fee rate structure was amended and the electricity supply period was amended to be until 25 June 2039.

ISLASOL

ISLASOL owns a 32MWdc solar farm in La Carlota City, Negros Occidental ("ISLASOL II") and a 48MWdc solar farm in Manapla, Negros Occidental ("ISLASOL III"). ISLASOL II and ISLASOL III began their commercial operations on 29 March 2016 and 8 March 2016, respectively, and are currently dispatching their full capacity to the grid. ISLASOL II is connected to the Bacolod-San Enrique 69 kV line, while ISLASOL III is directly connected to NGCP's Cadiz substation.

SACASOL

Located in San Carlos City, Negros Occidental, SACASOL AB (a 22MWdc solar farm) and SACASOL CD (a 23dc MW solar farm) began operating commercially on 15 May 2014 and 6 September 2015, respectively, with both solar farms currently dispatching full capacity to the grid.

SACASOL AB and SACASOL CD are connected to the San Carlos-Cadiz 69 kV line. SACASOL AB has been awarded a guaranteed FIT Rate of ₱9.68/per kWh, subject to adjustment as may be approved by the ERC, for 20 years. For SACASOL l CD, the awarded guaranteed FIT Rate is ₱8.69/per kWh, also subject to adjustment as may be approved by the ERC, for 20 years.

Monte Solar ("Montesol")

The Montesol project is an 18MWdc solar power plant with a total project cost of ₱1.3 billion, which was completed in February 2016 and is currently dispatching its full capacity to partially meet the energy requirements of Dumaguete City and Cebu City.

On 14 July 2016, the ERC issued a provisional authority to operate in favor of Montesol and on 8 December 2016, qualified this to a provisional authority to operate as a renewable energy generation company, thereby entitling it to a FIT Rate of ₱8.69/kWh for a period of 20 years from 13 March 2016. On 6 February 2017, the company received final authority by way of its COC-FIT from the ERC and recognized revenues from energy sales using the FIT Rate.

Biomass Plants

ACEN has an interest in Negros Island Biomass Holdings Inc. ("Isla Bio"), the entity that holds interests in three biomass plants in Negros Occidental province, namely the: (1) 19MW (net) San Carlos BioPower Project, (2) 22MW (net) South Negros BioPower Project and (3) 22MW (net) North Negros BioPower Project.

The biomass plants are conceptualized to be highly efficient power plants capable of combusting a range of locally available biomass to generate power by a steam turbine-driven generator utilizing tried and proven technologies while ensuring environmental compliance. Biomass, including but not limited to, agricultural residue such as sugarcane trash and coconut husks/shells, as well as wood and grasses, will be the main fuel utilized in such plants.

South Negros Biopower, North Negros Biopower, and San Carlos Biopower have substantially completed construction and are targeting to achieve commercial operations within 2021.

Renewable Projects under Construction and under Development

Alaminos Solar Farm

In February 2020, the Company commenced construction of its 120MWdc solar power farm project to be located in the Municipality of Alaminos, Laguna, through its wholly-owned subsidiary, SolarAce1 Energy Corp. ("SolarAce1"), with project completion expected by May 2021. The project uses Seraphim monocrystalline panels and is expected to sell its output to ACEN's RES upon completion.

Palauig Solar Farm

In July 2020, the Company commenced construction of its 60MWdc solar farm located in the Municipality of Palauig, Zambales, through its wholly-owned subsidiary Gigasol3, Inc. ("Gigasol3"), with project completion expected by April 2021. The project uses Seraphim monocrystalline panels and is expected to sell its output to ACEN's RES upon completion.

Thermal Energy Portfolio

As of 31 December 2020, the Company had a total net attributable capacity of 468MW thermal energy in operation and 75MW under construction. The net attributable capacity of these projects is composed of 244MW of coal and 299MW of diesel plants.

Thermal Energy Projects in Operation

SLTEC Project

In June 2011, AC Energy signed a joint venture agreement with then PHINMA Energy Corporation (now ACEN) to form the 50:50 joint venture company, SLTEC. The joint venture was for the construction and operation of a 2 x 122MW CFB thermal power plant in Calaca, Batangas. Units 1 and 2 use Harbin steam turbine generators. The SLTEC Project achieved commercial operations for Unit 1 in 2015 and Unit 2 in 2016. The SLTEC Project is under an administration and management agreement between SLTEC and ACEN, allowing ACEN exclusive right to administer, control, and manage the net dependable capacity and net available output of the project.

In 2016, AC Energy and the Company sold of a portion of their ownership stake in SLTEC to Marubeni Corporation's subsidiary, Axia Power. The sale brought the Company's ownership in SLTEC to 45% and AC Energy's ownership to 35%. Following, further, the completion of the AC Energy-ACEN Exchange, the aggregate ownership of the Company in SLTEC has increased to 80%.

On 5 November 2019, the AC Energy and ACEN signed a deed of assignment, whereby AC Energy transferred its right to purchase the 20% ownership stake of Axia Power in SLTEC in favor of ACEN. Completion of the acquisition is still subject to satisfaction of conditions precedent. Following the completion of the foregoing assignment, the aggregate ownership of AC Energy of the SLTEC and, effectively, SLTEC Project would increase to 100%.

CIP Plant

CIP II Power Corporation ("CIPP") was incorporated and registered with the SEC on 2 June 1998 primarily to construct, erect, assemble, commission, operate, maintain, and rehabilitate gas turbine and other power generating plants for the conversion of coal and other fuel into electricity, and transmit and distribute thereof to Carmelray Industrial Park II in Calamba, Laguna. The 21 MW diesel bunker C-fired CIP Plant used to supply power to locators in the industrial park but in April 2009, CIPP sold its distribution assets resulting in the cessation of its operations and the separation of substantially all of its employees effective 31 January 2010. On 22 February 2010, the then Board of the Company approved the acquisition of CIPP, and on December 2010, the transfer of the CIP Plant from Carmelray Industrial Park II to Brgy. Quirino, Bacnotan, La Union. The transfer was completed sometime in December 2012 and the CIP Plant resumed operations in January 2013.

On 26 June 2013, CIPP entered into a power administration and management agreement ("PAMA") with the Company valid for ten (10) years for the Company to administer and manage the entire capacity and net output of One Subic Power Generation Corporation ("One Subic") in consideration of energy fees to be paid by the Company to CIPP. On 12 January 2018, CIPP and the Company amended the PAMA, to include fuel recovery and utilization fees effective on 26 March 2018 and valid for ten (10) years. CIPP has an existing approved non-firm ancillary services procurement agreement ("ASPA") with the NGCP and revenues from sale of electricity through said ancillary services is recognized monthly based on the capacity scheduled and/or dispatched.

One Subic Plant

One Subic was incorporated and registered with the SEC on 4 August 2010 to engage in the business of owning, constructing, operating, developing, and maintaining all types of power generation plants. On 18 November 2010, the Company and One Subic entered into a PAMA wherein the Company administers and manages the entire generation output of the 116 MW diesel One Subic Plant in Subic, Olongapo City. The PAMA became effective on 17 February 2011 and is valid throughout the term of the lease agreement with the Subic Bay Metropolitan Authority ("SBMA"). On 12 May 2014, Bulacan Power Generation Corporation ("BPGC" or formerly, "PHINMA Power Generation Corporation) purchased from Udenna Energy Corporation the entire outstanding shares of stock of One Subic. On 19 June 2017, the SEC approved the amendment of One Subic's Articles of Incorporation for the change in the primary purpose to include exploration, discovery, development, processing, and disposal of any and all kind of petroleum products.

The One Subic Plant has an Energy Regulatory Commission ("ERC")-approved non-firm ASPA with the NGCP. The One Subic Plant provides dispatchable reserve services to NGCP, as they are fast start generators that are readily available for dispatch when called by the NGCP to replenish the contingency reserve services whenever a generating unit trips or a single transmission interconnection loss occurs.

BPGC Plant

BPGC was incorporated and registered with the SEC on 18 March 1996 and is primarily engaged in power generation. In October 2006, the Philippine Electricity Market Corporation ("PEMC") approved BPGC's application for registration as trading participant for both generation and customer categories in the WESM. Both ACEN and BPGC obtained membership in the WESM allowing both to participate in electricity trading managed by PEMC, including selling of excess generation to the WESM. On 26 December 2013, BPGC entered into a PAMA with the Company valid for ten (10) years for the administration and management by the Company of the entire capacity and net output of the 52MW diesel BPGC Plant located in Bulacan. In addition to capacity fee, the Company pays BPGC's transmission and fuel costs. On 12 January 2018, BPGC and the Company amended the PAMA to increase the capacity rate based on nominated capacity and include fuel recovery and utilization fees effective on 26 March 2018.

On 10 December 2012, the NGCP and BPGC executed an ASPA for the latter to provide dispatchable reserves ensuring reliability in the operation of the transmission system and the electricity supply in the Luzon Grid for five (5) years upon the effectivity of the provisional approval or final approval issued by the ERC. By the ERC's Order dated 25 February 2013, the ERC provisionally approved the application filed by NGCP and BPGC allowing BPGC to provide ancillary services to NGCP in January 2015.

Power Barges

Power Barges 101 and 102 were commissioned in 1981 while Power Barge 103 was commissioned in 1985. Each power barge is a barge-mounted bunker-fired diesel generating power station with Hitachi diesel generator units and a gross capacity of 32MW.

Power Barge 101 started providing dispatchable reserve services to the Visayas grid in 2018. As of 31 December 2020, Power Barges 101 and 102 have net capacities of 24MW each. Considering that Power Barge 101 is more than twenty-four (24) years old, ACEN intends to improve the power barge's availability, capacity, and reliability by undergoing continuous maintenance and rehabilitation thereof.

Power Barges 101 and 102 have existing approved non-firm ASPAs with the NGCP. Both power plants provide dispatchable reserve services to the NGCP, as these are fast start generators readily available for dispatch when called by the NGCP to replenish the contingency reserve services whenever a generating unit trips or a single transmission interconnection loss occurs.

As of 23 March 2021, management is awaiting the DOE's approval for the decommissioning of Power Barges 102 and 103.

Thermal Projects under Construction

Ingrid Peaking Plant

The Company and its subsidiary, Endevor, signed a shareholders' agreement with Axia Power for the development, construction, and operation of Ingrid Power's 150 MW diesel power plant project in Pililla, Rizal, which is expected to be operational in the second quarter of 2021.

Retail Electricity Supply Business

The retail electricity supply business continues its active participation in the WESM through buying the electricity requirements of customers and selling the excess output of the Company's generation supply portfolio.

On 8 September 2016, AC Energy obtained a Retail Electricity Supplier ("RES") license allowing it to sell electricity to the end-users in the contestable market.

As a result of AC Energy's acquisition of the Company, a portfolio of additional renewable and conventional power businesses was added to AC Energy's portfolio, including retail electricity supply and trading in the WESM, in which the Company is a pioneer. the Company secured its RES license on 19 November 2012. On 8 September 2017, the Company timely filed its application for renewal of its RES license, and upon directives of the ERC, made supplemental submissions on 9 October 2019. On 21 November 2019, the Company received notice from the ERC of the approval of the application for renewal of the Company's RES license. The RES license of the Company shall subsequently be issued by the ERC.

As of 31 December 2020, the AC Energy Group's offtake business has 310MW worth of wholesale customer contracts and more than 150MW worth of contracts with several directly connected and contestable customers across a mix of industries including manufacturing, office, and mall operators.

Other Businesses

Bulk Water Supply Business

Endevor owns 100% ownership interests in bulk water supply companies SCC Bulk Water, HDP Bulk Water, LCC Bulk Water, and MCV Bulk Water. These companies entered into water supply contracts for the provision of water to the power generation plants of San Carlos Biopower Inc. ("SCBP"), San Carlos Bioenergy, Inc., South Negros Biopower Inc., and North Negros Biopower Inc., respectively, in Negros Occidental.

Land Lease and Development

The Company, through its subsidiaries, owns 100% ownership interests in Solienda, Inc. ("Solienda") and San Julio Land Development Corporation ("SJLD") and ~66% of Manapla Sun Power Development Corp. ("MSPDC"). These companies entered into various contracts with the Company's projects to assist in the management and maintenance, among others, of select renewable projects.

Solienda

Solienda was incorporated and registered with the SEC on 29 November 2016 to deal and engage in land lease and real estate business. On 5 December 2016, San Julio Realty, Inc. ("SJRI") assigned to Solienda the absolute and irrevocable title, rights and interest in the contract of lease, and the subsequent amendment agreements, with San Carlos Sun Power, Inc., SACASOL, and SCBP.

SJLD

SJLD was incorporated on 20 June 2014 with a primary purpose to deal and engage in land and real estate business, to hold, own, develop, manage, administer, purchase, lease, encumber, construct, alter in whole or in part, or otherwise deal in and dispose of, for itself or for others, for profit, all kinds of real estate projects, including, but not limited to, residential, commercial, industrial, as well as utilities, with or for persons and entities an under such terms and conditions as may be permitted by law; to enter into joint ventures and other similar arrangements in the furtherance of such land and real estate business. SJLD has ownership interest in MSPDC.

MSPDC

MSPDC was incorporated and registered with the SEC on 16 December 2014 with a primary purpose to engage in the business or renewable energy such as, but not limited to biomass, mini-hydro or solar power and ancillary business, and to own, lease, operate, manage or develop public or private lands. In March 2017, AC Energy acquired 66.2% of MSPDC. MSDPC is the landowner of and the lessor for ISLASOL's solar farm in Manapla, Negros Occidental.

PETROLEUM EXPLORATION BUSINESS

ACE Enexor is a Philippine corporation organized on September 28, 1994 and majority owned by AC Energy Corporation. ACE Enexor's primary business is the exploration and production of crude oil and natural gas through interests in petroleum contracts and through holdings in resource development companies with interests in petroleum contracts. The company began its foray into the exploration and development of geothermal resources in 2017.

Petroleum exploration involves the search for commercially exploitable subsurface deposits of oil and gas through geological, geophysical, and drilling techniques. A petroleum discovery is made when significant amounts of oil and/or gas are encountered in a well and are flowed to the surface. Following a discovery, additional wells (appraisal or delineation wells) are drilled to determine whether the petroleum accumulation could be economically extracted or not. If the results are positive, the oil or gas field is developed by drilling production wells, and installing the necessary production facilities such as wellheads, platforms, separators, storage tanks, pipelines, and others.

The company applies for or acquires interest in selected petroleum service contracts covering areas usually in the exploration phase. Due to the high risk and capital-intensive nature of the business, the company normally participates in several consortia and takes significant but minority interest. Subject to results of technical and risk-economic studies prior to exploratory drilling, the company may farm out or dilute its interest in exchange for financial consideration and/or non-payment of its pro-rata share of exploration drilling costs. If a petroleum discovery is made, the company will fund its share of appraisal drilling and economic studies. Upon delineation of a commercial discovery, financing for up to seventy percent (70%) of field development costs is available in the international market.

As projects are mostly in the exploratory stage, the company derives insignificant or no revenues from petroleum production. At this time, the company believes it has sufficient petroleum projects on hand given its resources and risk tolerance.

SOURCES AND AVAILABILITY OF RAW MATERIALS

For its power business, 45% of the Company's attributable capacity is fueled by renewable energy sources while 55% are sourced from thermal energy which is fueled by coal and bunker fuel as of 31 December 2020.

For thermal energy power plants, composed of SLTEC and other diesel power plants, the Company has different term contracts for its annual fuel requirements. Principal suppliers for fuel, spare parts, and raw materials include Phoenix Petroleum Philippines Inc., China National Technical, and Strongforth Limestone Corporation.

TRANSACTIONS WITH RELATED PARTIES

In the ordinary course of business, the Company transacts with its related parties, such as its subsidiaries, and certain of its associates, joint ventures, and affiliates enter into transactions with each other. These transactions principally consist of advances, loans, reimbursement of expenses, management, marketing, and administrative service agreements. (*See Note 29 to the Company's audited consolidated financial statements as of and for the year ended 31 December 2020*.)

FUTURE PROJECTS

AC Energy Corporation is scaling up its renewable energy platforms and existing partnerships with a strong pipeline of projects in the region and targets to reach financial close for various power projects from renewable and other energy sources with an expected target gross capacity of over 2,000MW by 2025.

ACE Endevor, Inc. ("Endevor")

Endevor was incorporated and registered with the SEC on 10 November 2014 to engage in all aspects of exploration, assessment, development and utilization of renewable and other energy resources and storage of electricity. AC Energy acquired 100% of the ownership interests in Endevor (formerly AC Energy Development, Inc., formerly ACE Devco, Inc., and formerly San Carlos Clean Energy, Inc.) in March 2017 with the intent to make Endevor its project development, management, and operations platform.

DISTRIBUTION OF PRODUCT

For the power business, electricity sales have been sold at the ERC approved rates for electric cooperatives and distribution utilities ("DUs") and at negotiated, market-determined prices for bilateral contracts. The WESM is another default market where electricity purchases are settled based on market or spot rates. Delivery of the product is coursed through transmission lines currently owned by NGCP and to a certain extent, the electric cooperatives and DUs in exchange for payment of distribution wheeling charges. However, any "delivery" to a customer is in reality electricity generated and delivered to the grid by the Company which is indistinguishable from the electricity generated by other generators.

Existing off-take agreements assure a certain level of demand from the Company's customers. In 2019, the Company was declared one of the best bids for MERALCO's 1,200MW baseload demand and 500MW mid-merit supply. The Company was awarded supply agreements for 200MW baseload and 110MW mid-merit MERALCO's demand for ten (10) and five (5) years, respectively. On top of the awarded contracts from MERALCO, AC Energy Corporation also has other corporate customers allowing it to not be dependent on any single customer for the viability of the power business.

For the petroleum exploration business, principal products of petroleum production are crude oil and natural gas. Crude oil is usually sold at market price in its natural state at the wellhead after removal of water and sediments, if any. Depending on the location of the oil field, the oil produced may be transported via offshore tankers and/or pipeline to the refinery. Natural gas may be flared, reinjected to the reservoir for pressure maintenance, or sold, depending on the volume of reserves and other considerations. Natural gas is commonly transported by pipeline. However, if the deposit is very large and the market is overseas, the gas may be liquefied into liquefied natural gas (LNG) and transported using specialized tankers.

COMPETITION

For its power business, AC Energy Corporation competes with other power generating companies in generating and supplying power to the Company's wholesale and retail customers. With the full implementation of the Electric Power Industry Reform Act ("EPIRA") and its purpose of establishing a transparent and efficient electricity market via more competition, a substantial number of the Company's customers may choose to buy power from third party suppliers. In addition, the implementation of open access could have a material adverse impact on the Company's results of operations and financial condition.

The move towards a more competitive environment, as set forth by EPIRA, could result in the emergence of new and numerous competitors. There will be some competitors that may have a competitive advantage over the Company due to greater financial resources, more extensive operational experience, and thus be more successful than the Company in acquiring existing power generation facilities or in obtaining financing for and the construction of new power generation facilities.

For the petroleum exploration business, the Company believes that competition for market of petroleum does not have a materially adverse effect on its operations. The Company sees itself and its competitors compete on two fronts, namely: 1) petroleum acreage, and 2) investment capital.

DOE awards petroleum service contracts to technically and financially capable companies on a competitive bidding basis. Thus, the Company competes with foreign firms and local exploration companies such as PNOC Exploration Corporation, The Philodrill Corporation, Oriental Petroleum and Minerals Corporation, and PetroEnergy for acquisition of prospective blocks. While there is competition in the acquisition of exploration rights, the huge financial commitments associated therewith also provide opportunities for partnership, especially between local and foreign companies. Under a service contract, a substantial financial incentive is given to consortia with at least fifteen percent (15%) aggregate Filipino equity. Thus, many foreign firms invite local exploration companies to join their venture to take advantage of said benefit and vice versa.

AC Energy Corporation and other listed companies also compete for risk capital in the securities market. This may be in the form of initial public offerings, rights offerings, upward change in capitalization and other vehicles. These domestic companies may also seek full or partial funding of projects from foreign companies through farm-out of interest (dilution of equity in exchange for payment of certain financial obligations).

The Company, through its subsidiary ACE Enexor, is a recognized player in the local petroleum industry and is comparatively financially robust and has low level of debt. The technical expertise of its staff is recognized by its foreign partners and the DOE. In view of these strengths, the Company remains a significant competitor in the local exploration and production industry.

RESEARCH AND DEVELOPMENT

The Company incurs minimal amounts for research and development activities which do not represent a significant percentage of revenues.

REGULATORY FRAMEWORK

The Company's power and petroleum exploration businesses are subject to the following laws, rules, and regulations:

P.D. 87, as amended, or The Oil Exploration and Development Act of 1972

P.D. 87, as amended, declares that the policy of the State is to hasten the discovery and production of indigenous petroleum through utilization of government and/or private resources, local and foreign, under arrangements calculated to yield maximum benefit to the Filipino people and revenues to the Philippine government and to assure just returns to participating private enterprises, particularly those that will provide services, financing, and technology and fully assume all exploration risks. The government may undertake petroleum exploration and production or may indirectly undertake the same through service contracts. Under a service contract, service and technology are furnished by a contractor for which it would be entitled to a service fee of up to forty percent (40%) of net production proceeds. Where the government is unable to finance petroleum exploration or in order to induce the contractor to exert maximum efforts to discover and produce petroleum, the service contract would stipulate that, if the contractor furnishes service, technology, and financing, the proceeds of the sale of the petroleum produced under the service contract would be the source of payment of the service fee and the operating expenses due the contractor. Operating expenses are deductible up to seventy percent (70%) of gross production proceeds. If, in any year, the operating expenses exceed seventy percent (70%) of gross proceeds from production, the unrecovered expenses may be recovered from the operations of succeeding years. Intangible exploration costs may be reimbursed in full, while tangible exploration costs (such as capital expenditures and other recoverable capital assets) are to be depreciated for a period of five (5) or ten (10) years. Any interest or other consideration paid for any financing approved by the government for petroleum development and production would be reimbursed to the extent of 2/3 of the amount, except interest on loans or indebtedness incurred to finance petroleum exploration.

Aside from reimbursing its operating expenses, a contractor with at least fifteen percent (15%) Filipino participation is allowed to recover a Filipino participation incentive allowance equivalent to a maximum of 7.5% of the gross proceeds from the crude oil produced in the contract area. Incentives to service contractors include (i) exemption from all taxes except income tax which is paid out of government's share, (ii) exemption from all taxes and duties on importation of machinery, equipment, spare parts and materials for petroleum operations, (iii) repatriation of investments and profits, and (iv) free market determination of crude oil prices. Finally, a subcontractor is subject to a special income tax rate of eight percent (8%) of gross Philippine income while foreign employees of the service contractor and the subcontractor are subject to a special tax rate of fifteen percent (15%) on their Philippine income.

A service contract has a maximum exploration period of ten (10) years and a maximum development and production period of forty (40) years. Signature bonus, discovery bonus, production bonus, development allowance, and training allowance are payable to the government. Other pertinent laws and issuances include P.D. 1857, a law amending certain sections of P.D. 87, as amended, offering improved fiscal and contractual terms to service contractors with special reference to deepwater oil exploration; DOE Circular No. 2009-04-0004, a circular that establishes the procedures for the Philippine Contracting Rounds; DOE Circular No. 2003-05-006, a circular that provides the guidelines to the financial and technical capabilities of a viable petroleum exploration and production company; Executive Order No. 66 issued in 2002 which designated the DOE as the lead government agency in developing the natural gas industry; and DOE Circular 2002-08-005, a circular setting the interim rules and regulations governing the transmission, distribution, and supply of natural gas.

Under P.D. 87, as amended, every service contractor that produces petroleum is authorized to dispose of the same either domestically or internationally, subject to supplying the domestic requirements of the country on a pro-rata basis. There is a ready market for oil produced locally inasmuch as imported oil which comprised about thirty-four percent (34%) of the Philippines' primary energy mix in year 2010. Heavy dependence on foreign oil supply is not expected to change significantly over the next ten (10) years. On a case to case basis, the government has allowed the export of locally produced crude oil in the past. The domestic natural gas industry is at the nascent stage, with supply coming from a single offshore field. Domestic gas production accounted for about seven percent (7%) of the country's primary energy mix in year 2010. The government is actively promoting the use of natural gas for power, industry, commercial, and transport applications, owing to environmental considerations and the need to diversify energy supply.

R.A. 8371 or The Indigenous Peoples' Rights Act of 1997

Republic Act ("R.A.") 8371 or "The Indigenous Peoples' Rights Act (IPRA) of 1997" requires the free and prior informed consent of indigenous peoples ("IPs") who will be affected by any resource exploration. Under the IPRA, IPs are granted certain preferential rights to their ancestral domains and all resources found therein. Ancestral domains are defined as areas generally belonging to IPs, subject to property rights within ancestral domains already existing or vested upon the effectivity of the IPRA, comprising lands, inland waters, coastal areas, and natural resources, held under a claim of ownership, occupied or possessed by IPs by themselves or through their ancestors, communally or individually, since time immemorial, continuously to the present, except when interrupted by war, force majeure or displacement by force, deceit, stealth, or as a consequence of government projects or any voluntary dealings entered into by the Government and private persons, and which are necessary to ensure their economic, social, and cultural welfare.

Under the IPRA, no concession, license, lease or agreement shall be issued by any government agency without the certification precondition ("CP") from the National Commission on Indigenous People ("NCIP"). The CP states that the free, prior and informed consent ("FPIC") has been obtained from the concerned IPs. For areas not occupied by IPs, a certificate of non-overlap is issued instead by the NCIP. For areas occupied by IPs, the applicant and representatives from the NCIP will conduct consultations and consensus-building to obtain the consent of IPs. The FPIC is manifested through a memorandum of agreement with IPs, traditionally represented by their elders. The CP is then issued by the NCIP stating that the FPIC has been obtained from the IPs concerned.

The Company may operate in certain areas which are covered by ancestral domains of IPs. No resource extraction is allowed in such areas without first negotiating an agreement with IPs who will be affected by operations.

R. A. 8749 or The Philippine Clean Air Act of 1999

R.A. 8749 or the Philippine Clean Air Act of 1999 is a comprehensive air quality management program which aims to achieve and maintain healthy air for all Filipinos. Under this, the Department of Environment and Natural Resources ("DENR") is mandated to formulate a national program on how to prevent, manage, control and reverse air pollution using regulatory and market-based instruments, and set-up a mechanism for the proper identification and indemnification of victims of any damage or injury resulting from the adverse environmental impact of any project, activity or undertaking. To implement this law, the government is promoting energy security thru a policy of energy independence, sustainability and efficiency. These involve:

(1) increasing oil and gas exploration;

(2) strengthening of the Philippine National Oil Company ("PNOC") to spearhead the development of indigenous energy resources and building global partnerships and collaborative undertakings;

(3) pursuing the development of renewable energy such as geothermal, wind, solar, hydropower, and biomass, and the vigorous utilization of the cleaner development mechanism and the emerging carbon market;

(4) expansion in the use of natural gas; and

(5) adoption of energy efficiency promotion strategies.

In support of this legislation, ACEN is participating in the oil and gas exploration and development of renewable energy sources. This is evident in the oil and gas exploration, and wind power projects of ACEN and its subsidiaries.

The Philippine Environmental Impact Statement ("EIS") System

Projects relating to petroleum and mineral exploration and production are required to comply with the Philippine EIS System. The EIS System was established by virtue of P.D. 1586 issued by former President Ferdinand E. Marcos in 1978. The EIS System requires all government agencies, government-owned or controlled corporations, and private companies to prepare an Environmental Impact Assessment ("EIA") for any project or activity that affects the quality of the environment. An EIA is a process that involves evaluating and predicting the likely impacts of a project (including cumulative impacts) on the environment and includes designing appropriate preventive, mitigating, and enhancement measures to protect the environment and the community's welfare. An entity that complies with the EIS System is issued an Environmental Compliance Certificate ("ECC"), which is a document certifying that, based on the representations of the project proponent, the proposed project or undertaking will not cause significant negative environmental impacts and that the project proponent has complied with all the requirements of the EIS System.

To strengthen the implementation of the EIS System, Administrative Order No. ("AO") 42 was issued by the Office of the President of the Philippines in 2002. It provided for the streamlining of the ECC application processing and approval procedures. Pursuant to AO 42, the DENR promulgated DENR AO 2003-30, also known as the Implementing Rules and Regulations ("IRR") for the Philippine EIS System, in 2003.

Under the IRR, in general, only projects that pose potential significant impact to the environment would be required to secure ECCs. In determining the scope of the EIS System, two (2) factors are considered, namely: (i) the nature of the project and its potential to cause significant negative environmental impacts, and (ii) the sensitivity or vulnerability of environmental resources in the project area.

Specifically, the criteria used for determining projects to be covered by the EIS System are as follows:

a. Characteristics of the project or undertaking

   i. size of the project;

   ii. cumulative nature of impacts compared to other projects;

   iii. use of natural resources;

   iv. generation of wastes and environment-related nuisance; and

   v. environment-related hazards and risk of accidents.

b. Location of the project

   i. vulnerability of the project area to disturbances due to its ecological importance, endangered or protected status;

   ii. conformity of the proposed project to existing land use, based on approved zoning or on national laws and regulations; and

   iii. relative abundance, quality, and regenerative capacity of natural resources in the area, including the impact absorptive capacity of the environment.

c. Nature of the potential impact -

   i. geographic extent of the impact and size of affected population;

   ii. magnitude and complexity of the impact; and

   iii. likelihood, duration, frequency, and reversibility of the impact.

The ECC of a project not implemented within five (5) years from its date of issuance is deemed expired. The proponent must apply for a new ECC if it intends to pursue the project. The reckoning date of project implementation is the date of ground-breaking, based on the proponent's work plan as submitted to the Environmental Management Bureau ("EMB").

Petroleum service contractors are mandated to comply with all environmental laws and rules and regulations in all phases of exploration and production operations. ECCs or certificates of non-coverage, if applicable, are obtained from the EMB of the DENR in coordination with the DOE.

The exploration, production, and sale of oil and mineral deposits and power generation are subject to extensive national and local laws and regulations. The Company and its subsidiaries may incur substantial expenditures to comply with these laws and regulations, which may include permitting costs, adoption and implementation of anti-pollution equipment, methods and procedures, and payment of taxes and royalties.

Under these laws, the Company could be subject to claims for personal injury or property damages, including damages to natural resources, which may result from the impact of the Company's operations. Failure to comply with these laws may also result in the suspension or termination of the Company's operations and subject it to administrative, civil, and criminal penalties. Moreover, these laws could be modified or reinterpreted in ways that substantially increase the Company's costs of compliance. Any such liabilities, penalties, suspensions, terminations or regulatory changes could have a material adverse effect on the Company's financial condition and results of operations.

ACEN's power supply and generation business is subject to the following laws, rules, and regulations:

R.A. 9136 or The Electric Power Industry Reform Act of 2001 (EPIRA)

The power generation business of ACEN is governed by R.A. 9136 or the Electric Power Industry Reform Act of 2001. The enactment of the EPIRA has been a significant event in the Philippine energy industry. The EPIRA has three (3) main objectives, namely: (i) to promote the utilization of indigenous, new, and renewable energy resources in power generation, (ii) to cut the high cost of electric power in the Philippines, bring down electricity rates, and improve delivery of power supply, and (iii) to encourage private and foreign investment in the energy industry. The EPIRA triggered the implementation of a series of reforms in the Philippine power industry. The two major (2) reforms are the restructuring of the electricity supply industry and the privatization of the National Power Corporation ("NPC"). The restructuring of the electricity industry calls for the separation of the different components of the power sector namely, generation, transmission, distribution, and supply. On the other hand, the privatization of the NPC involves the sale of the state-owned power firm's generation and transmission assets (e.g., power plants and transmission facilities) to private investors. These two (2) reforms are aimed at encouraging greater competition and at attracting more private-sector investments in the power industry. A more competitive power industry will, in turn, result in lower power rates and a more efficient delivery of electricity supply to end-users.

Power generation is not considered a public utility operation under the EPIRA. Thus, a franchise is not needed to engage in the business of power generation. Nonetheless, no person or entity may engage in the generation of electricity unless such person or entity has complied with the standards, requirements and other terms and conditions set by the ERC and has received a Certificate of Compliance ("COC") from the ERC to operate the generation facilities. A COC is valid for a period of five (5) years from the date of issuance. In addition to the COC requirement, a generation company must comply with technical, financial, and environmental standards. A generation company must ensure that all of its facilities connected to the grid meet the technical design and operational criteria of the Philippine Grid Code and the Philippine Distribution Code promulgated by the ERC. The ERC has also issued the "Guidelines for the Financial Standards of Generation Companies," which set the minimum financial capability standards for generation companies. Under the guidelines, a generation company is required to meet a minimum annual interest cover ratio or debt service coverage ratio of 1.5x throughout the period covered by its COC. For COC applications and renewals, the guidelines require the submission to the ERC of, among other things, comparative audited financial statements, a schedule of liabilities, and a five (5)-year financial plan. For the duration of the COC, the guidelines also require a generation company to submit to the ERC audited financial statements and forecast financial statements for the next two (2) fiscal years, among other documents. The failure by a generation company to submit the requirements prescribed by the guidelines may be a ground for the imposition of fines and penalties. The power plants of ACEN and its subsidiaries are required under the EPIRA to obtain a COC from the ERC for their generation facilities. They are also required to comply with technical, financial, and environmental standards provided in existing laws and regulations in their operations.

Restructuring of the Electricity Industry

One of the major reforms under the EPIRA involves the restructuring of the electricity supply industry, which calls for the separation of the different components of the electric power industry namely, generation, transmission, distribution, and supply.

Under the EPIRA, power generation and supply (which are not considered public utility operations) are deregulated but power distribution and transmission continue to be regulated (as common electricity carrier business) by the ERC which replaced the Energy Regulatory Board ("ERB").

To promote true competition and prevent monopolistic practices, the EPIRA provides for explicit caps or limits on the volume of electricity that a distribution utility can buy from an affiliated company that is engaged in power generation. Likewise, the law also provides that "no company or related group can own, operate or control more than 30% of the installed capacity of a grid and/or twenty-five percent (25%) of the national installed generating capacity."

Energy Regulatory Commission (ERC)

The ERC is an independent, quasi-judicial regulatory body tasked to promote competition in the power industry, encourage market development, and ensure customer choice. Compared to its predecessor, the ERC has broader powers to prevent and penalize anti-competitive practices.

The ERC is headed by a Chairperson together with four Commissioners. It is the government agency in-charge of the regulation of the electric power industry in the Philippines. The ERC was created by virtue of Section 38 of the EPIRA to replace the ERB. Its mission is to promote and protect long-term consumer interests in terms of quality, reliability, and reasonable pricing of a sustainable supply of electricity.

The relevant powers and functions of the ERC are as follows:

1. Promote competition, encourage market development, ensure customer choice and penalize abuse of market power in the electricity industry. To carry out this undertaking, ERC shall, promulgate necessary rules and regulations, including competition rules, and impose fines or penalties for any non-compliance with or breach of the EPIRA, the IRR of the EPIRA, and other rules and regulation which it promulgates or administers as well as other laws it is tasked to implement/enforce.
2. Determine, fix, and approve, after due notice and hearing, Transmission and Distribution Wheeling Charges, and Retail Rates through an ERC established and enforced rate setting methodology that will promote efficiency and non-discrimination.
3. Approve applications for, issue, grant, revoke, review and modify Certificate of Public Convenience and Necessity (CPCN), Certificate of Compliance (COC), as well as licenses and/or permits of electric industry participants.
4. Promulgate and enforce a national Grid Code and a Distribution Code that shall include performance standards and the minimum financial capability standards and other terms and conditions for access to and use of the transmission and distribution facilities.
5. Enforce the rules and regulations governing the operations of the WESM and the activities of the WESM operator and other WESM participants, for the purpose of ensuring greater supply and rational pricing of electricity.
6. Ensure that NPC and distribution utilities functionally and structurally unbundle their respective business activities and rates; determine the level of cross subsidies in the existing retail rates until the same is removed and thereafter, ensure that the charges of the National Transmission Corporation ("TransCo") or any distribution utility bear no cross subsidies between grids, within grids, or between classes of customers, except as provided by law.
7. Set a Lifeline Rate for the Marginalized End-Users.
8. Promulgate rules and regulations prescribing the qualifications of suppliers which shall include, among other things, their technical and financial capability and credit worthiness.
9. Determine the electricity end-users comprising the contestable and captive Markets.
10. Verify the reasonable amounts and determine the manner and duration for the full recovery of stranded debts and stranded contract costs of NPC and the distribution utilities.
11. Handle consumer complaints and ensure promotion of consumer interests.
12. Act on applications for cost recovery and return on Demand-Side Management (DSM) projects.
13. Fix user fees to be charged by TransCo for ancillary services to all electric power industry participants or self-generating entities connected to the grid.
14. Review power purchase contracts between Independent Power Producers ("IPP") and NPC, including the distribution utilities.
15. Monitor and take measures to discourage/penalize abuse of market power, cartelization and any anti-competitive or discriminatory behavior by any electric power industry participant.

16. Review and approve the terms and conditions of service of the TransCo or any distribution utility and any changes therein.
17. Determine, fix, and approve a universal charge to be imposed on all electricity end-users.
18. Test, calibrate, and seal electric watt-hour meters.
19. Implement pertinent provisions of R.A. No. 7832 or the Anti-Pilferage of Electricity Law.
20. Fix and regulate the rate schedule or prices of piped gas to be charged

Privatization of NPC and creation of Power Sector Assets and Liabilities Management Corporation (PSALM)

Another major reform under the EPIRA is the privatization of the NPC which involves the sale of the state-owned power firm's generation and transmission assets (*e.g*., power plants and transmission facilities) to private investors. Government-owned NPC had been solely responsible for the total electrification of the country since 1936.

Under the EPIRA, the NPC generation and transmission facilities, real estate properties and other disposable assets, as well as its power supply contracts with IPPs were privatized. Two weeks after the EPIRA was signed into law, the PSALM, a government-owned and controlled corporation, was formed to help NPC sell its assets to private companies. The exact manner and mode by which these assets would be sold would be determined by the PSALM. The PSALM was tasked to manage the orderly sale, disposition, and privatization of the NPC, with the objective of liquidating all of the NPC's financial obligations and stranded contract costs in an optimal manner.

Birth of the National Grid Corporation of the Philippines (NGCP)

Another entity created by the EPIRA was the TransCo, which would assume all of the electricity transmission functions of the NPC. In December 2007, TransCo was privatized through a management concession agreement. The management and operation of TransCo's nationwide power transmission system was turned over to a consortium called NGCP composed of Monte Oro Grid Resources Corporation, Calaca High Power Corporation, and the State Grid Corporation of Hong Kong Ltd. The approved franchise of NGCP was for fifty (50) years.

Thus, with the creation of the PSALM and NGCP to which the assets and debts of the NPC were transferred, the NPC was left with only the operation of Small Power Utilities Group or SPUG – a functional unit of the NPC created to pursue missionary electrification function.

Retail Competition and Open Access (RCOA)

The EPIRA mandates the implementation of open access to the distribution network so that the benefits of competition in the generation/supply sector could reach qualified consumers. The implementation of the retail competition and open access paved the way to the creation of the new segment in the power industry which is the retail electricity supply.

Retail competition and open access allows contestable customers (*i.e*., industries, commercial establishments, and residential users) to choose their respective RES which could offer the most reasonable cost and provide the most efficient service.

With the purpose of ensuring quality, reliable, and affordable electricity under a regime of free and fair competition, the DOE and the ERC issued the following circular and resolutions to promote customer choice and foster competition in the electricity supply sector:

a) **DOE Circular No. DC2015-06-0010, series of 2010** - *Providing Policies to Facilitate the Full Implementation of Retail Competition and Open Access (RCOA) in the Philippine Electric Power Industry;*

b) **ERC Resolution No. 05, Series of 2016** - *A Resolution Adopting the 2016 Rules Governing the Issuance of Licenses to Retail Electricity Suppliers (RES) and Prescribing the Requirements and Conditions Therefor*;

c) **ERC Resolution No. 10, Series of 2016** - *A Resolution Adopting the Revised Rules for Contestability*;

d) **ERC Resolution No. 11, Series of 2016** - *A Resolution Imposing Restrictions on the Operations of Distribution Utilities and Retail Electricity Suppliers in the Competitive Retail Electricity Market*; and

e) **ERC Resolution No. 28, Series of 2016** - *Revised Timeframe for Mandatory Contestability, Amending*

Resolution No. 10, Series of 2016 entitled Revised Rules for Contestability.

The above resolutions and circular required electricity end-users with an average monthly peak demand of at least one megawatt (1 MW) to secure retail supply contracts with licensed retail electricity suppliers on or before 26 February 2017 while electricity end-users with an average monthly peak demand of at least 750 kilowatts (kW) were required to secure retail supply contracts by 26 June 2017.

The above circular and resolutions were subject of court cases, where several parties sought the courts' intervention to enjoin the implementation of the circulars and resolutions. The implementation of the above circulars and resolutions are presently subject of a Temporary Restraining Order ("TRO") issued by the Supreme Court in the case docketed as G.R. No. 228588, entitled *Philippine Chamber of Commerce and Industry, San Beda College Alabang, Ateneo De Manila University and Riverbanks Development Corporation vs. Department of Energy, Hon. Alfonso G. Cusi in his official capacity as Secretary of the Department of Energy, The Energy Regulatory Commission and Jose Vicente B. Salazar in his official capacity as Chairman of the Energy Regulatory Commission and Hon. Alfredo J. Non, Hon. Gloria Victoria C. Yap-Taruc, Hon. Josefina Patricia M. Asirit and Hon. Geronimo D. Sta. Ana, in their official capacity as incumbent Commissioners of the Energy Regulatory Commission.*

Notwithstanding the TRO issued by the Supreme Court, electricity end-users with average peak demands of 1 MW and 750 kW may still choose their retail electricity supplier on a voluntary basis.

Wholesale Electricity Spot Market (WESM)

The EPIRA provided for the creation of the WESM, a trading platform where electricity generated by power producers are centrally coordinated and traded like any other commodity in a market of goods. The objective is to provide a venue for free and fair trade of, and investment in, the electricity market for and by generators, distributors, and suppliers. The WESM is implemented by a market operator, an autonomous group constituted by the DOE with equitable representation from electric power industry participants.

The DOE formulated the WESM rules, which provide for the procedures for (i) establishing the merit order dispatch instruction for each time period, (ii) determining the market-clearing price for each time period, (iii) administering the market, and (iv) prescribing guidelines for market operation in system emergencies.

The WESM provides a venue whereby generators may sell power, and at the same time suppliers and wholesale consumers can purchase electricity where no bilateral contract exists between the two.

On 18 November 2003, the DOE established the PEMC as a non-stock, non-profit corporation. PEMC's membership is comprised of an equitable representation of electricity industry participants and chaired by the DOE Secretary. Its purpose is to act as the autonomous market group operator and the governing arm of the WESM. It also undertook the preparatory work for the establishment of the WESM.

On 26 September 2018, the Independent Electricity Market Operator of the Philippines ("IEMOP") formally took over the WESM from the PEMC. The takeover was in compliance with the EPIRA for the WESM to be run by an independent operator. IEMOP is a nonstock, nonprofit corporation governed by a professional board of directors composed of individuals not affiliated with any of the electric companies that transact in the WESM. The following are the functions of IEMOP, among others:

(a) Facilitate the registration and participation of generating companies, DUs, directly connected customers or bulk users, suppliers, and contestable customers in the WESM;
(b) Determine the hourly schedules of generating units that will supply electricity to the grid, as well as the corresponding spot-market prices of electricity via its Market Management System; and
(c) Manage the metering, billing, settlement, and collection of spot trading amounts.

Under the policy and regulatory oversight of the DOE and the ERC, PEMC remains to be the governing body for the WESM to monitor compliance by the market participants with the WESM Rules.

Considering the challenges posed by climate change to the global economy, the development of renewable energy has gained prominence in recent years. A National Renewable Energy Program ("NREP") was released in 2010 following the passage of the Renewable Energy Act in 2008. The NREP aimed to triple the installed capacity of renewable energy from

5,439 MW in 2010 to 15,304 MW by 2030.[1] It targeted to add over 7,000 MW of new capacity by 2020. As of end 2019 however, only 1,960 MW of new RE capacity has been installed, bringing the total to 7,399 MW.[2]

Measurable Targets (in MW) for the Renewable Energy Sector, Philippine Energy Plan, 2017-2040

TECHNOLOGY	Installed Capacity (as of 2010)	Target Capacity Addition (2011-2020)	Installed Capacity as of 31 December 2019
Geothermal	1,966.00	1,320.00	1,928.00
Hydro	3,400.00	3,502.30	3,760.00
Biomass	39	276.70	363.00
Wind	33	1,903.00	427.00
Solar	1	274.00	921.00
Ocean	-	35.50	-
TOTAL	**5,439.00**	**7,311.50**	**7,399.00**

The Renewable Energy Act of 2008

On 16 December 2008, then President Gloria Macapagal-Arroyo signed into law Republic Act No. 9513, also known as the Renewable Energy Act of 2008 (the "RE Law"). The RE Law then took effect on 31 January 2009. It aims to accelerate the development and exploration of renewable energy resources in the country such as wind, hydro, and geothermal energy sources to achieve energy self-reliance and independence. It also aims to increase the utilization of renewable energy by institutionalizing the development of national and local capabilities in the use of renewable energy systems, and promoting its efficient and cost-effective commercial application by providing fiscal and non-fiscal incentives.

With this Act, it is envisioned that the country will aggressively develop resources such as solar, biomass, geothermal, hydropower, wind, and ocean energy technologies. The said law is also expected to mitigate the global problem of climate change.

Specifically, the law provides prospective proponents in renewable energy with the following benefits and advantages:

1. Market
   a. Renewable portfolio market – all registered suppliers of electricity will have to source a certain percentage of their supply from eligible renewable energy sources
   b. Renewable energy market – refers to the market (to be incorporated in the WESM) where the trading of renewable energy certificates to an amount generated from renewable energy resources is made;
   c. Green option – provides end-users with the option to choose renewable energy resources as their sources of energy; also allows end-users to directly contract from renewable energy facilities their energy requirements distributed through their utilities; and
   d. Net metering for renewable energy – allows a user of renewable energy technology (e.g., solar) to sell back to a utility at the latter's retail price any excess in generation from the house electricity consumption.

2. Pricing mechanism through a FIT system
   a. Allows a fixed price of electricity from renewable energy sources for twelve (12) years, to be determined by the ERC in consultation with the National Renewable Energy Board ("NREB") within one (1) year upon the effectivity of the law and priority purchase, transmission, and payment from the national grid; and

[1] Philippine Energy Plan 2017-2040, Volume 2, page 9. <https://www.doe.gov.ph/pep>
[2] 2019 Power Statistics, https://www.doe.gov.ph/sites/default/files/pdf/energy_statistics/2019_power_statistic_01_summary.pdf last accessed on 9 February 2021 at 1:09 p.m.

b. Mandated for electricity produced from wind, solar, ocean, run-of-river hydropower, and biomass.

3. Access to the grid through transmission and distribution system development

a. Requires the Transmission Corporation and DUs to include required connection facilities for renewable energy-based projects in the Transmission and Distribution Plans subject to the approval of the DOE; and

b. Connection facilities of renewable energy plants, including the extension of transmission and distribution lines, shall be subject only to ancillary services covering such connections.

The DOE is the lead government agency tasked to implement the provisions of the RE Law. The IRR of the RE Law were released in May 2009 and presented the guidelines on the implementation of the various fiscal and non-fiscal incentives provided by the law, which include the following:

a. Renewable Portfolio Standards (RPS)

On 22 December 2017, the DOE signed the landmark Department Circular No. 2017-12-0015 promulgating the "Rules and Guidelines Governing the Establishment of the Renewable Portfolio Standards RPS for On-Grid Areas" or the "RPS On-Grid Rules."

The RPS On-Grid Rules mandates all electric power industry participants, including DUs for their captive customers, suppliers of electricity for contestable market, and generating companies to the extent of their actual supply to their directly connected customers, to source or produce a specified portion of their electricity requirements from eligible renewable energy resources including biomass, geothermal, solar, hydro, ocean, and wind. The RPS On-Grid Rules establishes a minimum annual RPS requirement and minimum annual incremental percentage of electricity sold by each mandated participant which shall, in no case, be less than one percent (1%) of such mandated participant's annual energy demand over the next ten (10) years.

b. FIT System

On 27 July 2012, the ERC approved the initial FIT rates that shall apply to generation from Run-of-River Hydro, Biomass, Wind, and Solar. The said FIT rates are as follows: ₱5.90/kwh for Run-of-River Hydro, ₱6.63/kwh for Biomass, ₱8.53/kwh for Wind, and ₱9.68/kwh for Solar. The ERC, however, deferred fixing the FIT for Ocean Thermal Energy Conversion Resource for further study and data gathering. The decision came after a series of public hearings ending in March 2012, on the petition of the NREB for the setting of the FIT rates.

Under the RE Law, all qualified and registered generating plants with intermittent renewable energy resources shall enjoy the benefit of priority dispatch. Priority purchase, transmission, and payment for such electricity is also provided for by the RE Law. Furthermore, all renewable energy generators are ensured of payment for electricity generated via the FIT scheme for a period of twenty (20) years.

On 17 May 2013, Guimaras Wind received DOE's Declaration of Commerciality ("DOC") for the San Lorenzo Project (the "Project"). The DOC means that the Project will be eligible to avail of the FIT, but only upon successful completion and commissioning of the Project.

On 23 November 2015, the ERC issued a Decision in ERC Case No. 2015-002RM entitled "In the Matter of the Adoption of the Amendments to Resolution No. 10, Series of 2012, entitled "A Resolution Approving the Feed-in-Tariff (FIT) Rates" (FIT Rules), Particularly for WIND FIT Rates, as necessitated by the review and re-adjustment of the WIND FIT since the Installation Target for Wind Technology has already been achieved."

In the said Decision, the ERC approved a FIT2 in the amount of PhP 7.4000/kWh for Guimaras Wind, Petrowind Energy Inc., and Alternergy Wind One Corporation.

c. The NGCP and all DUs are mandated to include the required connection facilities for renewable energy-based electricity in their transmission and distribution development plans. They are also required to effect the connection of renewable energy-based power facilities with the grid, upon the approval of the DOE, at the start of their commercial operations. The ERC shall provide the mechanism for the recovery of the cost of these connection facilities.

d. The RE Law provides for the following fiscal incentives:

1. Income tax holiday for a period of seven (7) years from the start of commercial operation;
2. Exemption from duties on renewable energy machinery, equipment, and materials;
3. Special realty tax rates on equipment and machinery;
4. Net operating loss carry over ("NOLCO") of the renewable energy developer during the first three (3) years from start of commercial operation shall be carried over for the next seven (7) consecutive taxable years immediately following the year of such loss;
5. Corporate tax rate of ten percent (10%);
6. Accelerated depreciation;
7. Zero percent (0%) value-added tax on energy sale;
8. Tax exemption of carbon credits; and
9. Tax credit on domestic capital equipment and services related to the installation of equipment and machinery.

National Renewable Energy Board (NREB) and the Renewable Energy Management Bureau (REMB)

For purposes of promoting the development of renewable energy resources, two new government bodies were created under the R.A 9513 or the RE Law – the NREB and the REMB.

NREB will serve as the recommending body on renewable energy policies and action plans for implementation by the DOE. As provided under Section 27 of the RE Law, the powers and functions of the NREB are as follows:

1. Evaluate and recommend to the DOE the mandated RPS and minimum RE generation capacities in off-grid areas, as it deems appropriate;
2. Recommend specific actions to facilitate the implementation of the National Renewable Energy Program ("NREP") to be executed by the DOE and other appropriate agencies of government and to ensure that there will be no overlapping and redundant functions within the national government department and agencies concerned;
3. Monitor and review the implementation of the NREP, including compliance with the RPS and minimum RE generation capacities in off-grid areas;
4. Oversee and monitor the utilization of the Renewable Energy Trust Fund created pursuant to Section 28 of the Renewable Energy Law and administered by the DOE; and
5. Perform such other functions, as may be necessary, to attain the objectives of the RE Law.

The NREB shall be composed of a Chairman and one (1) representative each from the DOE, Department of Trade and Industry, DENR, NPC, NGCP, PNOC, and PEMC shall be designated by their respective secretaries to the NREB on a permanent basis. The Board shall also have one (1) representative each from the following sectors: (1) renewable energy developers, (2) government financial institutions, (3) private DUs, (4) electric cooperatives, (5) electricity suppliers, and (6) non-government organizations (NGOs), duly endorsed by their respective industry associations and all to be appointed by the President of the Republic of the Philippines.

On the other hand, REMB was created for the purpose of implementing the provisions of the RE Law. The REMB shall replace the Energy Utilization Management Bureau under the DOE.

The powers and functions of the REMB are as follows:

1. Implement policies, plans, and programs related to the accelerated development, transformation, utilization and commercialization of renewable energy resources and technologies;
2. Develop and maintain a centralized, comprehensive, and unified data and information based on renewable energy resources to ensure the efficient evaluation, analysis, and dissemination of data and information on renewable energy resources, development, utilization, demand, and technology application;
3. Promote the commercialization / application of renewable energy resources including new and emerging technologies for efficient and economical transformation, conversion, processing, marketing, and distribution to end users;
4. Conduct technical research, socio-economic, and environment impact studies of renewable energy projects for the development of sustainable renewable energy systems;
5. Supervise and monitor activities of government and private companies and entities on renewable energy resources development and utilization to ensure compliance with existing rules, regulations, guidelines, and standards;
6. Provide information, consultation, and technical training and advisory services to developers,

practitioners, and entities involved in renewable energy technology and develop renewable energy technology development strategies; and

7. Perform other functions that may be necessary for the effective implementation of the RE Law and the accelerated development and utilization of renewable energy resources in the country.

Environmental Laws

The Company's power generation operations are subject to extensive, evolving, and increasingly stringent safety, health, and environmental laws and regulations. These laws and regulations, such as R.A. 8749 or the Clean Air Act and R.A. 9275 or the Philippine Clean Water Act, address, among other things, air emissions, wastewater discharges, the generation, handling, storage, transportation, treatment, and disposal of toxic or hazardous chemicals, materials and waste, workplace conditions, and employee exposure to hazardous substances. ACEN and its subsidiaries have incurred, and expect to continue to incur, operating costs to comply with such laws and regulations. The Company and its subsidiaries spend PhP 2.43 Million annually for emissions testing to comply with safety, health, and environmental laws and regulations.

Human Capital

As of 22 March 2021, ACEN has one hundred thirty-eight (138) employees. Of the total employees, sixty-five (65) are managers and officers, sixty-seven (67) are supervisors, and six (6) are nonsupervisory employees. The Company has the intention of hiring thirteen (13) additional employees for the ensuing months.

The Company has no Collective Bargaining Agreement with its employees. No employees went on strike within the past three (3) years nor are they planning to go on strike.

The relationship between management and employees has always been of coordination and collaboration. The Company believes that professionalism, open communication, and upright engagement between management and employees are the effective ways to resolve workplace concerns.

Aside from compensation, the Company's employees are given medical, hospitalization, vacation and sick leave, and personal accident insurance benefits. There are also medical benefits from the Company that extends to employee's dependents. Also, the Company has a retirement fund based on statutory benefits. It is a funded, noncontributory, defined benefit pension plan covering all full-time employees of ACEN. The benefits are based on tenure and remuneration at the time of retirement.

SUSTAINABIILITY

ACEN has incorporated sustainability in all aspects of its business and organization, establishing a management system and eco-metrics that incorporate global best practices in biodiversity management, circular economy, community relations, organizational diversity, well-being, and safety.

In April 2020, the Company announced the board's approval of its Environmental and Social ("**E&S**") Policy which highlights the Company's transition to a low carbon portfolio and the divestment of coal plants by 2030. The policy also sets out the goal of attaining at least 50% renewables share of energy output by 2025.

Community and Social Investments

As the Company aspires to continuously deliver reliable, affordable, and sustainable energy, it takes strides not only to expand its renewable energy capacity but also to support its host communities, protect the environment, and contribute to sustainable development.

The Conservation Estate in Ilocos Norte

A living example of how technology and industry can thrive side by side with nature is the Company's 700-hectare modern sanctuary located in Ilocos Norte, Philippines (the "**Conservation Estate**"). The Conservation Estate has gone a long way since it was established three years ago, now replete with features that make it a bona fide conservation estate, with long-term sustainability programs that are anchored on excellent environment management, protection of biodiversity and social programs that aim to improve lives.

As the Company powers the region with renewable energy through its two wind farms, North Luzon Renewables and NorthWind, reforestation initiatives in the area have also commenced. More than 326,000 seedlings have been planted in the Conservation Estate, with the goal of planting half a million seedlings by 2023. Endemic agoho and other tree species like narra and fruit-bearing trees were introduced to enhance biodiversity.

The communities living in the periphery have also found livelihood in nurturing the forests. Over 100 local residents are now employed as forest rangers and planters in the Conservation Estate. As an integral part of the reforestation program, residents are engaged in seedling production, with the seedlings being purchased from them and replanted in the Conservation Estate.

Fruit-bearing and forest tree seedlings are propagated within the 4.5 hectare model farm, a vital part of a ten year agro-forestry plan designed by experts from UP Los Baños, Philippines, with the objective to provide livelihood, self-reliance and food security to the local community.

With various training workshops to build their skills, local residents learn sustainable farming techniques such as contour hedgerow and watershed systems. They are also taught how to produce mushrooms, ginger, ube, and other root crops, fruits and vegetables. Today, there are over 1,761 fruit trees of cacao, coffee, calamansi and cashew flourishing in the farm.

As the Company creates awareness on coastal environment protection, turtle conservation and biodiversity, local residents have also discovered the value of protecting nature in their daily lives, and are now stewards of AC Energy's Conservation Estate.

The forests witness an increase in biodiversity as the Company, with the help of the locals, create an ecologically diverse landscape through analog forestry. And as the trees grow, the animals return – the forest is now home to 117 species of birds, 33 of which are endemic, and 4 are classified as vulnerable. Additionally, studies identified the presence of near-threatened monkey species, bats, and other animals.

Meanwhile, in the coastal town of Bangui, species of endangered marine turtles have been observed laying eggs and nesting along the shoreline of the bay. Through awareness campaigns and continuous coordination with the locals, the danger of poaching and smuggling of the eggs has significantly decreased, with the residents acting as guardians of the endangered species, becoming partners of the Company in turtle conservation.

The Sustainability Hub in Alaminos

In Alaminos, Laguna, the Company's 120 MWdc solar plant is surrounded by Ayala Land's Carbon Forest, a woodland reserve that acts as a carbon trap and home to biodiversity. Within the solar farm compound, the Company has integrated a plastic recycling facility wherein plastic waste collected from the construction site is being upcycled into eco-bricks, which will then be used in building the solar plant facilities.

As the Company aims to engage with its host communities, from the early stages of the project and throughout the plant operations, it develops programs that will benefit neighboring communities such as livelihood programs through a Tree Nursery with a target of producing 120,000 seedlings, and an Eco-Hub facility for a plastic waste management program. Plans to build an Eco Learning Facility are also underway, where students and other visitors will gain an understanding of renewable energy and forest protection.

This pilot Sustainability Hub will be a living example of how sustainable development can thrive with the help of partners including our host communities. It will be the first of many that the Company envisions to create within its developments.

Creating shared value

ACEN reiterates its commitment to the Ayala group philosophy of creating value not just for its businesses, but for the environment and communities where it operates. The Company aims to fully support the development and prosperity of its host communities, ultimately moving towards self-actualization and contributing to national progress.

RISK FACTORS RELATED TO THE BUSINESS

Risks Relating to the Company and its Businesses

Increased competition in the power industry, including competition resulting from legislative, regulatory and industry restructuring efforts could have a material adverse effect on the Company's operations and financial performance.

The Company's success depends on its ability to identify, invest in and develop new power projects, and the Company faces competition to acquire future rights to develop power projects and to generate and sell power. No assurance can be given that the Company will be able to acquire or invest in new power projects successfully.

In recent years, the Philippine government has sought to implement measures designed to establish a competitive power market. These measures include the planned privatization of at least 70% of the NPC-owned-and-controlled power generation facilities and the grant of a concession to operate transmission facilities. The move towards a more competitive environment could result in the emergence of new and numerous competitors. These competitors may have greater financial resources, and have more extensive experience than the Company, giving them the ability to respond to operational, technological, financial and other challenges more quickly than the Company. These competitors may therefore be more successful than the Company in acquiring existing power generation facilities or in obtaining financing for and the construction of new power generation facilities. The type of fuel that competitors use for their generation facilities may also allow them to produce electricity at a lower cost and to sell electricity at a lower price. The Company may therefore be unable to meet the competitive challenges it will face.

The impact of the ongoing restructuring of the Philippine power industry will change the competitive landscape of the industry and such changes are expected to affect the Company's financial position, results of operations and cash flows in various ways.

Any decision to develop and construct power projects in various jurisdictions, including, but not limited to, the Philippines, and following the completion of the AC Energy International Transaction, Indonesia, Vietnam, and Australia, will be made after careful consideration of regulatory requirements, availability of fiscal incentives, market conditions (including the demand and supply conditions), land availability, and other considerations. For those jurisdictions that require participation through a competitive bidding process or through the submission of a formal proposal, in which the Company will need to compete for projects based on pricing, technical and engineering qualifications, the financial condition of the Company, availability of land, access to financings, track record and other specifications of the proposed project, the bidding or proposal submission process and selection process may be affected by a number of factors, including factors which may be beyond the Company's control, such as market conditions or government incentive programs. In such cases, the Company may not acquire the rights to develop new power projects in the event that the Company misjudges its competitiveness when submitting its bids or proposals or, where bidding includes price competition, if the Company's competitors have more competitive pricing. The ability of the Company's competitors to access resources that it does not have access to, including labor and capital, may prevent the Company from acquiring additional power projects in strategic locations or from increasing its generating capacity, and the Company may not be able to expand its business as a result.

To be able to adapt with the potential changes, the Company continues to develop a pipeline of projects particularly in securing potential sites, continuously looking into technology that will allow the projects to be economically viable while being competitive in terms of offer and negotiating with adequate coverage in terms of unexpected changes on the regulations. The Company monitors developments in the industry, competition and regulatory environment to ensure that it can adapt as necessary to any change.

The Company may not successfully implement its growth strategy and the impact of acquisitions and investments could be less favourable than anticipated.

As part of its business strategy, the Company continues to carry out acquisitions and investments of varying sizes, some of which are significant, as well as develop additional power projects. This strategy may require entering into strategic alliances and partnerships and will involve substantial investments. The Company's success in implementing this strategy will depend on, among other things, its ability to identify and assess potential partners, investments and acquisitions, successfully finance, close and integrate such investments and acquisitions, control costs and maintain sufficient operational and financial controls.

This growth strategy could place significant demands on the Company's management and other resources. The Company's future growth may be adversely affected if it is unable to make these investments or form these partnerships, or if these investments and partnerships prove unsuccessful. Further, acquisitions and investments involve numerous risks, including, without limitation, the following: (i) the assumptions used in the underlying business plans may not prove to be accurate, in particular with respect to synergies and expected demand; (ii) the Company may not integrate acquired businesses, technologies, products, personnel, and operations effectively; (iii) the Company may fail to retain key employees, customers and suppliers of the companies acquired; (iv) the Company may be required or wish to terminate pre-existing contractual relationships, which could be costly and/or on unfavourable terms; and (v) the Company may increase its indebtedness to finance these acquisitions. As a result, it is possible that the expected benefits of completed or future acquisitions may not materialise within the time periods or to the extent anticipated or affect the Company's financial condition.

In particular, the completion of the AC Energy International Transaction is subject to various regulatory approvals and other conditions, which may be delayed or fail to occur. In addition, the completion of the Arran Investment is subject to the satisfaction of agreed conditions precedent, which may not occur.

Further, the Company may not be able to identify suitable acquisition and investment opportunities or make acquisitions and investment, on beneficial terms, or obtain financing necessary to complete and support such acquisitions. Regulation of merger and acquisition activity by relevant authorities or other national regulators may also limit the Company's ability to make future acquisitions or mergers. The impact on the Company of any future acquisitions or investments cannot be fully predicted and any of the risks outlined above, should they materialise, could have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

The Company nonetheless has shown capability to develop meaningful partnerships, has been agile and fast in decision making and adept in structuring deals with potential partners. While the Company embarks on acquisitions to grow its portfolio, the Company also ensures it has its own portfolio of assets under development to secure its growth strategy.

The operations of the Company's power projects are subject to significant government regulation, including regulated tariffs such as FIT, and the Company's margins and results of operations could be adversely affected by changes in the law or regulatory schemes.

The Company's inability to predict, influence or respond appropriately to changes in law or regulatory schemes, including any inability or delay in obtaining expected or contracted increases in electricity tariff rates or tariff adjustments for increased expenses, or any inability or delay in obtaining or renewing permits for any facilities, could adversely impact our results of operations and cash flow. Furthermore, changes in laws or regulations or changes in the application or interpretation of laws or regulations in jurisdictions where power projects are located, particularly utilities where electricity tariffs are subject to regulatory review or approval, could adversely affect the Company's business, including, but not limited to:

adverse changes in tax law;

changes in the timing of tariff increases or in the calculation of tariff incentives;

change in existing subsidies and other changes in the regulatory determinations under the relevant concessions;

other changes related to licensing or permitting which increase capital or operating costs or otherwise affect the ability to conduct business; or

other changes that have retroactive effect and/or take account of revenues previously received and expose power projects to additional compliance costs or interfere with our existing financial and business planning.

Any of the above events may result in lower margins for the affected businesses, which could adversely affect the Company's results of operations.

For renewable energy assets, pricing is fixed by regulatory arrangements which operate instead of, or in addition to, contractual arrangements. To the extent that operating costs rise above the level approved in the tariff, the Company's businesses that are subject to regulated tariffs would bear the risk. During the life of a project, the relevant government authority may unilaterally impose additional restrictions on the project's tariff rates, subject to the regulatory frameworks applicable in each jurisdiction. Future tariffs may not permit the project to maintain current operating margins, which could have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

As potential regulatory changes are an inherent risk on the industry where the Company is operating, the Company keeps track and remains up to speed on such potential changes, analyzes impact and conducts risk assessment as necessary, and develops means to be able to cover such potential risks.

Failure to obtain financing on reasonable terms or at all could adversely impact the execution of the Company's expansion and growth plans.

The Company's expansion and growth plans are expected to require significant fund raising. As part of the Company's current strategy to exceed 5,000MW of renewable energy capacity by 2025, the Company estimates that it will require around U.S.$5 billion. The Company's continued access to debt and equity financing as a source of funding for new projects, acquisitions and investments, and for refinancing maturing debt is subject to many factors, including: (i) laws, regulations, and internal bank policies limiting bank exposure (including single borrower limits) to a single borrower or related group of borrowers; (ii) the Company's compliance with existing debt covenants; (iii) the ability of the Company to service new debt; (iv) the macroeconomic fundamentals driving credit ratings of the Philippines and, following the completion of the AC Energy International Transaction, other jurisdictions; and (v) perceptions in the capital markets regarding the Company and the industries and regions in which it operates and other factors, some of which may be outside of its control, including general conditions in the debt and equity capital markets, political instability, an economic downturn, social unrest, changes in the regulatory environments where any power projects are located or the bankruptcy of an unrelated company operating in one or more of the same industries as the Company, any of which could increase borrowing costs or restrict the Company's ability to obtain debt or equity financing. There is no assurance that the Company will be able to arrange financing on acceptable terms, if at all. Any inability of the Company to obtain financing from banks and other financial institutions or from capital markets would adversely affect the Company's ability to execute its expansion and growth strategies.

The Company nonetheless is on track on enhancing its balance sheet: (i) it has low debt and debt servicing levels built on assets with proven track record of generating reliable cash returns; (ii) it invests into projects that are economically viable; and (iii) it anticipates potential impacts to future performance of the projects caused by changes on the regulatory environment that can have impact on the future performance of the projects and strives to be a partner of choice for potential investors to secure financing for its projects. It is well-managed by reputable finance professionals overseen by the Board of Directors, which enhances the credit profile of the Company as a borrower. The Company also maintains regular communication with its relationship banks to ensure continued availability of credit facilities.

The Company's potential international businesses and results of operations are subject to the macroeconomic, social and political developments and conditions of the countries where the Company's portfolio of projects are located.

Following the completion of the AC Energy International Transaction, the Company's portfolio of power projects in operation and under construction will include those located in Australia, Indonesia, Vietnam, and India, with plans for further international expansion in other countries such as Korea, and Taiwan through its joint ventures. International operations and plans for further international expansion may be affected by the respective domestic economic and market conditions as well as social and political developments in these countries, government interference in the economy in certain countries, and changes in regulatory conditions. There is no guarantee that the Company's operations as well as expansion plans will be successful in those countries and the Company cannot provide assurance of effective mitigation to systemic risks in those countries. The Company's financial condition, prospects and results of operations could be adversely affected if it is not successful internationally or if these international markets are affected by changes in political, regulatory, economic and other factors, over which the Company has no control. Changes in tax policies, affecting tax exemptions and tax incentives could adversely affect the Company's results of operations.

Certain associates of the Company are registered with the BOI and the PEZA as new operators with pioneer status and non-pioneer status for greenfield projects and benefit from certain capital tax exemptions and tax incentives, deductions from taxable income subject to certain capital requirements and duty-free importation of capital equipment, spare parts and accessories.

If these tax exemptions or tax incentives expire, are revoked, or are repealed, the income from these sources will be subject to the corporate income tax rate, which is 30% of net taxable income. As a result, the Company's tax expense would increase, and its profitability would decrease. The expiration, non-renewal, revocation or repeal of these tax exemptions and tax incentives, and any associated impact on the Company, could have a material adverse effect on the Company's business, financial condition and results of operations.

Similar to continuously monitoring potential changes on the regulatory environment, the Company anticipates the impact of potential changes on its projects' tax incentives. Whenever possible, contracts are negotiated to include provisions protecting the Company for any potential increases in tax due owing to the revocation or repeal of the tax incentives currently available to its projects.

The Company's long-term success is dependent upon its ability to attract and retain key personnel and in sufficient numbers.

The Company depends on its senior executives and key management members to implement the Company's projects and business strategies. If any of these individuals resigns or discontinues his or her service, it is possible that a suitable replacement may not be found in a timely manner or at all. If this were to happen, there could be a material adverse effect on the Company's ability to successfully operate its power projects and implement its business strategies.

Power generation involves the use of highly complex machinery and processes and the Company's success depends on the effective operation and maintenance of equipment for its power generation assets. Technical partners and third-party operators are responsible for the operation and maintenance of certain power projects. Although the Company is circumspect in its selection of technical partners and third-party operators, any failure on the part of such technical partners and third-party operators to properly operate and/or adequately maintain these power projects could have a material adverse effect on the Company's business, financial condition and results of operations.

In addition, the Company's growth to date has placed, and the anticipated further expansion of the Company's operations will continue to place, a significant strain on the Company's management, systems and resources. In addition to training, managing and integrating the Company's workforce, the Company will need to continue to develop the Company's financial and management controls. The Company can provide no assurance that the Company will be able to efficiently or effectively manage the growth and integration of the Company's operations dispersed businesses and any failure to do so may materially and adversely affect the Company's business, financial condition, results of operations and prospects. In addition, if general economic and regulatory conditions or market and competitive conditions change, or if operations do not generate sufficient funds or other unexpected events occur, the Company may decide to delay, modify or forego some aspects of its growth strategies, and its future growth prospects could be adversely affected.

To mitigate such risks, the Company structures the organization in such a way that there is development and advancement opportunities for each individual within the organization, maintains competitive benefits and compensation structure and ensures provision of training to its employees.

The Company's business depends on commitments to the promotion of renewable energy.

The countries in which the Company will have potential investments following the completion of the AC Energy International Transaction have demonstrated a commitment to renewable energy. As a result, these countries have created favorable regulatory and tax regimes and financial incentives, as well as renewable portfolio standards that require distributors to source a certain percentage of their power requirements from renewable energy sources. For example, Vietnam's FIT programme provides for a FIT rate of U.S.$0.0935/kWh for 20 years for solar plants completed by June 2019 with the exception of solar power projects in located in Ninh Thuan province, which has extended this period to December 2019) and U.S.$0.0850/kWh for wind projects completed by November 2021. In April 2020, the Vietnam government unveiled a second round of FIT rates as follows for project commissioned within 2020: U.S.$0.0769/kWh for floating solar, U.S.$0.0709/kWh for ground mounted solar, and U.S.$0.0838/kWh for rooftop energy solar energy projects. These commitments are, however, generally matters of domestic public policy and are subject to the execution of the relevant power purchase agreement. Should these commitments to renewable energy be reduced for any reason, it could affect the project company's ability to operate or renew the project company's permits and licenses and reduce the financial incentives available to the project companies, which could, in turn, have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

Similar to continuously monitoring potential changes on the regulatory environment, the Company anticipates the impact of potential changes on its projects' financial incentives. Whenever possible, contracts are negotiated to include provisions protecting the project companies for any potential increases in tax due owing to the revocation or repeal of the tax incentives currently available to its projects.

The Company may not be able to adequately influence the operations of its associates and joint ventures and the failure of one or more of its strategic partnerships may negatively impacts its business, financial condition, results of operations and prospects.

The Company derives portion of its income from investments in associates and joint ventures, in which it does not have majority voting control. These relationships involve certain risks including the possibility that these partners:

may have economic interests or business goals that are not aligned with the Company's;

may be unable or unwilling to fulfill their obligations under relevant agreements, including shareholder agreements under which the Company has certain voting rights in respect of key strategic, operating and financial matters;

- may take actions or omit to take any actions contrary to, or inconsistent with, the Company's policies or objectives or prevailing laws;
- may have disputes with the Company as to the scope of their responsibilities and obligations; and/or
- may have difficulties in respect of seeking funds for the development or construction of projects.

The success of these partnerships depends significantly on the satisfactory performance by the partners and the fulfilment of their obligations. If the Company or a strategic partner fails to perform its obligations satisfactorily, or at all, the partnership may be unable to perform adequately. As a result, cooperation among its partners or consensus with other shareholders in these entities is crucial to these businesses' sound operation and financial success. The Company's business, financial condition, results of operations and prospects may be materially adversely affected if disagreements develop between the Company and its strategic partners, and such disagreements are not resolved in a timely manner.

In addition, if any of the Company's strategic partners discontinues its arrangement with the Company, is unable to provide the expected resources or assistance, or competes with the Company on business opportunities, the Company may not be able to find a substitute for such strategic partner. Failure of one or more of the Company's strategic partners to perform their obligations may have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

In entering into partnerships, the Company ensures that there are adequate protection clauses in the shareholder agreements to protect the interest of Company. The criteria for the selection of potential partners also ensures that the Company is only working with those that are aligned with its core values.

Risks and delays relating to the development of greenfield power projects could have a material adverse effect on the Company's operations and financial performance.

The development of greenfield power projects involves substantial risks that could give rise to delays, cost overruns, unsatisfactory construction or development in the projects. Such risks include the inability to secure adequate financing, inability to negotiate acceptable offtake agreements, and unforeseen engineering and environmental problems, among others. Any such delays, cost overruns, unsatisfactory construction or development could have a material adverse effect on the business, financial condition, results of operation and future growth prospects of the Company.

For the Company's projects under development, the estimated time frame and budget for the completion of critical tasks may be materially different from the actual completion date and costs, which may delay the date of commercial operations of the projects or result in cost overruns.

The Company is expanding its power generation operations and there are projects in its energy portfolio under construction. These projects involve environmental, engineering, construction and commission risks, which may result in cost overruns, delays or performance that is below expected levels of output or efficiency. In addition, projects under construction may be affected by the timing of the issuance of permits and licenses by government agencies, any litigation or disputes, inclement weather, natural disasters, accidents or unforeseen circumstances, manufacturing and delivery schedules for key equipment, defect in design or construction, and supply and cost of equipment and materials. Further, project delays or cancellations or adjustments to the scope of work may occur from time to time due to incidents of force majeure or legal impediments.

Depending on the severity and duration of the relevant events or circumstances, these risks may significantly delay the commencement of new projects, reduce the economic benefit from such projects, including higher capital expenditure requirements and loss of revenues, which in turn could have a material adverse effect on the Company's business, financial condition, results of operations and cash flows.

Given its growth target and considering the challenges on development, the Company ensures that it has adequate pipeline of projects to manage potential delays, and has a team specifically focused on development up to bringing a plant into construction and eventually commercial operations. In addition to green field developments, the Company keeps an open eye on potential mergers and acquisitions as well as partnership with other development companies to be on track with its growth targets.

Any restriction or prohibition on the Company's associates' or joint ventures' ability to distribute dividends would have a negative effect on its financial condition and results of operations.

The Company is a holding company that conducts its operations through its associates and joint ventures. As a holding company, the Company's income is derived primarily from dividends paid to the Company by its associates and joint ventures.

The Company is reliant on these sources of funds with respect to its obligations and in order to finance its associates. The ability of the Company's associates and joint ventures to pay dividends to the Company (and their shareholders in general) is subject to applicable law and may be subject to restrictions contained in loans and/or debt instruments of such associates and may also be subject to the deduction of taxes. Currently, the payment of dividends by a Philippine corporation to another Philippine corporation is not subject to tax. Under Philippine law, dividends may be declared by a corporation's board of directors, however, any stock dividend declaration requires the approval of shareholders holding at least two-thirds of such corporation's total outstanding capital stock. Additionally, SEC approval is required if the issuance of stock dividends requires an increase in such corporation's authorized capital stock.

In addition, certain associates are subject to debt covenants for their respective existing debt. Failure to comply with these covenants may result in a potential event of default, which if not cured or waived, could result in an actual event of default and the debt becoming immediately due and payable. This could affect the relevant company's liquidity and ability to generally fund its day-to-day operations. In the event this occurs, it may be difficult to repay or refinance such debt on acceptable terms or at all.

Any restriction or prohibition on the ability of some or all of the Company's associates and/or joint ventures to distribute dividends or make other distributions to the Company, either due to regulatory restrictions, debt covenants, operating or financial difficulties or other limitations, could have a negative effect on the Company's cash flow and therefore, its financial condition.

Overall, the Company monitors potential regulatory impacts on its projects and anticipates means to manage the impact of any regulatory changes. The Company also regularly tracks the performance of its projects to ensure delivery of budgeted results including distribution of the dividends to the Company.

The administration and operation of power generation projects by project companies involve significant risks.

The administration and/or operation of power generation projects by project companies involve significant risks, including:

- breakdown or failure of power generation equipment, transmission lines, pipelines or other equipment or processes, leading to unplanned outages and operational issues;
- flaws in the equipment design or in power plant construction;
- issues with the quality or interruptions in the supply of key inputs, including fuel or water;
- material changes in legal, regulatory or licensing requirements;
- operator error;
- performance below expected levels of output or efficiency;
- actions affecting power generation assets owned or managed by the Company, its associates, joint ventures or its contractual counterparties;
- pollution or environmental contamination affecting the operation of power generation assets;
- force majeure and catastrophic events including fires, explosions, earthquakes, volcanic eruptions, floods and terrorist acts that could cause forced outages, suspension of operations, loss of life, severe damage and plant destruction;
- planned and unplanned power outages due to maintenance, expansion and refurbishment;

- inability to obtain or the cancellation of required regulatory, permits and approvals; and
- opposition from local communities and special interest groups.

There is no assurance that any event similar or dissimilar to those listed above will not occur or will not significantly increase costs or decrease or eliminate revenues derived by the Company, its joint ventures and affiliates from their power projects.

As above risks are inherent in the industry where the Company's projects operate, the Company ensures that contracts with suppliers cover portion of the risks, there are proper insurance coverages in case of the occurrence of events hampering the projects' operations and develops an operations team that focuses on monitoring plants' performance and ensures proper repairs and maintenance procedures or capital expenditures are conducted at the right time.

Permits and approvals are regularly monitored by a team to ensure that all are properly renewed and maintained. Regular dialogues are conducted and Corporate Social Responsibility activities are implemented in the community where the projects are located.

Climate change may adversely affect the Company's business and prospects.

The Company is currently involved in the operation of a coal power plant in Batangas. Policy and regulatory changes, technological developments and market and economic responses relating to climate change may affect the Company's business and the markets in which it operates. The enactment of an international agreement on climate change or other comprehensive legislation focusing on greenhouse gas emissions could have the effect of restricting the use of coal. Other efforts to reduce greenhouse gas emissions and initiatives in various countries to use cleaner alternatives to coal such as natural gas may also affect the use of coal as an energy source. For example, in October 2020, the DOE declared a moratorium on endorsements for greenfield coal power plants as its most recent assessment revealed the need for the country to shift to a more flexible power supply mix.

In addition, technological developments may increase the competitiveness of alternative energy sources, such as renewable energy, which may decrease demand for coal generated power. Other efforts to reduce emissions of greenhouse gases and initiatives in various countries to encourage the use of natural gas or renewable energy may also discourage the use of coal as an energy source. The physical effects of climate change, such as changes in rainfall, water shortages, rising sea levels, increased storm intensities and higher temperatures, may also disrupt the Company's operations. As a result of the above, the Company's business, financial condition, results of operations and prospects may be materially and adversely affected.

The Company keeps track of potential changes in the climate and regulations that may affect its business and prospects. To prepare for such changes, the Company develops a diverse portfolio of assets that is aligned with the country's vision of an optimum mix of energy sources. The Company has been focusing on the development of renewables in its portfolio which is aligned with the country's vision on optimum mix of energy sources. The Company further looks into advancements in technology as it develops its projects to be able to create a stable supply of power due to intermittent availability of power generated from renewable sources.

Environmental regulations may cause the relevant project companies to incur significant costs and liabilities.

The operations of the project companies are subject to environmental laws and regulations by central and local authorities in which the projects operate. These include laws and regulations pertaining to pollution, the protection of human health and the environment, air emissions, wastewater discharges, occupational safety and health, and the generation, handling, treatment, remediation, use, storage, release and exposure to hazardous substances and wastes. These requirements are complex, subject to frequent change and have tended to become more stringent over time. The project companies have incurred, and will continue to incur, costs and capital expenditures in complying with these laws and regulations and in obtaining and maintaining all necessary permits. While the project companies have procedures in place to allow it to comply with environmental laws and regulations, there can be no assurance that these will at all times be in compliance with all of their respective obligations in the future or that they will be able to obtain or renew all licenses, consents or other permits necessary to continue operations. Any failure to comply with such laws and regulations could subject the relevant project company to significant fines, penalties and other liabilities, which could have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

In addition, environmental laws and regulations, and their interpretations, are constantly evolving and it is impossible to predict accurately the effect that changes in these laws and regulations, or their interpretation, may have upon the Company's business, financial condition, results of operations or prospects. If environmental laws and regulations, or their interpretation, become more stringent, the costs of compliance could increase. If the Company cannot pass along future costs to customers, any increases could have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

To this effect, the Company exerts best efforts to comply with regulations as it develops its projects.

The Company's power project development operations and the operations of the power projects are subject to inherent operational risks and occupational hazards, which could cause an unexpected suspension of operations and/or incur substantial costs.

Due to the nature of the business of power project development and operations, the Company and its project companies engage or may engage in certain inherently hazardous activities, including operations at height, use of heavy machinery and working with flammable and explosive materials. These operations involve many risks and hazards, including the breakdown, failure or substandard performance of equipment, the improper installation or operation of equipment, labour disturbances, natural disasters, environmental hazards and industrial accidents. These hazards can cause personal injury and loss of life, damage to or destruction of property and equipment, and environmental damage and pollution, any of which could result in suspension of the development or operations of any of the power projects or even imposition of civil or criminal penalties, which could in turn cause the Company or any of the project companies to incur substantial costs and damage its reputation and may have a material adverse effect on the Company's business, financial condition and results of operations.

Given above risks, the Company procures proper insurance coverages, complies with various health and security measures, implements a culture of safety in the working environment, conducts proper and timely repairs and maintenance of the plants, and regularly trains employees on safety and security.

Grid curtailments may limit the generation capacity of power projects.

From time-to-time, national grid operators curtail the energy generation for a number of reasons, including to match demand with supply and for technical maintenance reasons, including as a result of grid infrastructure that is not up to international standards. In such circumstances, a power project's access to the grid and thus its generation capacity can be reduced. Such reductions result in a corresponding decrease in revenue, which if prolonged or occur frequently could have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

To manage such risk, the Company ensures that there is adequate capacity on the grid covering for the sites and projects it undertakes. Grid capacity availability is a key criterion on assessing the viability of a project in addition to consideration of the transmission development plan of NGCP and other grid operators in international operations following the completion of the AC Energy International Transaction.

The Company enters into transactions with related parties.

In the ordinary course of business, the Company transacts with its related parties, such as its associates and certain of its Associates and joint ventures enter into transactions with each other. These transactions have principally consisted of advances, loans, bank deposits, reimbursement of expenses, purchase and sale of real estate and other properties and services, sale of electricity, construction contracts and development, management, marketing and administrative service agreements.

While the Company believes that all past related party transactions have been conducted at arm's length on commercially reasonable terms, these transactions may involve conflicts of interest, which, although not contrary to law, may be detrimental to the Company.

The Company has instituted internal policies with respect to related party transactions and the Company ensures that it is compliant with the policies instituted on transactions involving related parties. Relevant related party transactions are also discussed at the Related Party Committee or Audit and Risk Committees of the companies who oversee such matters. Further, the Company will be complying with BIR Revenue Regulation No. 19-2020 on the disclosure of related party transactions.

For further information on the Company's related party transactions, see "***Related Party Transactions***" (*Note 29 to the Company's audited consolidated financial statements as of and for the year ended 31 December 2020*).

The Company is exposed to credit and collection risks.

As in other businesses, the power business is exposed to credit and collection risks related to its customers. These include the TransCo, rated corporations as well as cooperatives that have varying credit ratings and private distribution utilities. There can, however, be no assurance that all customers will pay the Company in a timely manner or at all. In such circumstances, the Company's working capital needs would increase, which could, in turn, divert resources away from the Company's other projects. If a large amount of its customers were unable or unwilling to pay the Company, its financial condition could be negatively affected.

Given potential collection risk, the Company conducts review of the capability of its potential wholesale and retail clients as part of the accreditation process. Clients are also requested to put in security deposits equivalent to a certain period of their consumption.

Exchange rate and/or interest rate fluctuations may have a significant adverse impact on the Company's business, financial condition, results of operations and prospects.

Changes in foreign currency rates could have an adverse impact on the Company's business, financial condition, results of operations and prospects. Currency fluctuations affect the Company because of mismatches between the currencies in which operating costs are incurred and those in which revenues are received.

The Company's functional currency is the Philippine Peso, and the Company, following the completion of the AC Energy International Transaction, has and may have assets, income streams and liabilities denominated in a number of currencies, including U.S. Dollars, Indonesian Rupiah, Vietnamese Dong, Indian Rupee, and Australian Dollars. Currently, the power purchase agreements and FIT contracts of the existing offshore assets have foreign currency and inflation adjustments to mitigate the impact of market fluctuations.

The insurance coverage of the power projects may not be adequate.

The power projects maintain levels of insurance, which the Company believes are typical with the respective business structures and in amounts that it believes to be commercially appropriate. However, a power project may become subject to liabilities against which it has not insured adequately or at all, or are unable to insure. In addition, insurance policies contain certain exclusions and limitations on coverage, which may result in claims not being honoured to the extent of losses or damages suffered. Further, such insurance policies may not continue to be available at economically acceptable premiums, or at all. The occurrence of a significant adverse event, the risks of which are not fully covered or honored by such insurers, could have a material adverse effect on a power project's business, financial condition, results of operations and prospects. In addition, under some of the power project's debt agreements, the power project is required to name the lenders under such debt agreements as a beneficiary or a loss payee under some of its insurance policies, or assign the benefit of various insurance policies to the lenders. Therefore, even if insurance proceeds were to be payable under such policies, any such insurance proceeds will be paid directly to the relevant lenders instead of to the power project. If an insurable loss has a material effect on a power project's operations, the power project's lenders may not be required to pay any insurance proceeds or to compensate the power project for loss of profits or for liabilities resulting from business interruption, and this could have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

The Company regularly reviews its insurance coverages and benchmarks it with the industry trends and keeps track of the insurance claims conducted in the past. The Company also continues to explore further means to strengthen its insurance coverages including participating in the Ayala Group's insurance optimization initiative to augment its existing insurance policies, which include optimizing coverages within a bigger pool to achieve scale and generate diversification for new types and approaches to loss mitigation to address plant-specific risks.

The Company may be adversely affected by WESM price fluctuations.

Market prices for electric power fluctuate substantially. As electric power can only be stored on a very limited basis and generally must be produced concurrently with its use, frequent supply and demand imbalances result in power prices that are subject to significant volatility. Electricity prices may also fluctuate substantially due to other factors outside of the Company's control, including, but not limited to:

- changes in the generation capacity in the markets, including additional new supply of power from development or expansion of power plants, and decreased supply from closure of existing power plants;
- additional transmission capacity;
- electric supply disruptions, such as power plant outages and transmission disruptions;
- changes in power demand or in patterns of power usage, including the potential development of demand-side management tools and practices;
- the authority of the ERC to review and adjust the prices on the WESM;
- climate, weather conditions, natural disasters, wars, embargoes, terrorist attacks and other catastrophic events;
- availability of competitively priced alternative power sources; and
- changes in the power market and environmental regulations and legislation.

These factors may have a material adverse effect on the business, financial condition and operations of the Company.

As it has been trading in the spot market since 2006, the Company has gained valuable experience in trading at the WESM. This experience will allow the Company to continue to take advantage of further opportunities in the WESM that will allow it to supplement the power generation business.

The Company's ability to produce and source electricity from various sources allows it to exploit trading opportunities in the WESM by purchasing power for its customers and/or selling excess supply if costs are less than the prevailing prices in the WESM.

Upon completion of the AC Energy International Transaction, ACEN shall acquire a portfolio of operating projects and projects under construction in Indonesia, Vietnam, and India. For projects in Indonesia and India, all projects currently have long term off-take contracts with respective distribution utilities in their locations. For Vietnam, operating projects are currently under long-term contracts with FIT, while projects under construction are also intended to qualify for applicable FIT.

The Company is dependent on the support of AC Energy.

ACEN relies on AC Energy for certain shared services such as, but not limited to, human resources, corporate affairs, legal, finance, and treasury operations. There is no guarantee that AC Energy will continue to provide these services in the future. Should AC Energy cease to provide these services, the Company's business, financial condition, and results of operations could be adversely affected.

While the Company relies on AC Energy for certain shared services, these transactions are done on an arm's length basis. The Company likewise pursues strategic hiring for identified critical positions and strengthens the competencies of its employees to minimize its dependence from AC Energy for certain services.

Risks Relating to the Philippines

The operations of the Company are concentrated in the Philippines, and therefore any downturn in general economic conditions in the Philippines could have a material adverse impact on the Company.

Historically, the Company's results of operations have been influenced, and will continue to be influenced, to a significant degree by the general state of the Philippine economy and as a result, its income and results of operations depend, to a significant extent, on the performance of the Philippine economy. In the past, the Philippines has experienced periods of slow or negative growth, high inflation, significant devaluation of the peso and the imposition of exchange controls.

In addition, global financial, credit and currency markets have experienced, and may continue to experience, significant dislocations and liquidity disruptions. There is significant uncertainty as to the potential for a continued downturn in the U.S. and the global economy, which would be likely to cause a deterioration of the economic conditions in the Philippines. There can be no assurance that current or future governments will adopt economic policies conducive to sustaining economic growth, and the Company cannot provide assurance of effective mitigation to such systemic risk.

Any political instability in the Philippines may adversely affect the Company.

The Philippines has from time to time experienced political and military instability. The Philippine constitution provides that in times of national emergency, when the public interest so requires, the Government may take over and direct the operation of any privately-owned public utility or business. In the last few years, there has been political instability in the Philippines, including public and military protests. No assurance can be given that the political environment in the Philippines will stabilise and that the Company can provide effective mitigation to such political instability. Any political instability in the future may result in inconsistent or sudden changes in the economy, regulations and policies that affect the Company, which could have an adverse effect on its business, results of operations and financial condition.

Any decrease in the credit ratings of the Philippines may adversely affect the Company's business.

The Philippines is currently rated investment grade by major international credit rating agencies such as Moody's S&P and Fitch. While in recent months these rating agencies have assigned positive or stable outlooks to the Philippines' sovereign rating, no assurance can be given that these agencies will not in the future downgrade the credit ratings of the Government and, therefore, Philippine companies, including the Company. As a systemic risk, the Company cannot provide assurance of effective mitigation. Any such downgrade could have an adverse impact on the liquidity in the Philippine financial markets, the ability of the Government and Philippine companies, including the Company, to raise additional financing and the interest rates and other commercial terms at which such additional financing is available.

Territorial disputes among the Philippines and its neighboring nations may adversely affect the Philippine economy and the Company's business.

China and other Southeast Asian nations, such as Brunei, Malaysia, and Vietnam, have been engaged in competing and overlapping territorial disputes over islands in the West Philippine Sea (also known as the South China Sea). This has produced decades of tension and conflict among the neighboring nations. The West Philippine Sea is believed to house unexploited oil and natural gas deposits, as well as providing home to some of the biggest coral reefs in the world. China, in recent years, has been vocal in claiming its rights to nearly the whole of the West Philippine Sea – as evidenced by its increased military presence in the area. This has raised conflict in the region among the claimant countries.

In 2013, the Philippines filed a case to legally challenge China's claims in the West Philippine Sea and to resolve the dispute under the United Nations Convention on the Law of the Sea. The case was filed on the Permanent Court of Arbitration, the international arbitration tribunal at The Hague, Netherlands. In July 2016, the tribunal ruled in favour of the Philippines and stated that China's claim was invalid. China rejected the ruling, claiming that it did not participate in the proceedings as the tribunal had no jurisdiction over the case. News reports have reported increased Chinese activity in the area, including the installation of missile systems and the deployment of bomber planes. Other claimants have challenged China's actions in the West Philippine Sea.

There is no guarantee that tensions will not escalate further or that the territorial disputes among the Philippines and its neighboring countries, especially China, will cease. In an event of escalation, the Philippine economy may be disrupted and the Company's business and financial standing may be adversely affected. The Company cannot provide assurance of effective mitigation to such systemic risk.

COVID-19, future pandemics, epidemics or outbreaks of diseases could have an adverse effect on economic activity in the Philippines, and could materially and adversely affect ACEN's business, financial condition and results of operations.

In December 2019, an outbreak of the novel coronavirus ("COVID-19") occurred in China and spread to other countries, including the Philippines. On 10 March 2020, the World Health Organization characterized COVID-19 as a pandemic. As of 8 March 2021, the Philippine Department of Health reported 597,763 cases of COVID-19 nationwide with 12,521 deaths attributed to COVID-19.

The Philippines remains vulnerable to exposure and spread of the disease for the following reasons: (a) the considerable number of Overseas Filipino Workers ("OFWs") globally; (b) the impact of international travel which raises the probability of transmission; and (c) lack of the necessary infrastructure to contain the spread of the disease. In response to the recent outbreak of COVID-19, the Philippines has imposed travel bans on several affected countries, which may have an adverse impact its suppliers' ability to deliver, which could delay the construction of ACEN's projects.

In a move to contain the COVID-19 outbreak, on 13 March 2020, the Office of the President of the Philippines issued a Memorandum directive to impose stringent social distancing measures in the National Capital Region effective 15 March 2020. On 16 March 2020, Presidential Proclamation No. 929 was issued, declaring a State of Calamity throughout the Philippines for a period of six months and imposed an enhanced community quarantine throughout the island of Luzon until 12 April 2020, unless earlier lifted or extended. On 24 March 2020. Congress passed Republic Act No. 11469, the Bayanihan to Heal as One Act (the "Bayanihan Act") into law, which confers emergency powers on the President of the Philippines. On 25 June 2020, the Bayanihan Act measures implemented to address the pandemic in the Philippines expired without extension or replacement. On September 11, 2020, Republic Act No. 11494, the Bayanihan to Recover as One Act (the "Bayanihan 2 Act") was signed into law by President Duterte. The Bayanihan 2 Act seeks to provide a stimulus package to struggling sectors as part of the country's COVID-19 response and recovery plan, and to scrutinize the government's implementation of programs related to the pandemic. Similar to the Bayanihan Act, the Bayanihan 2 Act confers emergency powers to President Duterte was in effect until 19 December 2020. Such powers include the authority to adopt measures to "conserve and regulate the distribution and use of power, fuel, energy and water, and ensure adequate supply of the same." The Bayanihan 2 Act also imposes a minimum 30-day grace period for the payment of electricity and other utilities falling due within the period of community quarantine without penalty and further provides that such payments may be settled on a staggered basis in no fewer than three monthly installments. On 17 November 2020, House Bill No. 8031 or the Bayanihan to Arise as One Act, was filed which proposes to extend the effectivity of Bayanihan 2 Act until 4 June 2021 to ensure its full implementation. On 29 December 2020, the Congress passed Republic Act No. 11519, extending the availability of appropriations under Bayanihan 2 until 30 June 2021.

Due to numerous uncertainties and factors beyond its control, the Company is unable to predict the impact that COVID-19 will have going forward on its businesses, results of operations, cash flows, and financial condition. These factors and uncertainties include, but are not limited to:

- the severity and duration of the pandemic, including whether there is a "second wave" or "third wave" or other additional periods of increases or spikes in the number of COVID-19 cases in future periods in areas in which the Company operates;
- the duration and degree of governmental, business or other actions in response to the pandemic, including but not limited to quarantine, stay-at-home or other lockdown measures as well as measures taken by the Company's regulators;
- restrictions on operations up to and including complete or partial closure of offices, plants and other facilities;
- economic measures, fiscal policy changes, or additional measures that have not yet been effected;

- the health of, and effect of the pandemic on, the Company's personnel and the Company's ability to maintain staffing needs to effectively operate its power generation portfolio;
- evolving macroeconomic factors, including general economic uncertainty, unemployment rates, and recessionary pressures;
- impacts—financial, operational or otherwise—on the Company's supply chain, including manufacturers, suppliers and third party contractors, particularly for ongoing maintenance and construction of certain plants and facilities;
- volatility in the credit and financial markets during and after the pandemic;
- the impact of any litigation or claims from customers, suppliers, regulators or other third parties relating to COVID-19 or the Company's actions in response thereto;
- the pace of recovery when the pandemic subsides; and
- the long-term impact of the pandemic on the Company's businesses.

These measures have caused disruptions to businesses and economic activities, and its impact on businesses continue to evolve. In particular, the enhance community quarantine and various degrees of community quarantine imposed across the Philippines have affected and could adversely impact (a) the completion of ACEN's projects as construction is not an activity given priority under the government guidelines, (b) demand for ACEN's product, as industries, offices, and shopping malls account for bulk of energy consumption, (c) WESM prices as demand for electricity is lower, and (d) ability to collect from its customers, which could negatively impact its cash flows. The outbreak of COVID-19 and the measures to contain this increase in severity, have had an adverse effect on economic activity in the Philippines and could materially and adversely affect ACEN's business, financial condition and results of operations. To the extent the COVID-19 pandemic adversely affects the business and financial results of ACEN, it may also have the effect of heightening many of the other risks described in this Annex.

Even as quarantine measures continue at the current time, with various levels of restrictions applicable to certain areas, DOE recognized that energy utilization is a basic necessity and is vital to the society. To this end, DOE allows the movement of energy related goods and the movement of energy related personnel subject to adherence to necessary public health precautions prescribed by the DOH. As such, the Company's operating plants continues to produce power.

Item 2. Properties

ACEN and its subsidiaries own the following fixed assets as of 31 December 2020:

In thousands

Properties	Location	**Amount (in PhP)**
Land and land improvements	Bacnotan, La Union/ Norzagaray, Bulacan/ San Lorenzo, Guimaras/ Manapla/ Calaca, Batangas/ Bangui, Ilocos Norte/ Palauig, Zambales/ Negros Occidental	**1,263,540**
Buildings and improvements	Makati City/ Guimaras/ Norzagaray, Bulacan/ Subic/ Calaca, Batangas/ San Carlos, Negros Occidental	**8,349,093**
Machinery and equipment	Guimaras/ Norzagaray, Bulacan/ Bacnotan, La Union/ Calaca, Batangas/ San Carlos, Negros Occidental/ Ilocos Norte/ Lanao Del Norte/ Olongapo City/ Iloilo/ Bais City, Negros Oriental	**30,065,327**
Transportation equipment	Makati City/ Guimaras/ Norzagaray, Bulacan/ Subic/ Bacnotan, La Union/ Pililia, Rizal/ San Carlos, Negros Occidental	**94,048**
Tools and other miscellaneous assets	Makati City/ Guimaras/ Bacnotan, La Union/ Calaca, Batangas/ San Carlos, Negros Occidental	**377,086**
Office furniture, equipment and others	Makati City/ Guimaras/ Bacnotan, La Union/ Norzagaray, Bulacan/ Calaca, Batangas/ San Carlos, Negros Occidental	**201,612**
Construction in progress	Calaca, Batangas/ Alaminos, Laguna/ Pililia, Rizal/ Palauig, Zambales	**6,082,325**
Total		**46,433,031**
Less: Accumulated depreciation, amortization and impairment		**14,595,092**
Net		**31,837,939**

Source: Audited consolidated financial statements as of 31 December 2020

The land and land improvements of the Company is approximately 27,800 square meter (sqm). These include lots in Norzagaray, Bulacan, and Bacnotan, La Union where the power plants are located. In the Guimaras Wind Farm, most parcels of land acquired in 2019 approximate to 605,800 sqm. but some lots were entered as finance lease. Also included in land and land improvements are the 33.7 has land in Barangay Puting Bato and Sinisian, Calaca, Batangas owned by SLTEC, the 63.8 has. Land in Barangay Sta. Teresa, Municipality of Manapla, Negros Occidental owned by MSPDC, the 25.3 has. located in Barangay Baruyen, Bangui and Laoag City owned by NorthWind, and the 64.217 has of land in Barangay Salaza, Palauig, Zambales as part of the ACEIC Philippine Transaction.. In 2020, ACEN purchased 100% of PINAI fund's ownership interest through step acquisition in ISLASOL and SACASOL. SACASOL and ISLASOL own and operate the 45MW and 80MW solar farms in San Carlos, Negros Occidental, respectively. The Group acquired ownership to an approximate area of 673,422 sqm in San Carlos, Negros Occidental from the step acquisition but some of these lots are subject of lease agreements.

Buildings and improvements are located in the respective power plants and its offices.

The Company's subsidiary, One Subic, has a lease agreement with SBMA for a parcel of land and electric generating plant and facilities. One Subic has determined that the risks and rewards related to the foregoing properties are retained with the lessor (e.g., no bargain purchase option and transfer of ownership at the end of the lease term).

The Company has contractual commitments and obligations for the rehabilitation of One Subic amounting to P550.00 million as at 31 December 2019, which rehabilitation was subsequently completed in March 2020.

The Company's subsidiary, Guimaras Wind, has entered into various lease agreements with individual land owners where the present value of the minimum lease payments does not amount to at least substantially all of the fair value of the leased assets, which indicates that the risks and rewards relates to the asset are retained with the land owners. These leases are classified as operating leases and have terms of twenty (20) to twenty-five (25) years. Guimaras Wind has also entered into various easements and right of way agreements with various land owners to support the erection of transmission lines to be used to connect its 54 MW San Lorenzo Wind Farm Power Project in Guimaras. These agreements convey to Guimaras Wind the right to use the item control over the utility of the asset. Guimaras Wind's San Lorenzo Wind Power Project, with a carrying value of P3.91 billion and included under the "Machinery and equipment" account is mortgaged as security for its term loan as at 31 December 2020.

SACASOL has two lease agreements with SJRI for the lease of 67.42 hectares of land located in Barangay Punao, San Carlos City, Negros Occidental as site for the construction and operations of the Phases 1A, 1B, 1C, and 1D solar power plant projects. Upon execution of the agreement, SACASOL shall hold the land area delineated for Phases 1A, 1C, and 1D for a period of 25 years. The area delineated for Phase 1B shall be held for the remaining term of the agreement upon the receipt of notice by the company. SACASOL had both leases modified with SJRI. The modification amends the timing of payment and the basis of the annual escalation rate, which is now every 10th day of January, and is based on the average of the available and published inflation rates of the CPI for the immediately preceding twelve-month period, respectively. The lease modifications did not result in a separate lease.

Part of ISLASOL's acquisition of certain solar power plant projects from SACASOL is the lease agreement between SACASOL and Roberto J. Cuenca, Sr. (the Lessor) for the La Carlota A Project.

The lease of 24.4258 hectares of land located at La Carlota City, Negros Occidental was executed on 5 June 2014 as site for the construction and operations of Phases 2A and 2B solar power plant projects of ISLASOL. Upon issuance of the NTP to the contractor, ISLASOL shall hold the land area delineated for a period of 25 years.

ISLASOL has an existing lease agreement with MSPDC (as Lessor) for the lease of approximately 638,193 sqm. of land located in Barangay Sta. Teresa, Municipality of Manapla, Negros Occidental. The term of the lease shall be for a period of 25 years upon written notice served upon the Lessor by ISLASOL not earlier than one 1 year but not later than 3 months before the expiration of the original period of lease. Lease extension shall be in writing executed by both parties 3 months before the expiration of the original period of lease. ISLASOL has the sole option to extend the term of the lease.

Montesol has an existing lease agreement with Montenegro Brothers Agricultural Corporation for 21.45 hectares of land located in Barrio Alanginlanan, Bais, Negros Oriental as site for the construction and operation of its solar power facility. The term of the lease shall be for a period of 25 years, with a monthly rental payment of P7.00 per square meter, exclusive of VAT, and subject to annual adjustment based on actual inflation rate covering subject period as published/ pronounced by the National Economic Development Authority or an equivalent agency. The period of lease may be extended, under the same terms and conditions, at the sole discretion of Montesol for up to another 25 years.

SolarAce1 has an existing lease agreement with Ayala Land, Inc., Crimson Field Enterprises Inc., and Red Creek Properties Inc., for 106.59 hectares of land located in Barangay San Andres, Alaminos, Laguna as site for the construction and operation of its solar power facility. The term of the lease shall be for a period of 21 years, with a monthly rental payment of P15.45 per square meter, exclusive of VAT. The rental fee shall be subject to annual adjustment of whichever is higher between 3% per annum and the rate of increase of real property tax where the property is located. The period of lease may be extended, under the same terms and conditions, at the sole discretion of SolarAce1 for up to another 21 years.

The Group also entered into finance leases of land in Barangay Suclaran and Cabano in San Lorenzo, Guimaras and Barangay Zaldivar and Sawang in Buenavista, Guimaras to facilitate the construction of the San Lorenzo wind farm. The carrying amount of land held under finance leases, included under "Land and land improvements" amounting to ₱116.81 million were reclassified to right-of-use assets as at 1 January 2019 upon adoption of PFRS 16.

Entities	Lease End Date	Lease Payments
ACEN	31/05/2022	29,264,845
Guimaras Wind	01/07/2039	1,488,211
	01/07/2039	707,436
	01/07/2039	3,731,136
	30/04/2040	401,531,768
One Subic	19/07/2030	14,321,957
SACASOL	19/04/2038	607,176,961
	01/09/2038	456,297,082
	21/10/2039	970,464,310
	01/10/2040	23,535,650
ISLASOL	01/11/2039	496,594,916
	01/05/2040	347,969,312
Montesol	01/09/2040	463,824,196
SolarAce	30/09/2040	472,228,431

As a power generator and electricity supplier, ACEN's portfolio of renewable and conventional power generation projects includes the following, as at 31 December 2020 as part of its "Machinery and equipment":

• North Luzon Renewables' 81MW wind farm in Ilocos Norte;
• Guimaras Wind's 54MW wind farm in Guimaras;
• ISLASOL's 80MWdc solar power farm in San Carlos, Negros Occidental;
• SACASOL's 45MWdc solar power farm in San Carlos, Negros Occidental;
• NorthWind's 52MW wind farm in Ilocos Norte;
• Montesol's 18MWdc solar power farm in Negros Occidental;
• SLTEC's 244MW CFB thermal project located in Batangas;
• One Subic's 108MW diesel plant in Olongapo City, Pampanga;
• BPGC's 48MW diesel plant in Bulacan;
• Power Barges 1 and 2's 48MW aggregate net capacity for two diesel power barges located in Iloilo and in Cebu;
• CIPP's 21MW diesel bunker C-fired power plant in La Union; and
• MGI's 32MW geothermal plant in Maibarara, Santo Tomas, Batangas.

This also includes cost of construction, plant and equipment and other direct costs.

Transportation equipment, mining equipment, office furniture and equipment are used by officers and personnel based in Makati, Guimaras, Bacnotan, La Union, Norzagaray, Bulacan, Subic, Barrio Obrero, Iloilo, Lapu-Lapu City, Calaca, Batangas, Pililia, Rizal, Palauig, Zambales, and San Carlos, Negros Occidental.

For the next twelve (12) months, the Company will acquire machinery and equipment, furniture and fixtures, office equipment and transportation equipment which will utilize the Company's funds or bank loans. Total cost of the expenditures is not yet available.

"Building and improvements" primarily includes plant buildings and structures of SLTEC, NorthWind, ISLASOL, SACASOL, and Guimaras Wind.

"Construction in Progress" primarily includes the 120 MW solar farm project in Alaminos, Laguna owned by SolarAce1, 60 MW solar farm project in Palauig, Zambales owned by Gigasol3; and the 150 MW peaking plant in Pililia, Rizal owned by Ingrid Power.

Item 3. Legal Proceedings

As of 6 April 2021, ACEN has no knowledge and/or information of any material pending legal proceedings to which ACEN or any of its subsidiaries or affiliates is a party or of which any of their property is the subject.

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

Except for matters taken up during the annual meeting of stockholders, there was no other matter submitted to a vote of security holders during the period covered by this report.

PART II OPERATIONAL AND FINANCIAL INFORMATION

Item 5. Market for Registrant's Common Equity and Related Stockholders' Matters

Market Price

ACEN's common shares are listed with the Philippine Stock Exchange. Below are the high and low sales prices on 22 March 2021 and for the calendar years 2020, 2019, 2018, and 2017:

Period	High	Low
On 22 March 2021 (intra-day)	7.16	6.70
Calendar Year 2020		
First Quarter	8.06	2.713
Second Quarter	2.911	1.934
Third Quarter	2.158	1.764
Fourth Quarter	2.185	1.334
Calendar Year 2019		
Fourth quarter	2.89	2.05
Third quarter	3.06	2.20
Second quarter	3.00	2.20
First quarter	2.89	1.38
Calendar Year 2018		
Fourth quarter	1.23	0.85
Third quarter	1.33	0.94
Second quarter	1.86	1.21
First quarter	1.89	1.48
Calendar Year 2017		
Fourth quarter	1.80	1.52
Third quarter	2.08	1.7
Second quarter	2.22	1.91
First quarter	2.48	2.18

Stockholders

The Company had 3,184 registered shareholders as of 28 February 2021. The following table sets forth the top 20 shareholders of the Company, the number of shares held, and the percentage of ownership as of 18 March 2021.

No.	Name of Stockholders	No. of Shares Held	% of Ownership
1	Philippine Depository and Trust Corporation (PCD Nominee Corp.) – Filipino	15,293,093,056	76.62%
2	Arran Investment Pte Ltd	3,999,999,999	20.04%
3	Philippine Depository and Trust Corporation (PCD Nominee Corp.) – Non-Filipino	442,894,307	2.22%
4	EMAR Corporation	37,283,937	0.19%

5	John Eric Tecson Francia	32,654,147	0.16%
6	Patrice Rene Clausse	11,678,583	0.06%
7	Maria Corazon Gana Dizon	8,288,247	0.04%
8	Bulacan Power Generation Corporation	6,969,271	0.03%
9	Dodjie De Gracia Lagazo	6,526,166	0.03%
10	Roman Miguel Garfes De Jesus	4,129,895	0.02%
11	J. Edmond Cuison Garcia	3,749,079	0.02%
12	Gabino Ramon Gonzalez Mejia	3,480,949	0.02%
13	Louis Pintucan Baui	2,974,293	0.01%
14	Janel Mujar Bea	2,809,753	0.01%
15	Phil Remnants Co. Inc.	2,801,218	0.01%
16	Victor Juan del Rosario	2,625,639	0.01%
17	Ma. Chiara Lubich Hernandez Zotomayor	2,427,278	0.01%
18	Riolita Dela Cruz Inocencio	2,416,364	0.01%
19	Irene Soliman Maranan	2,391,810	0.01%
20	Jayme Grace Yu Chua	2,227,101	0.01%

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

The following discussion and analysis of financial position and results of operations of ACEN and its subsidiaries should be read in conjunction with the unaudited consolidated financial statements as at 31 December 2020, the audited consolidated financial statements as at 31 December 2019 (the “2019 Conso AFS”), and the restated 2019 Conso AFS. The audited consolidated financial statements have been prepared in compliance with the Philippine Financial Reporting Standards.

2020 compared with 2019

The Company posted consolidated net income attributable to parent amounting to **₱3,753.81 million** for the year ended 31 December 2020 compared to **₱57.65 million** restated net income attributable to the parent in the same period last year.

The tables below summarize the consolidated results of operations of ACEN’s revenues, costs and expenses for the year ended 31 December 2020 and 2019.

Revenues

In thousand Pesos	2020	2019 (As restated)	Increase (Decrease) Amount	%
Revenue from sale of electricity	20,283,303	16,096,549	4,186,754	26%
Rental income	86,623	3,115	83,508	2,681%
Other revenue	69,525	–	69,525	–
Dividend income	–	14,741	(14,741)	(100%)

- The increase in revenue from sale of electricity was primarily due to higher energy sales from the Company's power supply business as a result of the new contracts. The Group also recognized additional revenues from the consolidation of newly acquired entities and FIT adjustments.
- No dividend income was received for the year ended 31 December 2020.
- Rental income increased due to the contribution from entities acquired as a result of the asset swap with AC Energy.
- Other revenue consists of management fees earned by ACEN from its associate and bulk water sales.

Costs and Expenses

In thousand Pesos	2020	2019 (As restated)	Increase (Decrease) Amount	%
Cost of sale of electricity	13,420,539	15,302,530	(1,881,991)	(12%)
General and administrative	2,585,290	767,840	1,817,450	237%

- Despite increase in energy sales, cost of sale of electricity for the twelve-month period ending 31 December 2020 declined mainly due to lower WESM prices especially during the first half of the year compared to same period last year.
- General and administrative expenses increased due to personnel integration-related expenses, management fees paid to AC Energy, documentary stamp taxes on share issuances, advances and borrowings and provision for oil spill expenses before insurance recovery.

Other Income and Expenses

In thousand Pesos	2020	2019 (As restated)	Increase (Decrease) Amount	%
Interest and other finance charges	(1,879,868)	(976,029)	903,839	93%
Equity in net income (loss) of associates and joint ventures	898,513	206,985	691,528	334%
Other income – net	908,028	736,249	171,779	23%

- **Interest and other finance charges** is higher due to availment of new long-term and short-term loans from November 2019 to December 2020. This was also driven by higher interest accretion on lease liabilities with additional lease contracts consolidated in the group following the asset swap with AC Energy, as well as new contracts in 2019.
- Higher **equity in net income of associates and JV** was posted in 2020 compared to same period last year mainly attributed to income contribution from Philippine Wind Holdings Corporation ("PhilWind") with the transfer of indirect interest from AC Energy through asset swap together with acquisition of PINAI's interest in February 2020.
- **Other income** in 2020 is higher than 2019 attributed to foreign exchange gain and advisory service fee pursuant to ACEN's Service Agreement with a third party rendered during first quarter of 2020.

Provision for income tax

In thousand Pesos	2020	2019 (As restated)	Increase (Decrease) Amount	%
Current	197,666	99,250	98,416	99%
Deferred income tax	293,116	(220,883)	513,999	233%

- The increase in **provision for income tax - current** was due to higher consolidated taxable income for the period ended 31 December 2020 mainly driven by revenue growth coupled with drop in cost of sales.

- **Provision for deferred income tax** in 2020 was higher due to the reversal of deferred tax assets on NOLCO.

Material changes in Consolidated Statements of Financial Position accounts

In thousand pesos	2020	2019 (As restated)	Increase (Decrease) Amount	%
Current Assets				
Cash and cash equivalents	**5,135,474**	9,593,248	(4,457,774)	(46%)
Short-term deposits	–	100,000	(100,000)	(100%)
Receivables	**6,095,019**	3,122,386	2,972,633	95%
Fuel and spare parts	**1,391,340**	938,459	452,881	48%
Current portion of:				
Input value added tax (VAT)	**430,139**	186,337	243,802	131%
Creditable withholding taxes	**649,271**	179,007	470,264	263%
Other current assets	**453,233**	212,819	240,414	113%
Assets held for sale	–	3,546	(3,546)	(100%)
Noncurrent Assets				
Plant, property and equipment	**31,837,939**	25,438,929	6,399,010	25%
Investments in associates and joint venture	**6,593,492**	2,534,102	4,059,390	160%
Financial assets at FVOCI	**1,211**	533,137	(531,926)	(99%)
Investment properties	**341,549**	13,085	328,464	2,510%
Goodwill and other intangible assets	**2,537,094**	441,077	2,096,017	475%
Right-of-use asset	**2,343,404**	951,750	1,391,654	146%
Deferred income tax assets – net	**416,353**	653,923	(237,570)	(36%)
Net of current portion:				
Input VAT	**1,177,802**	372,917	804,885	216%
Creditable withholding taxes	**601,840**	861,208	(259,368)	(30%)
Other noncurrent assets	**3,570,160**	2,401,613	1,168,547	49%

- Decrease in **cash and cash equivalents** was due to various expenditures for development projects and new investments including strategic acquisitions. Refer to the Consolidated Statements of Cash Flows for the detailed movement.
- Decrease in **short term investments** was due to redemption of time deposit of ACEN.
- Increase in **receivables** mainly attributed to the approval of price adjustment for power supply agreements and accrual of additional revenues from FIT system adjustments.
- **Fuel & spare parts** went up as a result of SLTEC's purchases of spare parts and other direct materials for maintenance works, coupled with ACEN's purchases of bunker fuel, together with settlement of fuel commodity swaps which are unconsumed as of year-end.
- Increase in **current portion of input VAT** is mainly driven by input tax from purchases of various materials needed for construction and maintenance of various plants and services procured by the Group.
- **Creditable withholding tax** ("CWT") went up due to improvements in collection of ACEN's receivable from retail customers and unutilized CWT.
- **Other current assets** increased primarily due to SLTEC's prepayments of taxes and insurance as well as advances to contractors. Acquisition of ISLASOL and SACASOL also contributed to the increase of the group's other current assets.
- **Assets held for sale** was reclassified back to plant, property and equipment as the Group changed its intention of selling to using the assets of One Subic Oil Distribution Corp. for future projects.
- **Plant, property and equipment** increased due to significant capital expenditures of the Group for its line-up of projects: ₱2.90 billion for the solar farm project in Alaminos, Laguna, ₱897.22 million for the solar farm project in Palauig, Zambales and ₱232.63 million for the 150MW diesel-fired power facility in Pililia, Rizal were some of the major contributors. The account also increased with the consolidation of ISLASOL's and SACASOL's fixed assets.
- **Investments in associates and joint venture** increased mainly due to additional ₱2.57 billion investments in PhilWind and share in equity earnings for the year, partially offset by ₱186.51 million impairment

of investments in Isla Bio.

● Financial assets at FVOCI decreased upon obtaining control of ISLASOL and SACASOL with the Group's step acquisition in March 2020.

● **Goodwill & other intangible assets** increased mainly as a result of recognition of SACASOL's identifiable FIT contract as intangible asset amounting to ₱2.19 billion, as well as goodwill on acquisition of ISLASOL amounting to ₱12.45 million.

● Majority of the balance of **deferred tax asset** came from recognition on NOLCO and lease liabilities. Despite the increase from acquisition of ISLASOL and SACASOL, deferred tax asset of the Group went down mainly due to the application of the Group's NOLCO in current year taxable income.

● **Input VAT non-current** increased due to reclassification of input vat in non-operating subsidiaries to non-current.

● **Right-of-use asset's** significant increase came from consolidation of ISLASOL's and SACASOL's leased properties. Increase was also attributable to new lease agreements from Ingrid Power and BCHC amounting to ₱261.73 million and ₱50.32 million, respectively.

● **Other non-current assets** increased primarily due to non-current portion of receivable from FIT system adjustments as well as various advances to contractors for the ongoing project developments.

In thousand pesos	2020	2019 (As restated)	Increase (Decrease) Amount	%
Current Liabilities				
Accounts payable and other current liabilities	**6,539,227**	4,199,576	2,339,651	56%
Short-term loans	**9,438,600**	3,556	9,435,044	265,327%
Current portion of long-term loans	**707,782**	905,931	(198,149)	(22%)
Current portion of lease liability	**285,001**	128,796	156,205	121%
Income and withholding taxes payable	**129,072**	41,208	87,864	213%
Due to stockholders	**18,272**	16,594	1,678	10%
Noncurrent Liabilities				
Pension and other employment benefits	**50,929**	71,034	(20,105)	(28%)
Long-term loans - net of current portion	**21,682,924**	22,292,698	(609,774)	(3%)
Lease liabilities - net of current portion	**1,631,628**	852,742	778,886	91%
Deferred tax income liabilities - net	**127,693**	350,487	(222,794)	(64%)
Other noncurrent liabilities	**1,609,123**	3,289,902	(1,680,779)	(51%)
Equity				
Capital Stock	**13,706,957**	7,521,775	6,185,182	82%
Additional paid-in capital	**8,692,555**	83,768	8,608,787	10,277%
Other equity reserves	**(7,541,223)**	5,366,480	(12,907,703)	(241%)
Unrealized fair value loss on equity instruments at FVOCI	**(8,169)**	(96,584)	(88,415)	(92%)
Remeasurement gain (loss) on defined benefit plan	**(6,999)**	9,254	(16,253)	(176%)
Unrealized fair value gains (losses) on derivative instruments designated under hedge accounting	**57,409**	(14,742)	72,151	489%
Accumulated share in other comprehensive loss of associates and a joint venture	**(2,723)**	(2,107)	616	29%
Retained earnings	**5,167,685**	3,296,295	1,871,390	57%
Treasury shares	**(40,930)**	(27,704)	13,226	48%
Non-controlling interests	**1,330,507**	248,584	1,081,923	435%

- **Accounts payable and other current liabilities** went up mainly driven by the increase in payable to contractors, which include both manpower cost related to plant preventive maintenance and purchases of property, plant and equipment and spare parts, utilities and insurance payables. Output VAT also significantly increased with higher sales volume. Consolidation of ISLASOL and SACASOL also contributed to the increase in the account.
- **Short term loans** went up mainly from outstanding short-term loans from affiliate AC Renewables International Pte. Ltd. amounting to ₱4.80 billion ($100 million) and outstanding balance of ₱5.14 billion from various banks such as BDO, SBC, RCBC and CBC as at year-end. Short-term loan from ThomasLloyd CTI Asia Holdings Pte Ltd. ("TLCTI Asia") assumed from acquisition of ISLASOL was paid in full during the year.
- **Current portion of long-term loans** decreased due to the principal payments and pretermination of loans made during the year, mainly by ACEN.**Current portion of lease liability** increased due to acquisition of ISLASOL and SACASOL.
- Increase in **income and withholding taxes payable** was mainly due to accrual of income tax expense of several subsidiaries and higher tax withheld from purchases.
- **Due to stockholders** increased from the declaration of dividend from MSPDC.
- **Pension & other employment benefits** decreased due to benefits paid amounting to ₱7.42 million paid from ACEN retirement fund and ₱11.96 million paid from NorthWind's operating funds, partially offset by ₱12.3M ACEN actuarial loss from change in financial assumptions.
- **Long-term loans - net of current portion** decreased due to the new loans availed by NorthWind and ACEN amounting to ₱2.30 billion and ₱1.50 billion, respectively, to fund new investments.
- **Lease Liability-net of current portion** increased as a result of acquisition of ISLASOL and SACASOL, as well as new lease agreements.
- Majority of the balance of **deferred income tax liabilities** came from recognition on unrealized foreign exchange gains and right-of-use assets of the Group as at year end.
- **Other non-current liabilities**' significant decrease came from the reclassification of the currently maturing non-trade payable for the purchase of additional 20% interest in SLTEC through the assignment of AC Energy to ACEN of the share purchase agreement executed by AC Energy and Axia Power amounting to ₱1.89 billion. The amount is payable in September 2021.
- **Capital stock and additional paid in capital** increased from the issuance of common stock for the share swap agreement with AC Energy. Common shares equivalent to 6,185,182,288 at ₱2.37 per share were issued in exchange for AC Energy's interest in various domestic entities.
- The decrease in **other equity reserve** also resulted from the share swap transaction with AC Energy.
- The decrease in **unrealized FV loss on equity instruments at FVOCI** was due to adjustments upon completion of the step acquisition of ISLASOL and SACASOL in March 2020.
- **Unrealized fair value loss on derivative instruments designated under hedge accounting** decreased in proportion to hypothetical value of the coal swap prices of the derivative contracts as at year end.
- The increase in **accumulated comprehensive loss of JV and associates** was a result of the adjustment made in MGI comprehensive income.
- **Remeasurement gain on defined benefit plan** decreased as a result of various actuarial losses including a ₱ 12.3M ACEN actuarial loss from change in financial assumptions.
- **Retained earnings** increased as a result of the net income earned for the year.
- **Treasury shares** increased due to 14.50 million shares repurchased amounting to ₱28.66 million during the year partially offset by the reissuance of 16.70 million ACEN shares held by BPGC amounting to ₱15.43 million.
- **Non-controlling interests** increased due to the 40% investment of TLCTI Asia in ISLASOL.

Key Performance Indicators

The key performance indicators of ACEN and its majority owned subsidiaries, as consolidated, are the following:

Key Performance Indicator	Formula	31-Dec-20 Audited	31-Dec-19 As restated	Increase (Decrease)	
				Amount	%
Liquidity Ratios					
Current Ratio	Current assets / Current liabilities	**0.83**	**2.71**	(1.88)	(69%)

Key Performance Indicator	Formula	31-Dec-20 Audited	31-Dec-19 As restated	Increase (Decrease) Amount	%
Acid test ratio	Cash + Short-term investments + Accounts receivables + Other liquid assets / Current liabilities	**0.66**	**2.42**	(1.76)	(73%)
Solvency Ratios					
Debt/Equity ratio	Total liabilities / Total equity	**1.98**	**1.96**	0.02	1%
Asset-to-equity ratio	Total assets / Total equity	**2.98**	**2.96**	0.02	1%
Interest Coverage Ratio	Earnings before interest & tax (EBIT) / Interest expense	**3.32**	**1.01**	2.31	228%
Net bank Debt to Equity ratio	Short & long-term loans - Cash & Cash Equivalents / Total Equity	**1.25**	**0.83**	0.42	50%
Profitability Ratios					
Return on equity	Net income after tax attributable to equity holders of the Company / Average stockholders' equity	**20.76%**	**0.46%**	19.43%	4,224%
Return on assets	Net income after taxes / Average total assets	**6.90%**	**0.39%**	6.51%	1,669%
Asset Turnover	Revenues / Average total assets	**36.46%**	**47.77%**	(11.31%)	(24%)

Current ratio & Acid test ratio

Current ratio & acid test ratio dropped due to the increase in current liabilities primarily from short-term loans and accounts payable and other current liabilities.

Interest coverage ratio

The increase in interest coverage ratio was brought about by higher net income before interest and tax for the year ending 31 December 2020 compared to net loss reported in the same period last year.

Net bank debt to equity ratio

Net debt equity ratio increased due to additional loans in 2020.

Return on equity and assets

Return on equity and assets went up this year as the Group registered a significantly higher net income of ₱3.75 billion for the year ending 31 December 2020 due to increase in energy sales and lower WESM prices, compared to ₱57.65 million restated net income reported in the same period last year.

Asset turnover

Asset turnover decreased primarily due to significant capital expenditures of the Group during the year.

Material events and uncertainties

- There were no events that triggered direct or contingent financial obligation that was material to the Group. There were no contingent assets or contingent liabilities since the last annual balance sheet date.

- There were no material off-balance sheet transactions, arrangements, obligations and other relationships of the Parent Company with unconsolidated entities or other persons created during the reporting period.

- There were no material events that had occurred subsequent to the balance sheet date except for the events after the reporting period disclosed in Note 40 of the Audited Consolidated Financial Statements.

- ACEN has material commitments to invest in capital expenditure projects mainly in the following:

  120MWdc solar power project in Alaminos, Laguna through SolarAce1;
  63MWdc solar power project in Palauig, Zambales through Gigasol3;
  75MWdc solar power project in Mexico, Pampanga through Greencore 3;
  75MWdc solar power project in Palauig, Zambales through Giga Ace 8, Inc.;
  Investment in 150MW Balaoi wind project;
  Investment into a renewable energy laboratory; and
  Funding of up to U.S.$100 million for new technology investments in the Philippines.

  Refer to Notes to Consolidated Financial Statements for the details.
- Any known trends, events or uncertainties that have had or that were reasonably expected to have material favorable or unfavorable impact on net revenues/income from continuing operations
  - The results of operations of the Company and its subsidiaries depend, to a significant extent, on the performance of the Philippine economy.
  - The current highly competitive environment, operation of priority-dispatch variable renewable energy, and community quarantines resulted in lower demand for electricity and have driven market prices of electricity downward.
  - Movements in the WESM prices could have a significant favorable or unfavorable impact on the Company's financial results.

  - Any known trends or any known demands, commitments, events or uncertainties that will result in or that are reasonably likely to result in the registrant's liquidity increasing or decreasing in any material way - The Group is developing a line-up of renewable energy projects as part of its growth aspiration. The capital expenditures shall be funded by a combination of equity and debt. Several capital raising activities are also set for 2021, including the recently concluded SRO which raised ₱5.37 billion, the previously announced subscription by Arran to ₱4 billion primary shares (subject to certain conditions precedent), and the planned FOO (subject to regulatory approvals).

- There were no significant elements of income or loss that did not arise from continuing operations that had material effect on the financial condition or results of operations.

- There were no operations subject to seasonality and cyclicality except for the operation of wind farms. The wind regime is high during the northeast monsoon ("amihan") season in the first and fourth quarter when wind turbines generate more power to be supplied to the grid. The generation drops in the second and third quarter due to low wind regime brought about by the southwest monsoon ("habagat").

<u>2019</u>

The Company posted consolidated net income attributable to parent amounting to **₱57.65 million** restated net income for the year ended December 31, 2019 compared to **₱560.50 million** net loss attributable to parent in the same period last year.

The tables below summarize the consolidated results of operations of ACEN's revenues, costs and expenses for the calendar years ended 31 December 2019 and 2018, respectively.

In July 2019, AC Energy and Axia Power signed a share purchase agreement whereby AC Energy acquired the right to purchase Axia Power's 20% interest in SLTEC. AC Energy assigned its right to purchase Axia Power's 20% interest in SLTEC to ACEN, who accounted for the business combination using the pooling of interests method which resulted in the consolidation of SLTEC into the Group effective 1 July 2019.

Revenues

In thousand Pesos	2019 (As restated)	2018	Increase (Decrease) Amount	%
Revenue from sale of electricity	16,096,549	15,113,601	982,948	7%
Rental income	3,115	674	2,441	362%
Dividend income	14,741	9,117	5,624	62%

Dividend income
Higher dividend income was recognized from the Company's various investments and newly acquired entities in 2019 as compared to the same period last year.

Rental income
Increased as a result of new rental contracts entered into by the Company in the first half of the year and from the rental income of the newly acquired entities.

Other Income and Expenses

In thousand Pesos	2019 (As restated)	2018	Increase (Decrease) Amount	%
Interest and other finance charges	(976,029)	(433,649)	542,380	125%
Equity in net income (loss) of associates and joint ventures	206,985	532,460	(325,475)	(61%)
Other income - net	736,249	120,252	615,997	512%

Other Income - net

In thousand Pesos	2019 (As restated)	2018	Increase (Decrease) Amount	%
Claims for business interruption	236,306	10,167	226,139	2,224%
Interest & other financial income	116,569	96,851	19,718	20%
Gain (loss) on sale of:				
Property and equipment	294,725	254	294,471	115,933%
Asset held for sale	14,289	–	14,289	–
By-product	13,226	–	13,226	–
Investment	1,375	5,834	(4,459)	(76%)
Inventory	(461)	–	(461)	–
Recovery of costs from third party	–	28,626	(28,626)	(100%)
Foreign exchange gain	13,793	29,329	(15,536)	(53%)
Loss on derivatives – net	(6,851)	(15,056)	(8,205)	(54%)
Provision for unrecoverable input tax	–	(43,712)	(43,712)	(100%)
Others	53,278	7,959	45,319	569%

Interest and other finance charges
2019 includes non-cash PFRS 16 lease adjustments and interest on ₱5 billion loan.

Equity in net earnings of associates and JV
The Company picked up its 45% share in the net loss of SLTEC from January to June 2019 compared to a full year equity method of accounting for SLTEC which earned income in 2018.

Other income – net
Went up due to the combined effects of the following:

- Claims for business interruption from SLTEC

- Increase in interest and other financial income due to higher level of investments
- Gain realized from the sale of property and equipment, asset held for sale, fly ash, scrap and investment, offset by loss on disposal of inventory
- Lower YTD foreign exchange gain on foreign-currency denominated deposits due to depreciation of peso in 2019.
- Lower loss on derivatives was posted in 2019 as compared to 2018.
- No provision for unrecoverable input tax was recorded in 2019 as compared in 2018.
- Others pertains to reimbursement of feasibility cost, reversal of outstanding payables, refund of excess business taxes paid, and oil hauling and disposal.

Provision for (benefit from) income tax

In thousand Pesos	2019 (As restated)	2018	Increase (Decrease) Amount	%
Current	99,250	20,699	78,551	379%
Deferred income tax	(220,883)	150,904	(371,787)	(246%)

<u>Provision for income tax - current</u>
Increase due to higher consolidated taxable income for the calendar year ended 31 December 2019.

<u>Provision for deferred income tax</u>
Recognition of deferred tax asset on NOLCO with expected taxable income benefit in future years, offset by the tax effect of deferred revenue.

Material changes in Consolidated Statements of Financial Position accounts

The material changes in the consolidated statement of financial position accounts were mainly due to the consolidation of onshore companies from the share swap agreement with AC Energy in exchange for ACEN's issuance of additional primary shares via a tax-free exchange, which rendered prior period restatement to account for the retroactive impact of the share swap transaction effective 1 July 2019, the date when ACEN and the onshore companies became under the common control of AC Energy.

In December 2019, the Company entered into a subscription agreement with BCHC to subscribe to the increase in authorized capital stock of BCHC.

In thousand pesos	2019 (As restated)	2018	Increase (Decrease) Amount	%
Current Assets				
Cash and cash equivalents	9,593,248	1,022,366	8,570,882	838%
Short term deposits	100,000	35,326	64,674	183%
Financial assets at fair value through profit and loss	–	743,739	(743,739)	(100%)
Receivables	3,122,386	2,627,291	495,095	19%
Fuel and spare parts	938,459	413,673	524,786	127%
Current portion of:				
Input value added tax (VAT)	186,337	26,332	160,005	608%
Creditable withholding taxes	179,007	79,443	99,564	125%
Other current assets	212,819	182,766	30,053	16%
Assets held for sale	3,546	34,328	(30,782)	(90%)
Noncurrent Assets				
Plant, property and equipment	25,438,929	5,760,963	19,677,966	342%
Investments in associates and joint venture	2,534,102	4,322,684	(1,788,582)	(41%)
Financial assets at FVOCI	533,137	257,995	275,142	107%
Financial assets at FVTPL	–	5,452	(5,452)	(100%)

In thousand pesos	2019 (As restated)	2018	Increase (Decrease) Amount	%
Investment properties	13,085	13,085	–	–
Goodwill and other intangible assets	441,077	320,219	120,858	38%
Right of use asset	951,750	–	951,750	–
Deferred income tax assets – net	653,923	261,346	392,577	150%
Net of current portion:				
Input VAT	372,917	335,759	37,158	11%
Creditable withholding taxes	861,208	704,726	156,482	22%
Other noncurrent assets	2,401,613	1,777,202	624,411	35%

Cash and cash equivalents, short-term investments and financial assets at fair value through profit and loss
The Consolidated Statements of Cash Flows detail the material changes of these accounts.

Receivables
Increase in receivables was due to combination of onshore companies from share swap agreement with AC Energy.

Fuel and spare parts
Aside from the effect of SLTEC consolidation, fuel and spare parts inventory went up due to increase in fuel purchases, as well as the acquired inventoriable items from common control business combination.

Input VAT
Higher due to increase in purchases subject to VAT.

Creditable withholding taxes – current portion
Higher balance brought about by balances from onshore companies.

Other current assets
Increased due to onshore companies' advances to contractors, partially offset by collection of deposits as a result of the expiration of certain contracts.

Asset held for sale
Lower due to the sale of the Guimaras Power Plant.

Investments in associates and joint venture and financial assets at fair value through other comprehensive income
Decrease due to the sale of shares of stock held by the Company and as a result of SLTEC consolidation.

Property, plant and equipment
Significant increase due to consolidation of SLTEC with ₱15.6 billion Plant assets and BCHC with land holdings.

Goodwill and intangible assets
Increase from acquired Solienda's and SCC Bulk Water's leasehold rights amounting to ₱152.34 million and ₱0.24 million, partially offset by the provision for probable loss in a geothermal service contract.

Deferred income tax assets
Increase mainly due to the recognition of deferred tax asset ("DTA") on NOLCO, net of reversal of DTA on deferred income.

Right of use asset
Reported as a result of the application of PFRS 16.

Creditable withholding taxes - noncurrent
Increase due to withholding from customers. Also, the Company has no income tax payments for the calendar year ended 31 December 2019.

In thousand pesos	2019 (As restated)	2018	Increase (Decrease) Amount	%
Current Liabilities				
Accounts payable and other current liabilities	4,199,576	2,269,398	1,930,178	85%
Short-term loans	3,556	400,000	(396,444)	(99%)
Due to stockholders	16,594	16,651	(57)	(1%)
Income and withholding taxes payable	41,208	11,762	29,446	250%
Current portion of lease liability	128,796	–	128,796	–
Current portion of long-term loans	905,931	265,460	640,471	241%
Noncurrent Liabilities				
Pension and other employment benefits	71,034	40,246	30,788	76%
Long-term loans - net of current portion	22,292,698	6,071,473	16,221,225	267%
Lease liabilities - net of current portion	852,742	–	852,742	–
Deferred tax income liabilities - net	350,487	95,180	255,307	268%
Other noncurrent liabilities	3,289,902	1,383,077	1,906,825	138%
Equity				
Capital Stock	7,521,775	4,889,775	2,632,000	54%
Additional paid-in capital	83,768	83,768	–	–
Other equity reserves	5,366,480	18,338	5,348,142	29,164%
Unrealized fair value (loss) gain on equity instruments at FVOCI	(96,584)	59,772	(156,356)	(262%)
Remeasurement gain on defined benefit plan	9,254	536	8,718	1,626%
Unrealized fair value losses on derivative instruments designated under hedge accounting	(14,742)	–	(14,742)	–
Accumulated share in other comprehensive loss of associates and a joint venture	(2,107)	(2,193)	(86)	(4%)
Retained earnings	3,296,295	3,303,708	(7,413)	(1%)
Non-controlling interests	248,584	45,450	203,134	447%

Accounts payable and other current liabilities
Higher due to increase in purchases on account and includes the current portion of payable to Axia Power, as well as significant assumed liabilities from onshore companies from the share swap.

Income and withholding taxes payable
Increase mainly due to higher tax withheld from purchases.

Current and noncurrent lease liability
Recognized due to the application of PFRS 16.

Short-term loan
Decrease due to the prepayment and amortization of loans.

Long-term loans – current and noncurrent
Increase due to ₱10.7 billion balance of SLTEC loan and the ₱5 billion loan availed by the Company in November 2019, as well as assumed ₱2.13 billion loans from NorthWind arising from common control business combination.

Pension and other employee benefits
Increase due to the accrual of retirement expense for the period.

Deferred tax liabilities - net
Higher due to the tax effect of the recognition of right of use asset as a result of the application of PFRS 16.

Other noncurrent liabilities
Increase brought about by the purchase of 20% interest of Axia Power in SLTEC on account.

Capital stock
Increase due to the capital infusion of the majority stockholder.

Other equity reserve and non-controlling interests
Due to the effect of the consolidation of SLTEC and the share swap agreement with AC Energy.

Unrealized fair value gains on equity instruments at FVOCI
Decrease due to the disposal of the shares of stocks held by the Group.

Unrealized fair value losses on derivative instrument designated under hedge accounting
Effective portion of the coal hedge entered into by the Company.

Remeasurement gain on defined benefit plan
Higher net actuarial gains recorded in 2019 as compared to 2018.

Retained earnings
Went down due to net loss incurred during the period and the impact of the initial application of PFRS 16.

2018

The Company posted consolidated net loss amounting to **₱593.16 million** for the calendar year of 2018 compared to ₱ **347.17 million** net income in the same period last year.

The losses experienced by the Company in 2018 were due to the intense industry competition and operation of priority-dispatch variable renewable energy which drove market prices of electricity downward, resulting in lower margins for the Company due to lower selling prices to customers and the spot market compared to higher contracted prices. After 2018, the Company was able to renegotiate the prices of its power supply contracts, resulting in lower prices of purchased electricity, and sign new offtake agreements with new customers at higher guaranteed prices. Furthermore, through the property-for-shares transaction with ACEIC, the Company was able to acquire more operating power plants, with guaranteed Feed-in-Tariff rates, further increasing its revenues and income.

The tables below summarize the consolidated results of operations of the Company's revenues, costs and expenses for the calendar year ended 31 December 2018 and 2017.

Revenues

In thousands	2018	2017	Inc (Dec)	%
Revenue from sale of electricity	15,113,601	17,011,044	(1,897,443)	-11%
Dividend income	9,117	8,483	634	7%
Rental income	674	706	(32)	-5%

- The decrease in **revenue from sale of electricity** was attributable to the lower energy sales from the Company's power supply business as a result of the expiration of certain customers' contracts.
- The **dividend income** received from the Company's various investments were higher in the calendar year 2018.
- **Rental income** decreased as the Company used the previously leased space for its own operations

Costs and Expenses

In thousands	2018	2017	Inc (Dec)	%
Costs of sale of electricity	15,109,491	16,929,239	(1,819,748)	-11%

- The decrease in the **costs of sale of electricity** was mainly due to lower energy sales resulting in lower energy purchased. Reduction in transmission costs, repairs and maintenance, salaries and rent were also reported in 2018.

- **General and administrative expenses** decreased in the second quarter of 2019 due to reduction in transportation, contractors' fees, office supplies, communication, meetings and advertising. Also, there were plug and abandonment costs in the first semester of 2018

Other Income and Expenses

In thousands	2018	2017	Inc (Dec)	%
Interest & other financial charges	(433,649)	(513,566)	79,917	-16%
Equity in net income of associates & JV	532,460	1,024,995	(492,535)	-48%
Other income - net	120,252	105,617	14,635	14%

- **Interest and other finance charges** went down due to payment of the amortization of long-term loans of the Company and its subsidiary.
- Lower **equity in net income of associates and JV** were posted in 2018 as compared to 2017 due to lower generation from unscheduled shutdowns of SLTEC during the third quarter of 2018.
- **Other income - net** went up due to the combined effects of the following:
  - Increase in interest and other financial income due to higher fair value gains on investments held for trading and higher level of investments.
  - Higher YTD foreign exchange gain on foreign-currency denominated deposits due to depreciation of peso in 2018.
  - Loss on derivatives was posted in 2018 as compared to gain on derivatives in 2017. This was primarily from forward contracts entered into in 2017 that matured in 2018.
  - Gain was realized on the sale of property, plant and equipment and investment in 2018.
  - Loss on sale of AFS investments in 2017 was incurred due to lower market value of shares.
  - Reimbursement of expenses was collected in 2018.

Provision for (benefit from) income tax

In thousands	2018	2017	Inc (Dec)	%
Current	20,699	72,722	(52,023)	-72%
Deferred income tax	150,904	(376,400)	527,304	-140%

- The decrease in the provision for income tax - current was due to lower consolidated taxable income in 2018. The same is true for the first semester of 2019.

- Lower benefit from deferred income tax in 2018 was due to the tax effect of deferred revenue and non-recognition of deferred tax asset on NOLCO in 2018. The **provision for deferred income tax** recorded in the first semester of 2019 was due to the tax effect of deferred revenue and non-recognition of deferred tax asset on NOLCO.

Material changes in Consolidated Statements of Financial Position accounts

ASSETS

In thousands	**2018**	**2017**	**Inc (Dec)**	**%**
Current Assets				
Cash and cash equivalents	1,022,366	1,300,999	(278,633)	-21%
Short-term investments	35,326	478,362	(443,036)	-93%
Investments held for trading	-	1,483,519	(1,483,519)	-100%
Financial assets at fair value through profit or loss (FVTPL)	743,739	-	743,739	100%
Fuel & spare parts	413,673	321,525	92,148	29%
Current portion of:				
Input VAT	26,332	20,127	6,205	31%
Creditable withholding taxes	79,443	598,526	(519,083)	-87%
Other current assets	182,766	281,593	(98,827)	-35%
Asset held for sale	34,328	-	34,328	100%
Noncurrent Assets				
Property, plant & equipment	5,760,963	6,130,201	(369,238)	-6%
Investments and advances	4,322,684	4,057,602	265,082	7%
Financial assets at:				
Fair value through other comprehensive income (FVOCI)	257,995	-	257,995	100%
FVTPL	5,452	-	5,452	100%
Available-for-sale investments	-	293,127	(293,127)	100%
Investment properties	13,085	50,915	(37,830)	-74%
Goodwill and other intangible assets	320,219	380,146	(59,927)	-16%
Deferred income tax assets - net	261,346	430,280	(168,934)	-39%
Net of current portion:				
Creditable withholding tax	704,726	-	704,726	100%

LIABILITIES AND EQUITY				
In thousands	2018	2017	Inc (Dec)	%
Current Liabilities				
Short-term loans	400,000	-	400,000	100%
Accounts payable and other current liabilties	2,269,398	2,758,982	(489,584)	-18%
Income and withholding taxes payable	11,762	42,308	(30,546)	-72%
Due to stockholder	16,651	15,300	1,351	9%
Current portion of long-term loans	265,460	226,949	38,511	17%
Noncurrent Liabilties				
Long-term loans - net of current porion	6,071,473	6,622,427	(550,954)	-8%
Pension & other employment benefits	40,246	36,110	4,136	11%
Deferred tax income liabilities - net	95,180	111,387	(16,207)	-15%
Other noncurrent liabilities	1,383,077	1,805,511	(422,434)	-23%
Equity				
Unrealized fair value gains on equity instruments at FVOCI	59,772	-	59,772	100%
Unrealized fair value gains on AFS investments	-	85,924	(85,924)	-100%
Remeasurement gains (losses) on defined benefit plan	536	(3,130)	3,666	-117%
Accumulated share in other comprehensive income of a joint venture	(2,193)	(3,413)	1,220	-36%
Retained earnings	3,303,708	4,018,980	(715,272)	-18%
Non-controlling Interests	45,450	78,110	(32,660)	-42%

Key Performance Indicators of the Company

The table below sets forth the comparative performance indicators of the Company:

Key Performance Indicator	Formula	31-Dec-19 As restated	31-Dec-18 Audited	Increase (Decrease) Amount	%
Liquidity Ratios					
Current Ratio	Current assets / Current liabilities	**2.71**	**1.74**	0.97	56%
Acid test ratio	Cash + Short-term investments + Accounts receivables + Other liquid assets / Current liabilities	**2.42**	**1.49**	0.93	62%
Solvency Ratios					
Debt/Equity ratio	Total liabilities / Total equity	**1.96**	**1.26**	0.70	56%
Asset-to-equity ratio	Total assets / Total equity	**2.96**	**2.26**	0.70	31%
Interest Coverage	Earnings before interest	**1.01**	**0.03**	0.98	3,267%

Ratio	& tax (EBIT) / Interest expense				
Net bank Debt to Equity ratio	Short & long-term loans - Cash & Cash Equivalents / Total Equity	**0.83**	**0.68**	(0.15)	22%
Profitability Ratios					
Return on equity	Net income after tax attributable to equity holders of the Parent Company / Average stockholders' equity	**0.47%**	**(6.40%)**	8.87%	107%
Return on assets	Net income after taxes / Average total assets	**0.39%**	**(2.99%)**	3.38%	113%
Asset Turnover	Revenues / Average total assets	**47.77%**	**76.22%**	(28.45%)	(37%)

Current ratio and Acid test ratio
Increased due to the higher cash provided by the issuance of capital stock and availment of long-term loans. On the contrary, current liabilities increased by 79% due to increase in purchases on account and taxes payable.

Debt to equity ratio and Asset to equity ratio
Rose due to higher total liabilities and total assets tempered by 96% increase in equity resulting from issuance of new shares of stocks and increase in other equity reserves from share swap with AC Energy.

Interest coverage ratio
Went up due to net income before interest.

Net debt to equity ratio
Decreased due to additional loans availed during the year.

Return on equity and assets
Went up due to net income earned in 2019.

Asset turnover
Went down as revenues increased by only 7% while average total assets increased by 70%.

Material events and uncertainties

- There were no events that trigger direct or contingent financial obligation that was material to the Group. There were no contingent assets or contingent liabilities since the last annual balance sheet date.
- There were no material off-balance sheet transactions, arrangements, obligations and other relationships of the Company with unconsolidated entities or other persons created during the reporting period.
- Except as disclosed in Notes to Events after the Reporting Period of the Audited Consolidated Financial Statements, there were no other material events that had occurred subsequent to the balance sheet date.
- Capital expenditures are planned to rehabilitate and improve the availability and capacity of generation assets. These will be funded by internal resources.

- Any known trends, events or uncertainties that have had or that were reasonably expected to have material favorable or unfavorable impact on net revenues/income from continuing operations

  - The results of operations of the Group and its subsidiaries depend, to a significant extent, on the performance of the Philippine economy.
  - The current highly competitive environment and operation of priority-dispatch variable renewable energy have driven market prices of electricity downward, resulting in lower margins.
  - However, limitations in the supply side and unscheduled outages of plants have driven WESM prices upwards. Movements in the WESM prices could have a significant favorable or unfavorable impact on the Company's financial results.

- There were no known trends or any known demands, commitments, events or uncertainties that will result in or that are reasonably likely to result in the registrant's liquidity increasing or decreasing in any material way.

- There were no significant elements of income or loss that did not arise from continuing operations that had material effect on the financial condition or result of operations.

- There were no operations subject to seasonality and cyclicality except for the operation of Guimaras Wind farm. The wind regime is high during the northeast monsoon ("amihan") season in the first and fourth quarter when wind turbines generate more power to be supplied to the grid. The generation drops in the second and third quarter due to low wind regime brought about by the southwest monsoon ("habagat").

2018

The key performance indicators of the Company and its majority owned subsidiaries, as consolidated, are the following:

		31-Dec-18	31-Dec-17	Increase (Decrease)	
KPI	**Formula**	**Audited**	**Audited**	**Difference**	**%**
Liquidity Ratios					
Current ratio	Current assets / Current liabiltiies	1.74	2.37	(0.63)	(27)
Acid test ratio	Cash + Short-term investments + Accounts Receivables + Other liquid assets / Current liabilities	1.49	1.97	(0.48)	(24)
Solvency Ratios					
Debt/Equity ratio	Total Liabilities / Total Equity	1.26	1.27	(0.01)	(1)
Asset to equity ratio	Total Assets / Total Equity	2.26	2.27	(0.01)	(0)
Interest coverage ratio	Earnings before interest & tax (EBIT) / Interest expense	0.03	1.08	(1.06)	(97)
Net debt to equity ratio	Debt - Cash & cash equivalents / Total equity	1.13	0.91	0.22	24

KPI	Formula	31-Dec-18 Unaudited	31-Dec-17 Unaudited	Increase (Decrease) Difference	%
Profitability Ratios					
Return on equity	Net income after tax / Average stockholder's equity	-6.77%	3.83%	(10.60)	(277)
Return on assets	Net income after taxes / Total assets	-2.96%	1.68%	(4.64)	(277)
Asset turnover	Revenues / Total assets	75.58%	82.16%	(6.58)	(8)

Current ratio & Acid test ratio

Current ratio & acid test ratio decreased due to the twenty-eight (28%) decrease in current assets primarily brought about by the decrease in cash & cash equivalents used in operating activities and reclassification of creditable withholding tax from current to noncurrent. On the other hand, current liabilities increased by three percent (3%) due to increase in current portion of long-term loans and availment of short-term loan in 2018. For the first semester of 2019, the increased due to the higher cash and cash equivalents provided by issuance of capital stock to AC Energy, Inc. On the other hand, for the first semester of 2019, current liabilities increased by seventeen percent (17%) due to increase in accounts payable and other current liabilities and income and withholding taxes payable.

Debt to equity ratio and Asset to equity ratio

Debt to equity ratio and asset to equity ratio slightly increased due to the eight percent (8%) decrease in equity brought about by payment of cash dividends and net loss incurred in 2018. For the first semester of 2019, the decreased was due to the twenty-three percent (23%) increase in equity resulting from issuance of new shares of stocks.

Interest coverage ratio

Interest coverage ratio dropped brought about by net loss before interest and tax in 2018, which led to the further decrease for the first semester of 2019.

Net debt to equity ratio

Net debt equity ratio slightly increased due to the decline in equity. For the first semester of 2019, the further decrease was due to loan amortizations and settlement of loan during the second quarter of 2019.

Return on equity and assets

Return on equity and assets went down due to net loss incurred in the period both for the year ended 2018 and the first semester of 2019.

Asset turnover

Asset turnover slightly decreased as revenues decreased by eleven percent (11%) but there was a slightly increase for the first semester of 2019 as revenues and total assets decreased by three percent (3%).

Interest coverage ratio dropped due to net loss before interest and tax incurred in the first semester of 2019.

Material events and uncertainties

- There were no events that triggered direct or contingent financial obligation that was material to the Company. There were no contingent assets or contingent liabilities since the last annual balance sheet date.

- There were no material off-balance sheet transactions, arrangements, obligations and other relationships of the Company with unconsolidated entities or other persons created during the reporting period.

- There were no material events that had occurred subsequent to the balance sheet date except for the event after the reporting period disclosed in Note 39 of the Consolidated Financial Statements. Capital expenditures are planned to rehabilitate and improve the availability and capacity of generation assets. These will be funded by internal resources.

- Any material commitments for capital expenditures, the general purpose of such commitments, and the expected sources of funds for such expenditures -
    - The Company has 40 MW expansion of the Guimaras wind farm and 45 MW solar farm in Batangas. Negotiations with interested parties and various distribution utilities are on-going. The plan for funding these projects will come partly from participation of offtakers and partly from external capital.

- Any known trends, events or uncertainties that have had or that were reasonably expected to have material favorable or unfavorable impact on net revenues/income from continuing operations
    - The results of operations of the Company and its subsidiaries depend, to a significant extent, on the performance of the Philippine economy.
    - The current highly competitive environment and operation of priority-dispatch variable renewable energy have driven market prices of electricity downward, resulting in lower margins.
    - Movements in the WESM prices could have a significant favorable or unfavorable impact on the Company's financial results. Limitations in the supply side due to unscheduled outages of plants have driven WESM prices upwards.

- Any known trends or any known demands, commitments, events or uncertainties that will result in or that are reasonably likely to result in the registrant's liquidity increasing or decreasing in any material way – Material to the Company's liquidity and profitability is the negotiations to reduce supply costs. The Company is also pursuing customer contracts at higher prices from both the retail and wholesale markets. The Company has identified low-earning assets and have offered these in the market. The Company is also looking at cost optimization and reduction in operating expenses at the plant level as well as head office.

- There were no significant elements of income or loss that did not arise from continuing operations that had material effect on the financial condition or result of operations.

- There were no operations subject to seasonality and cyclicality except for the operation of PHINMA Renewable's wind farm. The wind regime is high during the northeast monsoon ("amihan") season in the first and fourth quarter when wind turbines generate more power to be supplied to the grid. The generation drops in the second and third quarter due to low wind regime brought about by the southwest monsoon ("habagat").

On 1 July 2019, the Company received the DOE's approval of the relinquishment of SC51. The service contract's deferred exploration cost amounting to ₱32.7M, which was provided with an allowance for probable loss in 2018, will be written off.

Item 7. Financial Statements and Supplementary Schedules
The consolidated financial statements and schedules as listed in the accompanying Index to Financial Statements and Supplementary Schedules are filed as part of this Form 17 A.

Item 8. Changes in and Disagreements with Accountants on Accounting and Financial Disclosures

The Company has engaged the services of SGV & Co. during the past five (5) years, there has been no event in which ACEN and SGV had any disagreement with regard to any matter relating to accounting principles or practices, financial statement disclosures or auditing scope or procedures.

The Audit Committee of ACEN proposed that the accounting firm of SyCip Gorres Velayo & Co. (SGV) be retained as the Company's external auditor for the year 2020. The members of the Audit Committee are as follows:

i.	Ms. Ma. Aurora Geotina-Garcia	Chairperson (effective 20 April 2020 until present)
ii.	Ms. Consuelo D. Garcia	Member (effective 20 April 2020 until present)
iii.	Mr. Antonio V. Paner	Member (effective 20 April 2020 until present)

SGV has been ACEN's Independent Public Accountant since 1969. The Audit Committee, the Board, and the stockholders of ACEN approved the engagement of SGV as the Company's external auditor for 2020. The services rendered by SGV for the calendar year ended 31 December 2020 included the examination of the parent and consolidated financial statements of the Company, assistance in the preparation of the Company's annual income tax return, and other services related to filing of reports made with the SEC.

The engagement partner who conducted the audit for Calendar Year 2020 was Mr. Benjamin N. Villacorte, an SEC accredited auditing partner of SGV. This is Mr. Villacorte's third year as engagement partner for the Company.

ACEN complied with SRC Rule 68, paragraph 3(b)(ix) which requires the rotation of external auditors or signing partners every five (5) years of engagement and the mandatory two-year cooling-off period for the re-engagement of the same signing partner or individual auditor.

The external auditors for the current year and for the most recently completed fiscal year are expected to be present at the Annual Stockholders' Meeting and to answer any question. They are likewise given an opportunity to give statements if they desire to do so.

Audit and Audit-Related Fees

The total external auditors' fees of SGV in 2020 and 2019 amounted to Php 10.80 million and Php 8.55 million, including VAT, respectively:

2020 External Auditor Fees	**Amount in Million Pesos (inclusive of VAT)**	
	2020	**2019**
Audit and Audit-Related Fees	₱10.38	₱8.47
Non-Audit Fees	.42	.08
Grand Total	₱10.80	₱8.55

The audit and audit-related fees include the audit of the Company's annual financial statements, quarterly reviews and other assurance services related to performance of the audit or review of the Company's financial statements pursuant to the regulatory requirements.

The Audit Committee discusses the nature and scope of the audit with the external auditor before the audit commences. It pre-approves audit fees, plans, scope, and frequency during its third quarter committee meeting. It evaluates and determines non-audit work by the external auditor and reviews the non-audit fees paid to the external auditor, both in relation to their significance to the audit and in relation to the Company's total expenditure on consultancy.

Tax fees

No tax consultancy services were secured from SGV for the past two years.

All other fees (Non-Audit Fees)

Non-audit fees for 2020 and 2019 include training and validation of votes during the annual stockholders' meeting.

PART III. CONTROL AND COMPENSATION INFORMATION

Item 9. Directors and Executive Officers of the Issuer

Board of Directors

The following have been nominated to the Board for election at the annual stockholders' meeting, and have accepted their respective nominations:

JAIME AUGUSTO ZOBEL DE AYALA
JOSE RENE GREGORY D. ALMENDRAS
JOHN ERIC T. FRANCIA
MA. AURORA D. GEOTINA-GARCIA
SHERISA P. NUESA
FERNANDO ZOBEL DE AYALA
CEZAR P. CONSING
CONSUELO D. GARCIA
NICOLE GOH PHAIK KHIM
MELINDA L. OCAMPO

JOHN PHILIP S. ORBETA

Except for Ms. Nicole Goh, who was nominated by Arran, all other nominees were formally nominated to the Corporate Governance and Nomination Committee of the Board by a minority stockholder of the Company, Francisco L. Viray, who holds two million four hundred thousand (2,400,000) common shares, or 0.01% of the total outstanding voting shares of the Company, and who is not related to any of the nominees. Mses. Consuelo D. Garcia, Ma. Aurora Geotina-Garcia, Sherisa P. Nuesa, and Melinda L. Ocampo, are all being nominated as independent directors in accordance with Securities Regulation Code ("**SRC**") Rule 38 (Requirements on Nomination and Election of Independent Directors). The Corporate Governance and Nomination Committee evaluated the qualifications of all the nominees and prepared the final list of nominees in accordance with the Amended By-Laws and the Charter of the Board of the Company.

Only nominees whose names appear on the final list of candidates are eligible for election as directors. No nominations will be entertained or allowed on the floor during the annual stockholders' meeting.

The Board of ACEN is responsible for the overall management and direction of the Company. The Board meets quarterly, or as often as required, to review and monitor the Company's financial position and operations and decide on such other matters as may be required by law to be decided by the Board. The Company's directors are elected at the annual stockholders' meeting to hold office for one year and until their respective successors have been elected and qualified.

Fernando M. Zobel de Ayala, Chairman of the Board of the Company, owns 2.47% of the outstanding capital stock of the Company. No other director holds more than two percent (2%) of the Company's issued and outstanding capital stock.

A summary of the qualifications of the incumbent directors who are nominees for directors for election at the stockholders' meeting, and the nominees for independent director and incumbent officers is set forth in **Annex "A".**

No director has resigned nor declined to stand for re-election to the Board since the date of the last annual meeting because of a disagreement with the Company on any matter relating to the Company's operations, policies or practices.

The officers of the Company are elected annually by the Board during its organizational meeting.

None of the directors and officers of the Company are connected with any government agencies or its instrumentalities.

Board of Directors

Fernando Zobel de Ayala	Chairman
Jaime Augusto Zobel de Ayala	Vice-Chairman
John Eric T. Francia	President and CEO, Executive Member
Jose Rene Gregory D. Almendras	
Nicole Goh Phaik Khim	
John Philip S. Orbeta	
Sherisa P. Nuesa	Lead Independent Director
Melinda L. Ocampo	Independent Director
Consuelo D. Garcia	Independent Director
Ma. Aurora D. Geotina-Garcia	Independent Director
Mario Antonio V. Paner	Independent Director

Fernando Zobel de Ayala, Filipino, 61, director of the Company since 23 July 2019. He has been the President and Chief Operating Officer of Ayala Corporation since April 2006. He holds the following positions in publicly listed companies: Chairman of Ayala Land, Inc., Manila Water Company, Inc., and AC Energy Corporation (formerly AC Energy Philippines, Inc.); and Director of Bank of the Philippine Islands, Globe Telecom, Inc. and Integrated Micro- Electronics, Inc.; and Independent Director of Pilipinas Shell Petroleum Corporation. He is the Chairman of AC International Finance Ltd., Liontide Holdings, Inc., AC Energy and Infrastructure Corporation (formerly AC Energy, Inc.), Ayala Healthcare Holdings, Inc., Automobile Central Enterprise, Inc., Alabang Commercial Corporation, Accendo Commercial Corp. and Hero Foundation, Inc.; Co- Chairman of Ayala Foundation, Inc. and Ayala Group Club, Inc.; Vice-Chairman of AC Industrial Technology Holdings, Inc., ALI Eton Property Development Corporation, Ceci Realty Inc., Fort Bonifacio Development Corporation, Bonifacio Land Corporation, Emerging City Holdings, Inc., Columbus Holdings, Inc., Berkshires Holdings, Inc., AKL Properties, Inc., AC Ventures Holdings Corp., and Bonifacio Art Foundation, Inc.; Director of LiveIt Investments, Ltd., AG Holdings Ltd., AC Infrastructure Holdings Corporation, Altaraza Development, Corporation, Asiacom Philippines, Inc., Ayala Retirement Fund Holdings, Inc., Honda Cars Philippines, Inc., Isuzu Philippines

Corporation, and Manila Peninsula; Member of the Board of INSEAD Business School and Georgetown University; Member of the International Advisory Board of Tikehau Capital and of the Hispanic Society Museum & Library International Advisory Council; Vice Chairman of the Philippine-Singapore Business Council, member of the World Presidents' Organization and Chief Executives Organization; Chairman of Habitat for Humanity International's Asia-Pacific Capital Campaign Steering Committee; and Member of the Board of Trustees of Caritas Manila, Pilipinas Shell Foundation, and the National Museum. He graduated with B.A. Liberal Arts at Harvard College in 1982 and holds a CIM from INSEAD, France.

Jaime Augusto Zobel de Ayala, Filipino, 62, director of the Company since 23 July 2019. He has been the Chairman and CEO of Ayala Corporation since April 2006. He holds the following positions in publicly listed companies: Chairman of Globe Telecom, Inc., Integrated Micro-Electronics, Inc. and Bank of the Philippine Islands; and Vice Chairman of Ayala Land, Inc., Manila Water Company, Inc. and AC Energy Corporation (formerly AC Energy Philippines, Inc.). He is also the Chairman of Ayala Retirement Fund Holdings, Inc., AC Industrial Technology Holdings, Inc., AC Ventures Holding Corp., AC Infrastructure Holdings Corporation, AC Energy International, Inc. and Asiacom Philippines, Inc.; Co-Chairman of Ayala Foundation, Inc. and Ayala Group Club, Inc.; Director of Alabang Commercial Corporation, Ayala International Pte. Ltd., AC Energy and Infrastructure Corporation (formerly AC Energy, Inc.), Ayala Healthcare Holdings, Inc., Light Rail Manila Holdings, Inc. and AG Holdings Ltd. Outside the Ayala group, he is a member of various business and socio-civic organizations in the Philippines and abroad, including the JP Morgan International Council, JP Morgan Asia Pacific Council, and Mitsubishi Corporation International Advisory Council. He sits on the board of the Singapore Management University and on various advisory boards of Harvard University, including the Global Advisory Council, HBS Board of Dean's Advisors, and HBS Asia-Pacific Advisory Board, which he chairs. He is Chairman Emeritus of the Asia Business Council, a member of the Global Board of Adviser of the Council on Foreign Relations, and Co-Vice Chairman of the Makati Business Club, Chairman of Endeavor Philippines, and a board member of Eisenhower Fellowships. He was awarded the Presidential Medal of Merit in 2009, the Philippine Legion of Honor with rank of Grand Commander in 2010, and the Order of Mabini with rank of Commander in 2015 by the President of the Philippines in recognition of his outstanding public service. In 2017, he was recognized as a United Nations Sustainable Development Goals Pioneer by the UN Global Compact for his work in sustainable business strategy and operations. The first recipient of the award from the Philippines, he was one of 10 individuals recognized for championing sustainability and the pursuit of the 17 SDGs in business. He graduated with B.A. in Economics (*cum laude*) from Harvard College in 1981 and obtained an MBA from the Harvard Graduate School of Business in 1987.

John Eric T. Francia, Filipino, 49, was elected as director on 9 May 2019 to serve effective 15 May 2019. He is the President and Chief Executive Officer of AC Energy Corporation (PSE:ACEN) and the President of AC Energy and Infrastructure Corporation. Under his leadership, Ayala established its energy platform from a standing start in 2011, to become one of the largest renewable energy platforms in Southeast Asia, with over 1800 MW of attributable renewables capacity.

Eric is also a Managing Director and member of the Management Committee of Ayala Corporation since 2009, and was appointed as Chairman of Ayala's Investment Committee in 2021. He is also a Director of various Ayala group companies including AC Infrastructure, AC Health, AC Ventures, and Manila Water and Chairman and CEO of ACE Enexor (PSE:ACEX).

Eric earned a Master's Degree in Management Studies at the University of Cambridge in the United Kingdom, graduating with First Class Honors. He received his undergraduate degree in Humanities and Political Economy from the University of Asia & the Pacific, graduating *magna cum laude*.

Jose Rene Gregory D. Almendras, Filipino, 61, director of the Company since 1 July 2019. He concurrently serves as Senior Managing Director of Ayala Corporation (AC), President & Chief Executive Officer of Manila Water Company, Inc. (MWCI) and President & Chief Executive Officer of AC Infrastructure Holdings Corporation (AC Infra). He is also a member of the AC Management Committee, member of the Ayala Corporation Management Committee and the Ayala Group Management Committee since August 2016. He is the Chairman of the Executive Committee of MWCI and a Board of Director of the following companies within the Ayala Group: AF Payments Inc.; Light Rail Manila Holdings, Inc.; MCX Tollway Inc.; and AC Energy Corporation (formerly AC Energy Philippines, Inc.) He spent 13 years with the Citibank group where he started as a management trainee and landed his first CEO position as President of City Savings Bank of the Aboitiz Group at the age of 37. In 2011, he was recognized by the World Economic Forum as a Sustainability Champion for his efforts as President of MWCI. During his stint as MWCI President and Chief Operating Officer, the company received multiple awards and was recognized as one of the Best Managed Companies in Asia, Best in Corporate Governance, one of the Greenest Companies in the Philippines and hailed as the world's Most Efficient Water Company. Under the Administration of President Benigno S. Aquino III, Rene served as a member of the Cabinet, holding the positions of Secretary of the Department of Energy, Office of the Cabinet Secretary and the Department of Foreign Affairs.

In June 2016, he was acknowledged by the Administration for his remarkable performance in addressing the country's urgent issues and was awarded the highest Presidential Award given to a civilian - Order of Lakandula, Rank of Gold Cross Bayani.

Nicole Goh Phaik Khim, Malaysian, 36, is a Senior Vice President at GIC's infrastructure practice, where she has coverage responsibility for the Asia-Pacific region with prior experience investing in the US and Europe. GIC was established in 1981 as a private company, wholly-owned by the Government of Singapore, to manage the foreign reserves of Singapore. It is one of the world's largest global investors, with well over US$100 billion of assets in more than 40 countries worldwide.

Ms. Goh has been a member of GIC's infrastructure practice since 2008. She has an MSc in Management Science & Engineering from Stanford University and a BSc in Mathematics with Statistics for Finance from Imperial College London.

John Philip S. Orbeta, Filipino, 59, director of the Company since 1 July 2019. He is currently the Managing Director, Chief Human Resources Officer and Group Head for Corporate Resources at Ayala Corporation, covering Strategic Human Resources, Information & Communications Technology, AC Synergy, Brand & Reputation Management, Knowledge Management, and Corporate Support Services. He has served as a member of the Ayala Corporation Management Committee since May 2005 and the Ayala Group Management Committee since April 2009. He is currently the Chairman of Ayala Aviation Corporation, Ayala Group HR Council, Ayala Group Corporate Security Council and Ayala Business Clubs; Chairman and President of HCX Technology Partners, Inc.; and Vice Chairman, President and Chief Executive Officer of Ayala Group Club, Inc. Mr. Orbeta also serves as a Board Director of AC Energy Corporation (formerly AC Energy Philippines, Inc.) Ayala Group Legal, AC Industrial Technology Holdings, Inc., Ayala Foundation Inc., Ayala Healthcare Holdings, Inc., Ayala Retirement Fund Holdings, Inc., Generika Group of Companies, BPI Family Bank, Inc., ALFM Growth Fund, Inc., ALFM Money Market Fund, Inc., ALFM Peso Bond Fund, Inc., ALFM Dollar Bond Fund, Inc., ALFM Euro Bond Fund, Inc., ALFM Global Multi-Asset Income Fund, Inc., ALFM Retail Corporate Fixed Income Fund, Inc. and the Philippine Stock Index Fund Corporation. Mr. Orbeta previously served as the President and CEO of Ayala Automotive Holdings Corporation and Automobile Central Enterprise, Inc. (Philippine importer of Volkswagen) and the Chairman and CEO of Honda Cars Makati, Inc., Isuzu Automotive Dealership, Inc. and Iconic Dealership, Inc., and Board Director of Honda Cars Cebu, Inc. and Isuzu Cebu Inc. Prior to joining Ayala Corporation, he was the Vice President and Global Practice Director of the Human Capital Consulting Group at Watson Wyatt Worldwide (now Willis Towers Watson), overseeing the firm's practices in executive compensation, strategic rewards, data services and organization effectiveness around the world. He was also a member of Watson Wyatt's Board of Directors. He graduated with a degree in Economics from the Ateneo de Manila University in 1982.

Sherisa P. Nuesa, Filipino, 66, independent director of the Company since 17 September 2019. She was a former Managing Director of Ayala Corporation until her retirement in 2011. Currently, she is a member of the respective Board of Directors of Manila Water Company, Inc. ("MWCI"), Integrated Micro-electronics, Inc. ("IMI"), Far Eastern University, Inc., FERN Realty Corp, and the ALFM Mutual Funds Group. She is also a member of the Boards of Trustees of the Institute of Corporate Directors, the Judicial Reform Initiative, and the Financial Executives Institute of the Philippines. As a former Managing Director of Ayala Corporation, she served in various senior management positions, namely: Chief Finance Officer and Chief Administrative Officer of IMI (January 2009 to July 2010); Chief Finance Officer of MWCI (January 2000 to December 2008); Group Controller and later Vice President for Commercial Centers of Ayala Land, Inc. ("ALI") (January 1989 to March 1999); and as member of the boards of the various subsidiaries of ALI, MWC, and IMI. She graduated from the Far Eastern University with a Bachelor of Science Degree in Commerce (*summa cum laude*). She is a Certified Public Accountant. She completed the Financial Management Program of the Stanford University in 1991 and the Advanced Management Program of the Harvard Business School in June 1999. She then obtained her Master's Degree in Business Administration from the Ateneo-Regis Graduate School of Business in 2011.

Melinda L. Ocampo, Filipino, 64, independent director of the Company since 17 September 2019. She served as President of the Philippine Electricity Market Corporation ("PEMC"), a nonstock, non-profit private organization that governs the country's wholesale electricity spot market, from 27 March 2009 until 31 July 2017. Her experience include developing energy policies and programs as Undersecretary of the Department of Energy from May 2005 to December 2007. She was also involved in electric utility system regulation, planning and technical feasibility of electric power generation, transmission and distribution systems including granting of electric franchises to both electric cooperatives and private distribution utilities. She has extensive knowledge of energy regulation including petroleum and electricity pricing and competition rules and has provided consulting services to legislators on electricity pricing, particularly on the power purchased adjustments. She was also a consultant in the World Bank's project on Electric Cooperatives system loss reduction program and to the USAID under the Asia Foundation in its project to introduce the open access and competition in the coverage of Philippine Economic Zone (PEZA). She was a board member (February 1996 to June 1998) and Chairman (August 1998 to August 2001) of the Energy Regulatory Board (now Energy Regulatory Commission). She served as a division chief (October 1979 to November 1988) and a director (December 1988 to February 1996) of the National Electrification Administration. In 1977, she obtained her Bachelor of Science degree in Commerce, Major in Accounting, from the Republic Central Colleges, in Angeles City, Pampanga. She received her MBA from the University of the Philippines, Diliman, Quezon City. She is a certified public accountant.

Consuelo D. Garcia, Filipino, 66, independent director of the Company since 17 September 2019. She is currently an Independent Director of The Philippine Stock Exchange, Inc., Sun Life Investment and Trust Corporation, and FEU Alabang, Inc. She is a Senior Consultant for Challengers and Growth Markets, Asia for ING Bank N.V., Manila Branch for the roll-out of an all-digital retail banking platform in the Philippines . She is a member of the board of the Financial Executives Institute of the Philippines ("FINEX"), and a trustee of the Finex Academy of the Philippines and a trustee/independent director of ING Foundation Philippines Inc. She is also a Director of Murrayhill Realty and Development Corporation and Saje Wellness Corporation, both family-owned businesses. She is a member of the Filipina CEO Circle and a Fellow of the Institute of Corporate Directors (ICD). She was formerly the Country Manager and Head of Clients of ING Bank N.V. Manila Branch from September 2008 to 15 November 2017. She joined ING in February 1991 as Head of Financial Markets. She previously worked with SyCip, Gorres, Velayo & Co. ("SGV & Co.") and Bank of Boston, Philippine Branch. She received a Bachelor of Science degree in Business Administration, major in Accounting (*magna cum laude*) from University of the East and is a Certified Public Accountant

Ma. Aurora D. Geotina-Garcia, Filipino, 68, independent director of the Company since 17 September 2019. She is President of Mageo Consulting Inc., a company providing business advisory and corporate finance consulting services. A Certified Public Accountant, she started her professional career at SGV & Co./ Ernst & Young Philippines, where she led the Firm's Global Corporate Finance Division. She is also currently an Independent Director of ACE Enexor, Inc., Cebu Landmasters Inc., and Queen City Development Bank. She is the first female Chairperson of the Bases Conversion and Development Authority (BCDA) (2015 -2016) , and was a Director in the following companies: Bases Conversion and Development Authority (2011-2016), BCDA Management Holdings, Inc. (2011-2016), Fort Bonifacio Development Corporation (2011-2016), Heritage Park Management Corporation (2015-2016), Bonifacio Global City Estates Association, Inc. (2012-2016), Bonifacio Estates Services Corporation (2012-2016), and HBC, Inc. (2012-2016). Ms. Garcia is a Fellow and Trustee of the Institute of Corporate Directors (ICD) and a Trustee of the Shareholders Association of the Philippines (Sharephil) Today, she leads the Philippine Women's Economic Network (PhilWEN) as its Chairperson. She also Co-Chairs the Philippine Business Coalition for Women Empowerment (PBCWE) and is former Co-Chair of the ASEAN Women's Entrepreneurs' Network (AWEN) where she remains as one of the Philippine Focal Points. Boots serves several women business organizations as a long-time Trustee, namely: Women's Business Council Phils., Inc., Business & Professional Women's, Makati (BPW), the Philippine chapter of Women Corporate Directors (WCD), and the Samahan ng Pilipina para sa Reporma at Kaunlaran (Spark! Philippines). She received her Bachelor of Science degree in Business Administration and Accountancy from the University of the Philippines in 1973 and completed her Master of Business Administration from the same university in 1978.

Mario Antonio V. Paner, Filipino, 62, independent director of the Company since 20 April 2020. He was previously the Treasurer and head of the BPI's Global Markets Segment, responsible for managing the Bank's interest rate and liquidity gaps, as well as its fixed income and currency market-making, trading, and distribution activities– in the Philippines and abroad. Mr. Paner was also previously the Chairman of the BPI's Asset & Liability Committee and was a member of the Management Committee and Asset Management Investment Council. He also served as a Board member of BPI Europe Plc.

Mr. Paner joined BPI in 1985, when the Bank acquired Family Savings Bank and performed various Treasury and Trust positions until 1989. Between 1989 and 1996, he worked at Citytrust, then the consumer banking arm of Citibank in the Philippines, which BPI acquired in 1996. At BPI, was responsible for various businesses of the bank, including Risk Taking, Portfolio Management, Money Management, Asset Management, Remittance and Private Banking. Mr. Paner served as President of the Money Market Association of the Philippines (MART) in 1998 and remains an active member up to present. He is currently the Vice Chairman of the Bankers Association of the Philippines' (BAP) Open Market Committee. He is also a member of the Makati Business Club, Management Association of the Philippines, British Chamber of Commerce, and the Philippine British Business Council.

He obtained an A.B. Economics degree from Ateneo de Manila University in 1979 and completed various courses in Business and Finance, including Strategic Financial Management in 2006. In 2009, he completed the Advanced Management Program at Harvard Business School.

Nominees to the Board of Directors for election at the stockholders' meeting

All of the above, except for Mr. Paner (not nominated for re-election in the annual stockholders' meeting for 2021), are nominee directors.

Mr. Cezar P. Consing is also being nominated to the Board of Directors.

Cezar P. Consing, Filipino, 61, is a Senior Managing Director of Ayala Corporation and has been a member of the Ayala Group Management Committee since April 2013. He has been the President and CEO of BPI, one of the Ayala Group's publicly listed companies, since April 2013. He is an Independent Director of Jollibee Foods Corporation. His other significant positions are: President of Bancnet, Inc., Chairman of Philippine Dealing Systems Holdings Corp., and Director of LGU Guarantee Corporation, Filgifts.com., The Rohatyn Group, Sqreem Technologies and Endeavor Philippines. He is Chairman and President of the Bankers Association of the Philippines. He is also a Director of the US-Philippines Society, trustee of the Manila Golf Club Foundation, and a member of the Trilateral Commission. He served as an Independent Director of CIMB Group Holdings from 2006 to 2013 and First Gen Corporation from 2005 to 2013, and as Chairman of National Reinsurance Corporation from 2018 to 2019. Prior to being President of BPI, he first worked for BPI's corporate planning and corporate banking divisions from 1980 – 1985. He worked for J.P. Morgan & Co. in Hong Kong and Singapore from 1985– 2004 and became the co-head of the firm's investment banking business in Asia Pacific from 1997 – 2004 and President of J.P. Morgan Securities (Asia Pacific) Ltd. As a senior Managing Director of J.P. Morgan, he served as a member of the firm's global investment banking management committee and its Asia Pacific management committee. He was a partner at The Rohatyn Group from 2004 – 2013, ran its Hong Kong office and its private investing business in Asia, and was a board director of its real estate, and energy and infrastructure private equity investing subsidiaries. He graduated with a degree of A.B (Accelerated Program) Economics (Magna Cum Laude) from De La Salle University in 1979 and M.A. Applied Economics from the University of Michigan, Ann Arbor, in 1980.

The certifications on the qualifications of the nominees for independent directors are attached, followed by the certification that no directors or officers are connected with any government agencies or its instrumentalities.

ACEN Group Management Committee Members / Senior Leadership Team

John Eric T. Francia	President and Chief Executive Officer
Maria Corazon G. Dizon	Treasurer and CFO, Compliance Officer, Chief Risk Officer
Solomon M. Hermosura	Corporate Secretary
Dodjie D. Lagazo	Head, Legal and Regulatory and Assistant Corporate Secretary
Alan T. Ascalon	Assistant Corporate Secretary
Roman Miguel G. de Jesus	Head, Commercial Operations
Gabino Ramon G. Mejia	Co-Head, Plant Operations
Sebastian Arsenio R. Lacson	Co-Head, Plant Operations
Jose Maria Eduardo P. Zabaleta	Chief Development Officer
Peter C. Buenaseda	Chief Human Resources Officer
Irene S. Maranan	Head – Corporate Communications and Sustainability
Henry T. Gomez, Jr.	Chief Audit Executive
Mariejo P. Bautista	SVP-Finance and Controller

John Eric T. Francia, Filipino, 49, was elected as director on 9 May 2019 to serve effective 15 May 2019. He is the President and Chief Executive Officer of AC Energy Corporation (PSE:ACEN) and the President of AC Energy and Infrastructure Corporation. Under his leadership, Ayala established its energy platform from a standing start in 2011, to become one of the largest renewable energy platforms in Southeast Asia, with over 1800 MW of attributable renewables capacity.

Eric is also a Managing Director and member of the Management Committee of Ayala Corporation since 2009, and was appointed as Chairman of Ayala's Investment Committee in 2021. He is also a Director of various Ayala group companies including AC Infrastructure, AC Health, AC Ventures, and Manila Water and Chairman and CEO of ACE Enexor (PSE:ACEX).

Eric earned a Master's Degree in Management Studies at the University of Cambridge in the United Kingdom, graduating with First Class Honors. He received his undergraduate degree in Humanities and Political Economy from the University of Asia & the Pacific, graduating *magna cum laude*.

Maria Corazon G. Dizon, Filipino, 57, was appointed as Chief Finance Officer on 9 May 2019, effective 15 May 2019. She is concurrently the Treasurer, Chief Risk Officer, and Compliance Officer of the Company, Chief Finance Officer, Treasurer, and Chief Risk Officer of ACE Enexor, Inc., and Chief Finance Officer and Treasurer of AC Energy and Infrastructure Corporation. She previously held key positions with Ayala Land, Inc., the publicly listed real estate vehicle of Ayala Corporation, as Head of ALI Capital Corp., Head of Business Development and Strategic Planning of the Commercial Business Group, Head of Asset Management Group of Shopping Centers, Head of Control and Analysis, Head of Investor Relations as well as Chief Financial Officer of Residential Buildings, Office Buildings and Shopping Centers groups. Ms. Dizon also worked in SGV & Co for three years as a senior auditor. She is a Certified Public Accountant and graduated with a degree in Accountancy, *cum laude*, from the University of Santo Tomas. She completed academic units for an MBA at De La Salle University Graduate School of Business, and attended an Executive Management Program at the Wharton University of Pennsylvania.

Solomon M. Hermosura, Filipino, 58, has served as Managing Director of Ayala Corporation since 1999 and a member of the Ayala Corporation Management Committee since 2009 and the Ayala Group Management Committee since 2010. He is also the Group Head of Corporate Governance, and the Chief Legal Officer, Chief Compliance Officer, Corporate Secretary and Data Protection Officer of Ayala Corporation. He is the CEO of Ayala Group Legal. He serves as the Corporate Secretary and Group General Counsel of Ayala Land, Inc., and Corporate Secretary of Globe Telecom, Inc., Manila Water Company, Inc., Integrated Micro-Electronics, Inc., AC Energy Corporation (formerly AC Energy Philippines, Inc.), AREIT, Inc. and Ayala Foundation, Inc. He also serves as a Corporate Secretary and a member of the Board of Directors of a number of companies in the Ayala group. Mr. Hermosura is currently a member of the faculty of the College of Law of San Beda University. He graduated valedictorian with Bachelor of Laws degree from San Beda College in 1986 and placed third in the 1986 Bar Examinations.

Dodjie D. Lagazo, Filipino, 41, is the Head of the Legal and Regulatory Group of the Company, He is also an Executive Director of AC Energy and Infrastructure Corporation. He previously served as Director and member of AG Counselors Corporation's Management Committee from January 2014 to July 2017. He is also the Assistant Corporate Secretary of Ayala Corporation, the Assistant Corporate Secretary of AC Energy and Infrastructure Corporation and the Corporate Secretary of ACE Enexor, Inc. and other various AC Energy subsidiaries and affiliates. Mr. Lagazo received his undergraduate degree in Political Science from the University of the Philippines, Diliman, graduating *magna cum laude*. He then completed his Bachelor of Laws degree in the College of Law of the University of the Philippines, Diliman. He is a member in good standing of the Integrated Bar of the Philippines.

Alan T. Ascalon, Filipino, 46, is Vice President for Legal and Regulatory of ACEN. He served as director of Guimaras Wind Corporation and is the Corporate Secretary of Guimaras Wind Corporation, One Subic Power Generation Corp., One Subic Oil Distribution Corp., Bulacan Power Generation Corporation, and CIP II Power Corporation. He is also Assistant Corporate Secretary of ACE Enexor, Inc. and Palawan55 Exploration and Production Corp. He was the Assistant Legal Counsel of PHINMA, Inc. from 2005 to 2008. Prior to joining the Company, he worked as Senior Associate at SGV & Co Tax Division from 2002 to 2005, junior associate at Ponce Enrile Cayetano and Manalastas Law Offices from 2001-2002, and as law clerk with the Supreme Court from 2000 to 2001. He graduated from the University of the Philippines with a Bachelor of Arts degree in Journalism in 1996 and a Bachelor of Laws degree in 2000. He completed the Management Development Program of the Asian Institute of Management.

Roman Miguel G. de Jesus, Filipino, 46, is the Company's Head of Commercial Operations and of its Materials Management Group. Prior to assuming these roles, he led the development of AC Energy and Infrastructure Corporation's ("ACEIC") solar portfolio in Vietnam, served as the President and CEO of North Luzon Renewable Energy Corp. ("NLR"), and headed the Retail Electricity Supply group of ACEIC. Prior to joining ACEIC, he practiced law in the law firms of Romulo Mabanta Buenaventura Sayoc & de los Angeles where he specialized in corporate banking and finance, and Puyat Jacinto & Santos where he specialized in energy law and special projects. He has Bachelor of Arts and Master of Arts degrees in Philosophy from the Ateneo de Manila University, where he was an instructor for 10 years. He also has a Bachelor of Laws degree from the University of the Philippines where he graduated *cum laude* and was the Chair of the Philippine Law Journal.

Gabino Ramon G. Mejia, Filipino, 49, is the Company's Co-Head of Plant Operations and Executive Director, Head of the Asset Management Group of AC Energy and Infrastructure Corporation. He also holds the following positions among the subsidiaries of AC Energy and Infrastructure Corporation: Executive Vice President of GNPower Kauswagan Ltd. Co., President and COO of Northwind Power Development Corporation, President and COO of North Luzon Renewable Energy Corp., President of Monte Solar Energy, Inc., and President of Negros Island Solar Power Inc. and San Carlos Solar Energy, Inc. He holds a master's degree in Business Administration (MBA) from the Asian Institute of Management and has completed his MBA Internship in York University, Schulich School of Business. He obtained his Bachelor of Arts in Philosophy and Letters degree from San Beda College where he graduated with Academic Distinction.

Sebastian Arsenio R. Lacson, Filipino, 50, is the Co-Head of the Plant Operations Group of the Company. He is also a Senior Vice President for Plant Operations and Head of Health & Safety of AC Energy and Infrastructure Corporation, and concurrently the President of South Luzon Thermal Energy Corporation and Chairman of CIP II Power Corporation, One Subic Power Generation Corporation, and Bulacan Power Generation Corporation. He served as President of Aboitiz Power's Coal Business Unit from 2015 to 2018 and was Chief Vice President – Chief Reputation Officer of Aboitiz Equity Ventures from 2009 to 2011. He was the Chief Operating Officer of Visayas Electric Co. from 2012 to 2015, and headed its customer services and administration from 2008 to 2009. From 2006 to 2008, he was expatriated to the Panama electric distribution business by Spanish utility company Union Fenosa, where he served as Corporate Director and Technical Assistant to the regional (Central America) Chairman of the Board. He also worked in various positions within the management control unit of Union Fenosa's international electric distribution business from 2001 to 2006. Mr. Lacson received his Bachelor of Arts degree in Interdisciplinary Studies from the Ateneo de Manila University in 1992. He then completed his MBA at the University of Navarre (ISSE), Barcelona Campus in 1996.

Irene S. Maranan, Filipino, 47, is the Head of Corporate Communications and Sustainability of the Company. She leads the overall communications team in protecting and building the Company's reputation, oversees public relations and drives the corporate sustainability strategy. Prior to joining Ayala, she established and headed strategic marketing and corporate communications for energy, telecommunications, and real estate companies. Irene completed her Leadership Program from The World Business Council for Sustainable Development (WBCSD), in collaboration with INSEAD and Yale University. She holds a bachelor's degree in Mass Communications from St. Scholastica's College, Manila.

Henry T. Gomez, Jr., Filipino, 31, is the Company's Chief Audit Executive. He is also the Internal Audit Head of AC Energy, Inc. Prior to joining AC Energy, Inc, he worked with Aboitiz Power Corporation in 2012 as a Senior Internal Auditor and at SGV & Co. in 2011 as an Assurance Associate. He is a Certified Public Accountant, Certified Internal Auditor (CIA), a passer of the Certified Information Systems Auditor (CISA) examinations, and a CQI & IRCA Certified ISO 14001:2015 Environmental Management System Lead Auditor. He graduated from University of the Philippines-Visayas with a degree in BS in Accountancy.

Mariejo P. Bautista, Filipino, 55**,** obtained her Bachelor of Science degree in Business Administration and Accountancy (*magna cum laude*) from the University of the Philippines. She is a Certified Public Accountant with a Master's degree in Business Management from the Asian Institute of Management. She worked with SyCip Gorres Velayo & Co. in 1987 and with various multinational manufacturing and service companies up to August 2011. She joined the Company (then known as PHINMA Energy Corporation) in September 2011. She is the Senior Vice President – Finance and Controller of the Company, Bulacan Power Generation Corporation, CIP II Power Corporation, One Subic Power Generation Corp., Guimaras Wind Corporation, ACE Enexor, Inc., One Subic Oil Distribution Corp., and Palawan55 Exploration and Production Corporation.

Jose Maria Eduardo P. Zabaleta, Filipino, 48, is the Chief Development Officer of AC Energy and Infrastructure Corporation, and Chief Executive Officer of ACE Endevor, the development arm of AC Energy. Prior to joining AC Energy, he was co-founder and Chief Executive Officer of Bronzeoak Philippines, a pioneer and leader in clean technology energy development in the Philippines. Bronzeoak's energy businesses were integrated into AC Energy in early 2017. He has a BS Management Honors degree from Ateneo de Manila University, and a Masters in Business Administration from the Fuqua School of Business, Duke University, USA.

Peter C. Buenaseda, Filipino, 54, was appointed as Chief Human Resources Officer of the Company on 18 March 2021 and has been a consultant for AC Energy since 2020. He was Chief Operating Officer of TDS Global Solutions from 2019 to 2020, and concurrently served as Senior Site Officer (Country Head) and Head of Human Resources of Thomson Reuters Manila from 2007 to 2018. Peter was also a Director for Country HR and People Services of the Philips Group of Companies from 2005 to 2007. He completed a Human Resources Executive Program from the University of Michigan and earned his Masters in Business Management from the Asian Institute of Management. He received his Bachelor of Arts degree in Behavioral Science from the University of Santo Tomas.

Peter is a Graduate Fellow of the Institute of Corporate Directors, holds a Diplomate in People Management from PMAP, and is a member of the Board of Trustees of the Global In House Center Council.

Significant Employee

Other than the directors and officers of the Company, no other employee has significant influence on ACEN's major and/or strategic planning and decision-making.

Family Relationships

Fernando Zobel de Ayala, Chairman and director, and Jaime Augusto Zobel de Ayala, Vice-Chairman and director, are brothers. Except for the foregoing, there are no known family relationships between the current members of the Board and key officers.

Other than the foregoing family relationships, none of the directors, executive officers or persons nominated to be elected to ACEN's Board are related up to the fourth civil degree, either by consanguinity or affinity.

Ownership structure and parent company

As of 19 March 2021, ACEIC owns 55.99% of the outstanding voting shares of the Company. The parent company of ACEN is ACEIC. The Company has a management contract with ACEIC until 1 September 2023. Under the contract, ACEIC has general management authority with corresponding responsibility over all operations and personnel of ACEN, including planning, direction, and supervision of all the operations, sales, marketing, distribution, finance, and other business activities of the Company.

Independent Directors

The independent directors of ACEN for the year ending 31 December 2020 and for the current year as of the submission of this Statement are as follows:

1. Ms. Consuelo D. Garcia
2. Ms. Aurora D. Geotina-Garcia
3. Ms. Sherisa P. Nuesa
4. Ms. Melinda L. Ocampo
5. Mr. Antonio V. Paner

The incumbent independent directors were nominated by Mr. Francisco L. Viray, a minority stockholder of the Company, who holds two million four hundred thousand (2,400,000) common shares, or 0.02% of the total outstanding voting shares of the Company. Mr. Viray is not related to any of the independent directors either by consanguinity or affinity.

The independent directors of ACEN are not officers or substantial stockholders of the Company.

Involvement in Certain Legal Proceedings

As of 23 March 2021, ACEN has no knowledge and/or information that any of the Company's directors, officers or nominees for election as Directors is, presently or during the last five (5) years, involved in any material legal proceeding which will have any material effect on the Company, its operations, reputation, or financial condition.

As of 23 March 2021, Ms. Ma. Aurora Geotina-Garcia, independent director, is subject of the following criminal or administrative investigation or proceedings:

Offense charged / investigated	Tribunal / agency involved	Status
Libel during Ms. Geotina-Garcia's term as director of the Bases Conversion and Development Authority ("BCDA") Board (Crim. Case No. 150045-PSG)	Branch 167 of the Pasig City Regional Trial Court	In an Order dated 18 September 2020, the trial court granted Ms. Geotina-Garcia's demurrer to evidence and dismissed the case for insufficiency of the prosecution's evidence. The dismissal is equivalent to an acquittal, which is immediately final and executory.

		The prosecution filed a Motion for Reconsideration dated 15 October 2020, which was denied by the court at the hearing held on 23 October 2020. The private complainant filed a Petition for Certiorari dated 9 December 2020 with the Court of Appeals, alleging grave abuse of discretion on the part of the trial court. The Court of Appeals may either dismiss the petition outright or require the respondents to file a comment. The Court of Appeals has not issued any resolution.
Criminal complaint for acts of the BCDA's Board during Ms. Geotina-Garcia's term as BCDA director (OMB-C-C-12-0287-G)	Case filed with the Office of the Ombudsman was dismissed. Case elevated to the Supreme Court by complainant is pending.	The Office of the Ombudsman dismissed the complaint on 15 January 2016. The Petition for Review filed by the complainant before the Supreme Court (G.R. No. 225565) is pending resolution.
Administrative complaint for acts of the BCDA's Board during Ms. Geotina-Garcia's term as BCDA director (OMB-C-A-12-1308-G)	Case filed with the Office of the Ombudsman was dismissed. Case was elevated to the Court of Appeals.	The Office of the Ombudsman dismissed the complaint. The complainant, CJH DevCo, filed a Petition for Review before the Court of Appeals (CA-G.R. SP No. 145849), which was likewise dismissed. CJH DevCo filed a Motion for Reconsideration, which was denied by the Court of Appeals. Ms. Geotina-Garcia is not aware of any appeal or petition filed by CJH DevCo from the Court of Appeals' rulings.

The libel case is a nuisance case filed against Ms. Geotina-Garcia, as then member of the Board of BCDA. While the private complainant has filed a petition for certiorari with the Court of Appeals to question the dismissal of the libel case, the petition is susceptible to outright dismissal for having been filed out of time. Moreover, the private complainant must show grave abuse of discretion on the part of the trial court, which is difficult to do. In any case, the Court of Appeals has not required Ms. Geotina-Garcia and her co-respondents to file a comment on the petition. Meanwhile, the administrative and criminal complaints filed against Ms. Geotina-Garcia as a member of the Board of BCDA have already been dismissed by the Office of the Ombudsman showing the lack of basis and merits to the charges. Notwithstanding the pendency of these cases, the Company believes that these cases will not and do not in any way affect Ms. Geotina-Garica's ability and bias her judgement and independence to act as an independent director of the Company. Further, the issues raised therein, as well as the parties to these cases, are not related in any way to the Company or any of its business.

On 28 July 2020, ACEN was provided a copy of the Complaint-Affidavit filed by the Philippine Coast Guard ("PCG") with the Office of the City Prosecutor ("OCP") against Mr. John Eric T. Francia, director, in his capacity as President of ACEIC for violation of Section 107 of Republic Act ("RA") No. 8550, as amended by RA No. 10654, or The Philippine Fisheries Code of 1998. On 24 September 2020, ACEIC received a subpoena addressed to Mr. Francia requiring him to appear before the OCP and to submit his counter-affidavit. On 24 October 2020, Mr. Francia submitted his counter-affidavit to the OCP by courier.

The alleged violation is connected with the accidental discharge of fuel oil by ACEN's Power Barge ("PB") 102 on 3 July 2020. PB 102 is operated and maintained by Bulacan Power Generation Corporation ("BPGC").

On 4 December 2020, Mr. Francia through counsel received a copy of the Reply Affidavit of PCG Commander Joe Luviz Mercurio contending, among others that, (1) ACEIC, as the parent company of ACEN, exercises general management authority over ACEN pursuant to a supposed "management contract" between the two (2) corporations, and (2) BPGC does not have full control over the maintenance and operations of PB 102. On 4 February 2021, Mr. Francia, through his counsel, filed by courier his Rejoinder Affidavit with the OCP.

Furthermore, none of the Company's directors and senior executive officers have been the subject of the following during the last five (5) years: (a) bankruptcy petition by or against any business of which such director was a general partner or executive officer either at the time of the bankruptcy or within two (2) years prior to that time; (b) a conviction by final judgment, in a criminal proceeding, domestic or foreign; (c) any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting his involvement in any type of business, securities, commodities or banking activities; or (d) a finding by a domestic or foreign court of competent jurisdiction (in a civil action), the Commission or comparable foreign body, or a domestic or foreign exchange or other organized trading, market or self-regulatory organization, of violation of the securities or commodities law or regulation, and the judgment has not been reversed, suspended or vacated.

Resignation of Directors/Management Committee members/Key Officers

To date, no director has resigned from, or has declined to stand for re-election to the Board since the date of the 2020 annual meeting of stockholders.

Item 10. Executive Compensation

For calendar years ended 31 December 2020, 31 December 2019, and 31 December 2018, the total salaries, allowances, and bonuses paid to the directors and executive officers of ACEN are as follows:

CEO and Top 4 Most Highly Compensated Executive Officers (Total Compensation in Php - Estimates)

Name and Principal Position	Year	Salary	Bonus	Other Annual Compensation
John Eric T. Francia – Chief Executive Officer Alan T. Ascalon – Vice President, Legal and Regulatory Mariejo P. Bautista, SVP- Finance & Controller Danilo L. Panes, VP – Wind Operations Ma. Teresa P. Posadas, AVP – Human Resources	2020 2019 2018	15,703,929.00 21,478,153.00 21,444,674.00	2,920,702.00 4,630,134.00 2,980,335.00	2,487,596.00 1,945,000.00 590,600.00

All Other Officers and Directors as a Group (Total Compensation in Php - Estimates)

Year	Salary	Bonus	Other Annual Compensation
2020	20,790,154.00,	10,678,528.00	3,409,929.00
2019	17,827,743.00	3,651,125.00	4,645,000.00
2018	12,727,585.00	1,160,775.00	2,112,500.00

The management fees billed by ACEIC to the Company in 2020 include ₱84,384,258.17 which pertain to compensation of officers.

Compensation of Directors

The incumbent non-independent directors do not receive allowances, per diem, or bonuses. The incumbent independent directors are entitled to receive Php 100,000.00 per Board meeting attended, and Php 20,000.00 per Committee meeting attended.

There are no other existing arrangements/agreements to which said directors are to be compensated during the last completed fiscal year and the ensuing year.

Employment Contracts and Termination of Employment and Change-in-Control Arrangements

Under ACEN's By-Laws, the Officers of the Company shall hold office for one (1) year and until their successors are chosen and qualified in their stead. Any officer elected or appointed by the majority of the Board may be removed by the affirmative vote of the Board.

ACEN does not have written contracts with any of its executive officers or other significant employees.

Compensatory Plan or Arrangement

The compensation received by officers who are not members of the Board consists of salaries, bonuses, and other benefits.

All permanent and regular employees of the Company are covered by the ACEN retirement plan (the "Plan"). The Plan provides benefits upon normal retirement beginning at age sixty (60), early retirement beginning at age fifty (50) with completion of at least ten (10) years of service, voluntary separation beginning upon completion of at least ten (10) years of service, total and physical disability, death, and involuntary separation. The benefits are based on the employee's final monthly basic salary and length of service.

Warrants and Options Outstanding

On 2 April 2007, the Board and stockholders authorized ACEN to set aside a total of one hundred million (100,000,000) shares from the unsubscribed portion of the Company's authorized shares for the following purposes and under terms and conditions as determined by the Executive Committee of the Board:

1. Stock grants to officers and managers of the Company; and
2. Stock options for directors, officers, and employees of the Company and its subsidiaries and affiliates for the purposes.

On 8 January 2008, the SEC approved the Company's Executive Stock Grants Plan and Stock Option Plan.

The Executive Stock Grants Plan was available to all officers of ACEN and its subsidiaries, including unclassified managers. Upon achievement of the Company's goals and the determination of any variable compensation, twenty percent (20%) of the variable compensation of the officers or managers who are entitled to avail of the Executive Stock Grants Plan are given in the form of ACEN's shares with a twenty percent (20%) discount on the weighted average closing price for twenty (20) trading days before the date of the grant but not lower than the par value of P1.00 per share. The first stock grants were subject to a holding period of one (1) year for the first one-third (1/3) of the shares, two (2) years for the next one-third (1/3) of shares and three (3) years for the remaining one-third (1/3) of the shares. Succeeding stock grants are subject to a holding period of three (3) years.

The Stock Option Plan was available to all directors and permanent officers and employees of ACEN and its affiliates/subsidiaries. Employees may purchase up to thirty-three percent (33%) of their allocated shares within the first year of the grant, up to sixty-six percent (66%) on the second year of the grant, and up to one hundred percent (100%) on the third year of the grant, in cash at the weighted average closing price for twenty (20) trading days prior to date of grant but not lower than the par value of P1.00 per share.

As of 23 March 2021, the stock option has not been adjusted or amended as the previous grant had no remaining life as of 31 December 2016.

As of 23 March 2021, the remaining number of shares available for stock grants and stock options is 60,301,331 out of the 100,000,000 shares.

Item 11. Security Ownership of Certain Beneficial Owners and Management

Security ownership of certain record and beneficial owners of more than five percent (5%)

The table below shows the persons or groups known to ACEN to be directly the record or beneficial owners of more than five percent (5%) of the Company's voting securities as of 19 March 2021:

Title of Class of Shares	Name & Address of Record Owner & Relationship with Issuer	Name & Address of Beneficial Owner & Relationship with Record Owner	Citizenship	No. of Shares Held	% Held
Common	PCD Nominee Corporation[3] 29/F BDO Equitable Tower, 8751 Paseo de Roxas, Makati City Stockholder		Filipino	15,293,093,056	76.62%
Common	Arran Investment Pte Ltd 168 Robinson Road, #37-01, Capital Tower, Singapore 068912		Singaporean	3,999,999,999	20.04%

As of 28 February 2021, and prior to the signing of the Subscription Agreement between the Company and Arran, PCD Nominee Corporation was the only entity known to ACEN to be directly the owner of more than five percent (5%) of the Company's voting securities, with a shareholding percentage of 95.82%. ACEIC, which holds 11,175,442,998 indirect shares lodged with the PCD, had a shareholding percentage of 70.02%.

As of 19 March 2021, ACEIC owns 55.99% of the outstanding voting shares of the Company.

Security Ownership of Directors and Management as of 19 March 2021

None of the directors and officers individually owns five percent (5%) or more of the outstanding capital stock of ACEN. The table below shows the securities owned by the directors and officers of the Company as of 19 March 2021:

Title of Class of Outstanding Share	Name of beneficial owner	Citizenship	Amount of beneficial ownership	Nature of beneficial ownership	% of total outstanding shares
Common	Jose Rene Gregory D. Almendras	Filipino	1[2] 950,450	Direct Indirect[1]	0.00%
Common	John Eric T. Francia	Filipino	32,654,147[2] 131,712,278	Direct Indirect[1]	0.82%
Common	Nicole Goh Phaik Khim	Malaysian	1	Direct	0.00%
Common	John Philip S. Orbeta	Filipino	1[2] 4,162,161	Direct Indirect[1]	0.02%
Common	Fernando M. Zobel de Ayala	Filipino	1 494,009,448	Direct Indirect[1]	2.47%

[3] The beneficial owners of such shares are the participants of PCD which holds the shares on their behalf or in behalf of their clients. ACEIC's 11,175,442,928 indirect shares are lodged with the PCD.

PCD is a private institution established in March 1995 to improve operations in securities transactions. PCD seeks to provide a fast, safe and highly efficient system for securities settlement. The PCD was organized to implement an automated book-entry system of handling securities transaction in the Philippines.

Common	Jaime Augusto M. Zobel de Ayala	Filipino	1 416,217	Direct Indirect[1]	0.00%
Common	Consuelo D. Garcia	Filipino	1,000 900	Direct Indirect[1]	0.00%
Common	Ma. Aurora D. Geotina-Garcia	Filipino	1	Direct	0.00%
Common	Sherisa P. Nuesa	Filipino	90,000 1,658,107	Direct Indirect[1]	0.01%
Common	Melinda L. Ocampo	Filipino	1	Direct	0.00%
Common	Mario Antonio V. Paner	Filipino	1	Direct	0.00%
Common	Maria Corazon G. Dizon	Filipino	8,288,247 34,233,197	Direct Indirect[3]	0.21%
Common	Gabino Ramon G. Mejia	Filipino	3,480,949 4,513,004	Direct Indirect[3]	0.04%
Common	Roman Miguel G. de Jesus	Filipino	4,129,895 14,691,503	Direct Indirect[3]	0.09%
Common	Solomon M. Hermosura	Filipino	0	N/A	0.00%
Common	Dodjie D. Lagazo	Filipino	6,526,166 7,055,313	Direct Indirect[3]	0.07%
Common	Alan T. Ascalon	Filipino	560,173 826,328	Direct Indirect[3]	0.01%
Common	Mariejo P. Bautista	Filipino	1,101,450 3,683,446	Direct Indirect[3]	0.02%
Common	Irene S. Maranan	Filipino	2,391,810 5,790,412	Direct Indirect[3]	0.04%
Common	Henry T. Gomez, Jr.	Filipino	0	N/A	0.00%
Common	Sebastian Arsenio R. Lacson	Filipino	1,136,765	Indirect[3]	0.01%
Common	Jose Maria Eduardo P. Zabaleta	Filipino	0	N/A	0.00%
Common	Peter C. Buenaseda	Filipino	0	N/A	0.00%
TOTAL			**764,063,374**		**3.83%**

[1] *The indirect shares held by the following directors: Messrs. Jose Rene Gregory D. Almendras, John Eric T. Francia, John Philip S. Orbeta, Fernando M. Zobel de Ayala, and Jaime Augusto Zobel de Ayala and Mses. Sherisa P. Nuesa, Consuelo D. Garcia, Ma. Aurora Geotina-Garcia, and Melinda L. Ocampo are lodged with the PCD Nominee.*

[2] *The one (1) nominal share of each of Messrs. Jose Rene Gregory D. Almendras, John Eric T. Francia, and John Philip S. Orbeta are qualifying shares held in trust for AC Energy and Infrastructure Corporation.*

[3] *The indirect shares held by the following officers: Messrs. Roman Miguel G. de Jesus, Gabino Ramon G. Mejia, Dodjie D. Lagazo, Alan T. Ascalon, and Sebastian Arsenio R. Lacson, and Mses. Maria Corazon G. Dizon, Mariejo P. Bautista, and Irene S. Maranan are lodged with the PCD Nominee.*

Fernando M. Zobel de Ayala, Chairman of the Board of Directors ("Board") of the Company, owns 2.47% of the outstanding capital stock of the Company. No other director or member of the Company's management owns more than two percent (2%) of the outstanding capital stock of the Company.

As of 28 February 2021, and prior to the signing of the Subscription Agreement between the Company and Arran, Fernando M. Zobel de Ayala owned 3.10% of the outstanding capital stock of the Company. The directors and officers of the Company (as a group) owned a total of 4.85% of the total issued and outstanding shares of the Company. None of the directors and officers individually owned two percent (2%) of the Company's outstanding shares.

Voting Trust Holders of 5% or more

ACEN is not aware of any person holding five percent (5%) or more of the Company's outstanding shares under a voting trust agreement or similar agreement.

On 18 March 2021, the Company and Arran signed a Subscription Agreement for the issuance of four billion primary shares of the Company to Arran in accordance with the Investment Agreement that the Company signed with Arran on 30 December 2020, which resulted in Arran acquiring a 20.04% ownership interest in the Company. The foregoing issuance is scheduled for approval and confirmation of the stockholders at the annual stockholders' meeting.

In accordance with the second paragraph of Article Seventh of the Articles of Incorporation of the Company, the issuance of shares to Arran is not subject to the pre-emptive right of the stockholders because such issuance will not exceed 35% of the resulting total issued and outstanding capital stock of the Company.

Changes in Control

There are no arrangements that may result in a change in control of ACEN.

Item 12. Certain Relationships and Related Transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence which include affiliates. Related parties may be individual or corporate entities.

Outstanding balances at year-end are unsecured and are to be settled in cash throughout the financial year. There have been no guarantees provided or received for any related party receivables or payables. Provision for credit losses recognized for receivables from related parties amounted to nil for both 2020 and 2019, and P10.26 million for 2018. The assessment of collectability of receivables from related parties is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

In the ordinary course of business, the Company transacts with associates, affiliates, jointly controlled entities, and other related parties on advances, loans, reimbursement of expenses, office space rentals, management service agreements, and electricity supply (*See Note 29 to the Company's audited consolidated financial statements as of and for the year ended 31 December 2020*). The transactions and balances of accounts as at and for year ended 31 December 2020 with related parties are as follows:

	As at and for the Year Ended December 31, 2020					
	Amount/		Outstanding Balance			
Company	Volume	Nature	Receivable	Payable	Terms	Conditions
Parent						
AC Energy and Infrastructure Corporation						
Due from related parties/Management fees income	**₱387,138**	Management fees	**₱34,018**	**₱–**	30-day, non-interest bearing	Unsecured; no impairment
Due to related parties / General and administrative expenses	**462,602**	Management fees	–	**(305,350)**	30-day, non-interest bearing	Unsecured
Due to related parties	**50,767**	Lease assignment	–	**(50,666)**	30-day, non-interest bearing	Unsecured
Due to related parties / General and administrative expenses	**8,744**	SAP IT Support Services	–	**(7,530)**	30-day, non-interest bearing	Unsecured
Due to related parties / General and administrative expenses	**6,809**	Various expenses	–	**(6,809)**	30-day, non-interest bearing	Unsecured;
Associates and Joint Venture						
MGI						
Due to related parties / Cost of sale of electricity	**116,378**	Purchase of electricity	–	**(128,447)**	30-day, non-interest bearing	Unsecured;
Asia Coal						
Due to related parties	–	Advances	–	**(254)**	Non-interest bearing	Unsecured

Entities Under Common Control of Ultimate Parent Company						
Various Entities under ACEI						
Due from related parties	3,980	Management fees	3,155	–	30-day, non-interest bearing	Unsecured; no impairment
Due from related parties	810	Rental income	563	–	Subsequently on demand	Unsecured; no impairment
North Luzon Renewable Energy Corp.						
Due from related parties	31,310	Management fees	11,344	–	30-day, non-interest bearing	Unsecured; no impairment
Due to related parties	–	Due to related Parties	–	(1,286)	30-day, non-interest bearing	Unsecured
ACE Renewables Philippines, Inc. (Moorland)						
Due from related parties	–	Dividend Income	11,521	–	Due and demandable	Unsecured; no impairment
Viage Corporation						
Due from related parties	–	Advances	110,373	–	Due and demandable	Unsecured; no impairment
AC Renewables International Pte. Ltd.						
Short-term loans	4,803,600	Short-term loan	–	(4,803,600)	180-day, interest bearing	Unsecured
Short-term loans	58,838	Interest on short-term loan	–	(58,838)	30 days	Unsecured
Presage Corporation						
Loans Payable	136,551	Long-term loan	–	(136,551)	5 years	Unsecured
Due to related parties	24,612	Interest on long-term loan	–	(24,612)	30 days	Unsecured
Due to related parties	1,712	Due to related Parties	–	(1,712)	30-day, non-interest bearing	Unsecured
Due from related Parties	48,991	Due from related Parties	48,991	–	30-day, non-interest bearing	Unsecured; no impairment

	As at and for the Year Ended December 31, 2020					
	Amount/		Outstanding Balance			
Company	**Volume**	**Nature**	**Receivable**	**Payable**	**Terms**	**Conditions**
Bank of the Philippine Islands						
Long-term loans	₱2,145,042	Long-term loan	₱–	(₱2,233,530)	12 years	Unsecured
Long-term loans	–	Interest on long-term loan	–	(146,196)	30 days	Unsecured
Long-term loans	15,784	Due from related Parties	–	(15,784)	12 years	Unsecured
UPC Holdco II						
Long-term loans	135,383	Long-term loan	–	(135,383)	5 years	Unsecured
Due to related parties	15,308	Interest on long-term loan	–	(61,341)	30 days	Unsecured
Other related parties						
Directors						
General and administrative expenses	30,574	Directors' fee and annual incentives		(30,574)	On demand	Unsecured
Stockholders						
Due to stockholders	₱18,272	Cash Dividends		(₱18,272)	On demand	Unsecured
Due from related parties (see Note 5)			₱219,965	₱–		
Due to related parties (see Note 16)			–	(588,007)		
Short-term loans (see Notes 17)				(4,862,438)		
Long-term loans (see Note 17)				(2,667,444)		
Accrued director's and annual incentives (see Note 16)			–	(30,574)		
Due to stockholders (see Note 34)			–	(18,272)		

	As at and for the Year Ended December 31, 2019 (As restated)					
	Amount/		Outstanding Balance			
Company	Volume	Nature	Receivable	Payable	Terms	Conditions
Parent						
AC Energy and Infrastructure Corporation						
Due from related parties / General and administrative expenses	₱9	Transportation and travel expense	₱9	₱–	30-day, non-interest bearing	Unsecured; not impaired
Due to related parties / General and administrative expenses	38,664	Management fee and bonus	–	(31,489)	30-day, non-interest bearing	Unsecured
Due to related parties / General and administrative expenses	638	Miscellaneous guarantee fee	–	(354)	30-day, non-interest bearing	Unsecured
Due to related parties / Acquisition of a subsidiary under a common control	340,000	Reimbursement of down payment to Axia	–	–	Non-interest bearing	Unsecured
Associate						
MGI						
Due to related parties /Cost of sale of electricity	758,974	Purchase of electricity	–	(157,965)	30-day, non-interest bearing	Unsecured
Asia Coal						
Due to related parties	–	Advances	–	(254)	Non-interest bearing	Unsecured
Entities Under Common Control of Ultimate Parent Company						
Direct Power Services, Inc.						
Revenue from sale of electricity	193,644	Sale of electricity	–	–	30-day, non-interest bearing	Unsecured;
Other Related Parties						
Directors						
Accrued director's and annual incentives /General and administrative expenses	8,993	Directors' fee and annual incentives	–	(50)	On demand	Unsecured

	As at and for the Year Ended December 31, 2019 (As restated)					
	Amount/		Outstanding Balance			
Company	Volume	Nature	Receivable	Payable	Terms	Conditions
Stockholders						
Due to stockholders	₱89,718	Cash Dividends	₱–	(₱16,594)	On demand	Unsecured
Due from related parties (see Note 5)			₱9	₱–		
Due to related parties (see Note 16)			–	(190,062)		
Accrued director's and annual incentives (see Note 16)			–	(50)		
Due to stockholders (see Note 34)			–	(16,594)		

	As at and for the Year Ended December 31, 2018					
	Amount/		Outstanding Balance			
Company	Volume	Nature	Receivable	Payable	Terms	Conditions
Due to related parties/ Other expenses	₱3,778	Share in expenses	₱–	(₱490)	30-day, non-interest bearing	Unsecured
Accounts payable and other current liabilities	51,293	Cash dividends	–	–	Payable on April 05, 2018; subsequently on demand	Unsecured
Union Galvasteel Corp. (UGC)						
Due from related parties/	619	Rental income and advances	123	–	30-60 day, non-interest bearing	Unsecured, no impairment
Receivables	225,000	Sale of 50% Interest in PHINMA Solar	45,000		Noninterest-bearing	Unsecured, no impairment
Due to related parties		Rental deposit	–	(158)		
Dividend income	3,458	Cash dividend	–	–	30-60 day, non-interest bearing	Unsecured
General and administrative expenses	136	Roofing materials	–	–	30-60 day, non-interest bearing	Unsecured
T-O Insurance, Inc.						
Due to related parties/ General and administrative expenses	59,146	Insurance expense and membership fees	–	(32,857)	30-60 day, non-interest bearing	Unsecured
Other Related Parties						
Directors						
General and administrative expenses	10,145	Directors' fee and annual incentives	–	–	On demand	Unsecured
Stockholders						
Due to stockholders	89,718	Cash dividends	–	(16,651)	On demand	Unsecured
Due from related parties (see Note 8)			₱333,576	₱–		
Due to related parties (see Note 19)			–	(801,165)		
Accrued directors' and annual incentives (see Note 19)			–	–		
Due to stockholders (see Note 22 and 35)			–	(16,651)		

ACEIC
The Company and its subsidiaries BPGC, CIP II Power Corporation ("CIPP") and Guimaras Wind Corporation ("Guimaras Wind") have management contracts with PHINMA, Inc. These Management Contracts were assigned to ACEIC on 25 June 2019 through an executed Deed of Assignment.

MGI
The Company purchases the entire net electricity output of MGI.

ACE International
The Company paid income taxes on behalf of ACE International. These are recorded as advances which are intended to be settled within the year.

Ayala Land, Inc. ("ALI")

The Company leases office space and parking slots from ALI.

Identification, Review and Approval of Related Party Transactions
All (1) SEC-defined material related party transactions, i.e., related party transaction/s, either individually or in aggregate over a twelve (12)-month period of the Group with the same related party, amounting to ten percent (10%) or higher of the Group's total consolidated assets based on its latest audited consolidated financial statements; and (2) any related party transaction/s that meet the threshold values approved by the Risk Management and Related Party Transactions Committee (the Committee), i.e., ₱50 million or five percent (5%) of the Group's total consolidated assets, whichever is lower, shall be reviewed by the Committee and approved by the BOD before its commencement, except transactions that are explicitly excluded/exempted by the SEC and transactions delegated to management.

For SEC-defined material related party transactions, the approval shall be by at least 2/3 vote of the BOD, with at least a majority vote of the independent directors. In case that the vote of a majority of the independent directors is not secured, the material related party transactions may be ratified by the vote of the stockholders representing at least 2/3 of the outstanding capital stock.

PART IV CORPORATE GOVERNANCE AND SUSTAINABILITY

Item 13.A. Corporate Governance

For the full details and discussion, please refer to the Definitive Information Sheet and Annual Corporate Governance Report posted in the Company's Official Website www.acenergy.ph. The detailed discussion of the Annual Corporate Governance Section was deleted as per SEC Memorandum Circular No. 5, series of 2013, issued last March 20, 2013.

Corporate Governance

The Board of Directors, officers and employees of the Company commit themselves to the principles and best practices embodied in its Corporate Governance Manual (the "Manual"). The Company believes that good corporate governance is a necessary component of what constitutes sound strategic business management and will therefore exert every effort to ensure adherence thereto within the organization.

Compliance Officer

The Board designates a Compliance Officer who reports to the Chairman of the Board. As required of publicly-listed companies, the appointment of Compliance Officer is properly disclosed to the SEC. The Board also ensures the presence and adequacy of internal control mechanisms for good governance.

The Compliance Officer's duties include ensuring proper on boarding of new directors (i.e., orientation on the Company's business, charter, articles of incorporation and by-laws, among others), monitor, review, evaluate and ensure compliance by the Company, its officers and directors with the relevant laws, with the Code of Corporate Governance ("Code"), rules and regulations and all governance issuances of regulatory agencies, appear before the SEC upon summon on matters in relation to compliance with the Code, ensure the integrity and accuracy of all documentary submissions to regulators, determine violation/s of the Code and recommend to the Board the imposition of appropriate disciplinary action on the responsible parties and the adoption of measures to prevent a repetition of the violation, identify possible areas of compliance issues and work towards the resolution of the same, develop and establish, subject to approval of the Board , a monitoring and evaluation system to determine compliance with the Manual, which system shall provide for a procedure that fulfils the requirements of due process, ensure the attendance of board members and key officers to relevant trainings and perform such other duties and responsibilities as may be provided by the SEC.

Integrated Annual Corporate Governance Report (I-ACGR)

SEC MC No. 15, Series of 2017 was released in December 2017 which mandates all publicly-listed companies to submit an Integrated Annual Corporate Governance Report ("I-ACGR") on or before May 30 of the following year for every year that the company remains listed in the PSE, covering all relevant information for the preceding year.

The I-ACGR supersedes the ACGR last submitted for the year 2017 to the SEC and the Compliance Report on Corporate Governance last submitted for the year 2017 to the PSE. The Company submitted its I-ACGR for the years 2017 and 2018 on 30 May 2018 and 30 May 2019, respectively. For the fiscal year 2019, the Company submitted its I-ACGR on 2 September 2020.

As of 31 December 2020, the Company has substantially complied with the principles and best practices contained in the Manual. There were no sanctions imposed on any director, officer or employee for non-compliance of the Manual. The Company is taking further steps to enhance adherence to principles and practices of good corporate governance.

Item 13.B. Sustainability Report

The Company adheres to the International Integrated Reporting Framework set by the International Integrated Reporting Council as a means to present its business model, risk and opportunities, strategy, performance, and outlook. A copy of the Company's 2019 Integrated Report may be accessed *via* https://online.pubhtml5.com/aowj/gyhj/.

A copy of the Company's Integrated Report for the year 2020 will be provided to stockholders of record *via* https://acenergy.ph/integrated-report-2020/.

PART V EXHIBITS AND SCHEDULES

Item 14. Exhibits and Reports on SEC Form 17-C (Current Report)

(a) Exhibits - See accompanying Index to Financial Statements and Supplementary Schedules

(b) Reports on SEC Form 17-C

Aside from compliance with periodic reporting requirements, Ayala promptly discloses major and market sensitive information such as dividend declarations, joint ventures and acquisitions, the sale and disposition of significant assets, and other information that may affect the decision of the investing public.

The Company submitted SEC form 17-C and Press Statements to PSE, SEC on the following matters in 2020:

1. Attendance of the Members of the Board of Directors in Meetings Held in 2019;
2. Secondment of Mr. Sebastian Arsenio R. Lacson to the Company as Co-Head of Plant Operations;
3. Initial Statement of Beneficial Ownership of Securities of Mr. Sebastian Arsenio R. Lacson as Co-Head of Plant Operations of the Company on 2 January 2020;
4. List of Top 100 Stockholders as provided by the Stock Transfer Agent and PDTC for the Period ended December 31, 2019;
5. Signing of a subscription agreement with SolarAce1 Energy Corp, ("SolarAce1") for the subscription by the Company of 6,000,000 Class A common shares and 180,000,000 Class A Redeemable Preferred Shares ("RPS") of SolarAce1. Investment into the project was previously disclosed by ACEPH on 10 October 2019 in Disclosure No. C07067-2019;
6. Public Ownership Report for the Quarter ended December 31, 2019;
7. Change in the Company's website from from www.phinmaenergy.com.ph to www.acenergy.ph; Receipt on February 4, 2020, of a copy of the Philippine Competition Commission's Decision No. 04-M-030/2020 dated January 28, 2020 finding that the transaction "will not likely result in substantial lessening of competition" and resolving "to take no further action with respect to the Transaction..." and clarification that the Company will be purchasing the entire shares of PINAI in PhilWind and that following this transaction, the Company will directly and indirectly own 67% of North Luzon Renewables;
9. Acquisition of 870,000 ACEPH shares by Irene Maranan, Head of Corporate Communications and Sustainability;
10. Receipt of a copy of the Philippine Competition Commission's Decision No. 05-M-004/2020 dated 13 February 2020 finding that the acquisition of the PINAI Investors' ownership interest in San Carlos Solar Energy, Inc. ("SACASOL") "will not likely result in substantial lessening of competition" and resolving "to take no further action with respect to the Transaction..."
1. Notice of Annual or Special Stockholders' Meeting of AC Energy Philippines, Inc. on Monday, 20 April 2020, at 9:00 in the morning at the Fairmont Hotel, 1 Raffles Drive, Makati Avenue, 1224 Makati City;
12. Signing of a subscription agreement with Giga Ace 1, Inc. ("Giga Ace 1") for the subscription by ACEPH of 75,000 Common Shares to be issued out of the unissued authorized capital stock ("ACS") of Giga Ace 1, and 43,069,625 Common Shares and 53,562,609 Class A Redeemable Preferred Shares ("RPS A") to be issued out of increase in ACS of Giga Ace 1;
13. Completion on February 27, 2020 of the acquisition of PINAI's shares in Philippine Wind Holdings Corporation ("PhilWind"), which directly and indirectly owns ~67% of North Luzon Renewables Corporation ("North Luzon Renewables") and the final purchase price in the amount of Php2.573 billion was paid by Giga Ace 1, Inc., the Company's wholly-owned subsidiary and the entity designated by the Company to purchase and hold the PhilWind shares;
14. Receipt on 28 February 2020 of a copy of the Philippine Competition Commission's ("PCC") Decision No. 07-M-003/2020 dated 26 February 2020 finding that the acquisition of the PINAI Investors' ownership interest in Negros Island Solar Power Inc. ("ISLASOL"). "will not likely result in substantial lessening of competition" and resolving "to take no further action with respect to the proposed Transaction..."
15. Signing of a subscription agreement with Giga Ace 1, Inc. ("Giga Ace 1") for the subscription by ACEPH to additional 1,170,000 Common Shares and 32,500 Class A Redeemable Preferred Shares ("RPS A") to be issued out of the increase in authorized capital stock ("ACS") of Giga Ace 1. Giga Ace 1 is a wholly-owned subsidiary of the Company;
16. The agenda of the Company's Annual Meeting of Stockholders on 20 April 2020;
17. The Executive Committee's approval of fuel hedge instruments of the Company;
18. Acquisition of 1,000,000 ACEPH shares by Solomon Hermosura, Corporate Secretary;.
19. Filing of Current Report Under Section 17 of the Securities Regulations Code Amid COVID-19 Pandemic;
20. Press Release entitled "AC Energy to Consolidate its International and Philippine Platforms"

21. Amendment on 18 March 2020 of the Notice of Annual Stockholders Meeting to reflect the date of the Board of Directors' approval of the date, time, place, and agenda of the Company's ASM and to reflect the amended agenda as approved by the Board of Directors;

22. Matters taken up at the regular board meeting held today, 18 March 2020, via video conferencing:

1. Ratification of the Executive Committee's approval of the Company's oil and diesel hedging transactions with Macquarie Bank Limited;
2. Ratification of the Executive Committee's approval of the Company's guarantee arrangement with AC Energy, Inc. ("ACEI") for the Company's oil and fuel hedging transactions;
3. Ratification of the actions of the Audit Committee, Board Risk Management and Related Party Transactions Committee, Corporate Governance and Nomination Committee and Personnel and Compensation Committee;
4. Approval of renewal and additional credit lines with local banks of up to Php25 billion and foreign banks of up to US$ 240 million, and co-use of these facilities with the Company's subsidiaries;
5. Approval of the Company's hedging policy, additional hedging counterparties, and guarantee fee arrangement with ACEI.
6. Approval of amendments to the charters of the following Board Committees to align with regulatory requirements and Ayala Group policies: a. Board Risk and Related Party Transactions Committee b. Corporate Governance and Nomination Committee; and c. Personnel and Compensation Committee
7. Approval of the change of the corporate name to "AC Energy Corporation";
8. Approval of the increase of the Company' authorized capital stock to Php48.4 billion pesos, divided into 48.4 billion common shares;
9. Approval of the date, time, place and agenda of the Company's Annual Stockholders' Meeting to be held on 20 April 2020 at 9:00 A.M. at the Ballroom 2, Fairmont Makati, 1 Raffles Drive, Makati Avenue, Makati City;
10. Approval of the consolidation of ACEI's international business and assets into the Company via a tax free exchange, whereby ACEI will transfer its shares of stock in Presage Corporation (ACEI's subsidiary holding Company that owns ACEI's international business
and investments) to the Company in exchange for the issuance to ACEI of additional primary shares in the Company (assets-for-shares swap);
Approval of execution of credit facilities with the Presage Group for up to US$400 Million, or its Peso equivalent to fund the Company's various greenfield projects and acquisitions;
12. In-principle approval of the investment in the 160 Mw Balaoi wind project, to be located in Barangay's Balaoi and Caunayan, Municipality of Pagudpud, Ilocos Norte, with authority delegated to the Executive Committee to make final investment decisions and the terms thereof;
13. Approval of funding of and investment into a Renewable Energy Laboratory project;
14. In-principle approval of funding of up to US$ 100 Million for new technology investments in the Philippines, with authority delegated to the Executive Committee to make final investment decisions and the terms thereof;
15. In-principle approval of Audited Financial Statements for the year ending December 31, 2019, with authority delegated to the Audit Committee to finalize the same together with the notes to the financial statements;
16. Approval of payment of employee and employer shares under the Company's old retirement plan to covered employees as part of their transition to the new Company retirement plan;
17. Approval of a share buy-back program to support share prices through the repurchase in the open market of up to Php1 billion worth of common shares beginning 24 March 2020, to be implemented by the President & CEO and Chief Financial Officer of the Company; and
18. Approval of the Company's Environmental and Social Policy.

23. Amendment to the By-laws of the Company to change the name;

24. Approval of amendments to the Articles of Incorporation of the Company.at the regular board meeting held on 18 March 2020:

a. Approval of the change of the corporate name to "AC Energy Corporation";
b. Approval of the increase of the Company' authorized capital stock to Php48.4 billion pesos, divided into 48.4 billion common shares;

25. Closing on 23 March 2020 of the acquisition of the PINAI Investors' ownership interest in Negros Island Solar Power Inc. ("ISLASOL").and payment purchase price in the amount of Php1.629 billion by Giga Ace 3, Inc., the Company's wholly-owned subsidiary and the entity designated by the Company to purchase the PINAI Investors' shares in ISLASOL;

26. Closing on 23 March 2020, Closing of the acquisition of the PINAI Investors' ownership interest in San Carlos Solar Energy, Inc. ("SACASOL").and payment of the purchase price in the amount of Php2.981 billion by Giga Ace 2, Inc., the Company's wholly-owned subsidiary and the entity designated by the Company to purchase the PINAI Investors' shares in SACASOL.

27. The Executive Committee approval on 24 March 2020 to conduct the Company’s annual stockholders’ meeting (the “2020 ASM”) scheduled on 20 April 2020 at 9:00 AM via remote communication in lieu of an in-person meeting, and to allow the participation of stockholders and other stakeholders in the 2020 ASM by accessing the link https://asm.ayala.com/ACEPH2020;
28. Share Buy-Back of 1,500,000 ACEPH Shares
29. Amendment on 26 March 2020 of the Notice of Annual Stockholders Meeting to provide the details for the conduct of the Company's Annual Stockholders' Meeting via remote communication.
30. Acquisition of 200,000 ACEPH shares by Sherisa Nuesa, Independent Director;
31. Acquisition of 400,000 ACEPH shares by Sherisa Nuesa, Independent Director;
32. Filing of the Company’s Definitive Information Statement;
33. Share Buy-Back of 1,000,000 ACEPH Shares
34. Share Buy-Back of 1,500,000 ACEPH Shares
35. Share Buy-Back of 781,000 ACEPH Shares
36. Executive Committee’s approval of the Company’s issuance of 16,685,800,533 additional primary shares to AC Energy, Inc.
37. Share Buy-Back Transaction of 2,500,000 ACEPH Shares
38. Comprehensive Corporate Disclosure on the issuance of 16,685,800,533 shares of stock in the Company to AC Energy, Inc. at an issue price of ₱2.97 per share in exchange for property consisting of 100% of ACEI’s shares in Presage
39. Share Buy-Back Transaction of 1,500,000 ACEPH Shares
40. Share Buy-Back Transaction of 1,000,000 ACEPH Shares
41. List of Top 100 Stockholders for the period ended March 31, 2020
42. Request for an extension to submit the Company's Annual Report in view of the imposition of an Enhanced Community Quarantine and Stringent Distancing Measures over Luzon and across other provinces in the country to prevent the spread of the 2019 Coronavirus Disease (COVID 19).
43. Share Buy-Back Transaction of 700,000 ACEPH Shares
44. Share Buy-Back Transaction of 57,000 ACEPH Shares
45. Public Ownership Report for the Quarter ended March 31, 2020
46. Share Buy-Back Transaction of 1,862,000 ACEPH Shares
47. Results of the Annual Stockholders' Meeting held on April 20, 2020, 9:00 a.m., conducted virtually via livestream at https://asm.ayala.com/ACEPH2020, including the following:
    a. Amendment of the Articles of Incorporation
    i. Change in the corporate name from "AC Energy Philippines, Inc." to "AC Energy Corporation"
    ii. Increase in the authorized capital stock from ₱24.40 billion divided into 24.4 billion shares, to ₱48.40 billion divided into 48.4 billion shares
    b. Amendment of the By-laws to change the corporate name from "AC Energy Philippines, Inc." to "AC Energy Corporation"
48. Submission of SEC Form 23-A of Mario Antonio V. Paner as Independent Director of the Company effective on April 20, 2020.
49. During the Company's Annual Stockholders' Meeting held on April 20, 2020, the stockholders approved the amendments to the Articles of Incorporation of the Company:
    a. Change in the corporate name from “AC Energy Philippines, Inc.” to “AC Energy Corporation”
    b. Increase in the authorized capital stock from ₱24.40 billion divided into 24.4 billion shares, to ₱48.40 billion divided into 48.4 billion shares
50. During the Company's Annual Stockholders' Meeting held on April 20, 2020, the stockholders approved the amendment to the By-laws of the Company (change in name)
51. Results of the Organizational Meeting of the Board of Directors of AC Energy Philippines, Inc.
    a. Appointment of Officers
    b. Appointment of Chairperson and Members of the Board Committees
    c. Appointment of Ms. Sherisa P. Nuesa as the lead independent director;
    d. Signing of a credit facility with AC Energy, Inc. for up to ₱5.00 billion for the Company's various development projects.; and
    e. First quarter financial performance of the Company.
52. Submission of SEC Form 23-A of Jose Maria Eduardo P. Zabaleta as Chief Development Officer of the Company effective on April 20, 2020.

53. Clarification of the news article in Business Mirror (Online Edition) on April 21 2020 entitled “AC Energy expects to post profit this year”
54. Change in corporate name from “AC Energy Philippines, Inc.” to “AC Energy Corporation” approved by the stockholders during the Annual Stockholders' Meeting held on April 20, 2020
55. Share Buy-Back Transaction of 1,200,000 ACEPH Shares
56. Annual Report for the fiscal year ended December 31, 2019
57. Quarterly Report for the period ended March 31, 2020
58. Submission of the Fairness Opinion and Valuation Report, as prepared by FTI Consulting, Inc., as update on the Property-for Share Swap between ACEPH and AC Energy, Inc.
59. Submission of the Second Amended and Restated Deed of Assignment dated May 14, 2020, as update on the disclosures dated October 9, 2019 and November 12, 2019
60. Subscription by TLCTI Asia to shares in Negros Island Solar Power, Inc. (a subsidiary of ACEPH)
61. Matters taken up at the regular board meeting held on June 11, 2020 via video conferencing:
    a. The Company’s acquisition of existing nominal shares and subscription to new shares to become the controlling shareholder of the following special purpose vehicles for development projects used by the AC Energy group:
        i. GigaAce4, Inc.
        ii. GigaAce5, Inc.
        iii. GigaAce6, Inc.
        iv. GigaAce7, Inc.
        v. GigaAce8, Inc.
        vi. GigaAce9, Inc.
        vii. GigaAce10, Inc.
    b. The updated terms for the credit line with the Development Bank of the Philippines from up to ₱3 billion to up to ₱5.5 billion;
    c. Amendment of the Power Administration and Management Agreement with One Subic Power Generation Corporation; and
    d. Amendments to the following to align with regulatory requirements and Ayala Group policies:
        i. Charter of the Board of Directors; and
        ii. Code of Conduct
62. Amendment of the disclosure dated June 15, 2020 to clarify the Board of Director's approval on the Company's authority to acquire the existing nominal shares and to subscribe to new shares to become the controlling shareholder of the special purpose vehicles for development projects used by the AC Energy group, as listed under item no. 1:
    a. The Company’s authority to acquire the existing nominal shares and to subscribe to new shares to become the controlling shareholder of the following special purpose vehicles for development projects used by the AC Energy group:
        i. GigaAce4, Inc.
        ii. GigaAce5, Inc.
        iii. GigaAce6, Inc.
        iv. GigaAce7, Inc.
        v. GigaAce8, Inc.
        vi. GigaAce9, Inc.
        vii. GigaAce10, Inc.
    b. The updated terms for the credit line with the Development Bank of the Philippines from up to ₱3 billion to up to ₱5.5 billion;
    c. Amendment of the Power Administration and Management Agreement with One Subic Power Generation Corporation; and
    d. Amendments to the following to align with regulatory requirements and Ayala Group policies:
        i. Charter of the Board of Directors; and
        ii. Code of Conduct
63. Amendment of the disclosure on the Annual Report for the fiscal year ended December 31, 2019 to attach the signed and notarized SEC Form 17-A of the Company, and the signed and notarized Statement of Management Responsibility of the Company's Consolidated (Annex A) and Parent (Annex B) audited financial statements.
64. Amendment of the disclosure on the Amendment of the Company’s Articles of Incorporation to reflect the date of approval by the Securities and Exchange Commission (June 22, 2020) of the amendment of Article VII of the Company’s Articles of Incorporation.

65. Amendment of the disclosure on the Annual Report for the fiscal year ended December 31, 2019 to attach the parent audited financial statements of the Company (Annex B) as received by the Bureau of Internal Revenue on June 9, 2020.
66. Announcement on the availability of the Company's 2019 Integrated Report on the Company's website through the link: https://acenergy.ph/ac-energy-philippines-ir-2019/
67. Amendment of the disclosure with PSE reference number C06368-2019 dated October 18, 2019 (Amendments to Articles of Incorporation) to reflect the date of approval by the Securities and Exchange Commission (June 22, 2020) of the amendment of Article VII of the Company's Articles of Incorporation.
68. Clarification of the news article in Inquirer.Net on 4 July 2020 entitled "321 residents evacuated amid power barge oil spill in Iloilo City" (https://newsinfo.inquirer.net/1301813/321-residents-evacuated-amid-power-barge-oil-spill-in-iloilo-city)
69. Share Buy-Back Transaction of 500,000 ACEN Shares
70. List of Top 100 Stockholders for the period ended June 30, 2020
71. Share Buy-Back Transaction of 400,000 ACEN Shares
72. Submission of SEC Form 23-B of AC Energy, Inc. dated June 3, 2020
73. Public Ownership Report for the for the Quarter ended June 30, 2020
74. Signing of a Shareholders' Agreement among AC Energy Philippines, Inc., ACE Endevor, Inc., and Axia Power Holdings Philippines Corp.
75. Joint Venture via a Shareholders' Agreement among AC Energy Philippines, Inc., ACE Endevor, Inc., and Axia Power Holdings Philippines Corp. for the development, construction and operation of the 150MW diesel power plant project in Pililla, Rizal.
76. Subscription by the Company of shares in Giga Ace 4, Inc.
77. Subscription by the Company of shares in Giga Ace 5, Inc.
78. Subscription by the Company of shares in Giga Ace 6, Inc.
79. Subscription by the Company of shares in Giga Ace 7, Inc.
80. Subscription by the Company of shares in Giga Ace 8, Inc.
81. Subscription by the Company of shares in Giga Ace 9, Inc.
82. Subscription by the Company of shares in Giga Ace 10, Inc.
83. Executive Committee's approval of the Company's additional investment in Bataan Solar Energy, Inc. and Giga Ace 4, Inc.
84. Resolution of the DENR-EMB dated 27 July 2020 on Notice of Violation No. 20-NOVW-0630-164 issued to Power Barge 102, owned by the Company, in relation to the oil spill incident of July 3, 2020
85. Change of the Company's stock symbol from "ACEPH" to "ACEN" effective on 14 August 2020
86. Quarterly Report for the period ended June 30, 2020
87. Press release on the Company's first half net income of Php1.96 billion following the completion of its on-shore assets restructuring
88. Matters taken up at the regular board meeting held on 18 August 2020 via video conferencing:
    a. Ratification of the following actions made by the Executive Committee:
        i. Approval of the Company's investment of up to PhP2.2 billion into its subsidiaries, namely, Bataan Solar Energy, Inc. and Giga Ace 4, Inc., to be used to further the opportunities presented by emerging clean energy technologies, and for various development activities including securing land, permitting, undertaking project studies, project planning, and procuring and installing equipment available from the new technologies;
        ii. Approval of the Company's 2019 Business Separation and Unbundling Plan for approval of the Energy Regulatory Commission; and
        iii. Approval of the Company's Quarterly Report for the quarter ending on June 30, 2020;
    b. Approval of additional hedging counterparties for the Company;
    c. Approval of the declaration of cash dividends of four centavos (Php0.04) per share on the 13,692,457,210 issued and outstanding shares of the Company, or a total dividend amount of PhP547,698,288.00 to be paid on or before September 17, 2020 to stockholders of record as of September 3, 2020;
    d. Approval of the Company's dividend policy to declare and pay dividends on an annual basis using a payout ratio of 25% to 50% of the previous year's core net income, excluding significant non-recurring gains (including value realization proceeds) or losses, to be effective on January 1, 2021;
    e. Approval of the revised land acquisition plan of ACE Endevor, Inc., the Company's subsidiary, to expand to other geographies in the Philippines for development of power generation and other types of projects, with a total budget of up to PhP5 billion;
    f. Approval of the investment of up to PhP500 Million for the construction of a 75 MWdc solar power plant project in Arayat and Mexico, Pampanga, in partnership with Citicore Renewable Energy Corp.; and

g. Approval of the investment of up to PHP2.9 billion for the construction of a 75 MWdc solar power plant project in Palauig, Zambales, through its subsidiaries, ACE Endevor, Inc. and Giga Ace 8, Inc.

89. Approval of the Company's Board of Directors of the declaration of cash dividends of Php0.04 per share on the 13,692,457,210 issued and outstanding shares of the Company, or a total dividend amount of PhP547,698,288.00, to be paid on September 17, 2020 to the shareholders on record as of September 3, 2020.
90. Submission of SEC Form 23-B of Sebastian Arsenio R. Lacson dated August 24, 2020
91. Amendment of the disclosure on the Amendment of the Company's Articles of Incorporation to attach a copy of the Certificate of Approval of Increase of Authorized Capital Stock, the Certificate of Filing Amended Articles of Incorporation, and the Amended Articles of Incorporation.
92. Submission of SEC Form 23-B of Ma. Teresa P. Posadas dated August 25, 2020
93. Amendment of the disclosure on the Quarterly Report for the quarter ending on June 30, 2020 to clarify the Company's "Earnings Per Share".
94. Submission of SEC Form 23-B of Alan T. Ascalon dated August 27, 2020
95. Submission of SEC Form 23-B of Mariejo P. Bautista dated August 27, 2020
96. Submission of SEC Form 23-B of Danilo L. Panes dated August 27, 2020
97. Submission of SEC Form 23-B of Sebastian Arsenio R. Lacson dated August 27, 2020
98. Submission of the Company's 2019 Integrated Annual Corporate Governance Report, in compliance with SEC Memorandum Circular No.15 Series of 2017
99. Submission of SEC Form 23-B of Sebastian Arsenio R. Lacson dated September 1, 2020
100. Submission of SEC Form 23-B of Alan T. Ascalon dated September 2, 2020
101. Submission of SEC Form 23-B of Sebastian Arsenio R. Lacson dated September 8, 2020
102. Submission of the Company's 2020 First Amended General Information Sheet
103. Submission of SEC Form 23-B of Solomon M. Hermosura dated September 17, 2020
104. Submission of SEC Form 23-B of Danilo L. Panes dated September 17, 2020
105. Subscription by the Company of shares in Buendia Christiana Holdings Corp.
106. Submission of SEC Form 23-B of Solomon M. Hermosura dated September 24, 2020
107. Submission of SEC Form 23-B of Solomon M. Hermosura dated September 29, 2020
108. Change in number of issued and/or outstanding shares for the issuance of 6,185,182,288 new shares of AC Energy Philippines, Inc. to AC Energy, Inc.
109. Public Ownership Report for the for the Quarter ended September 30, 2020
110. Submission of SEC Form 23-B of Roman Miguel G. de Jesus dated October 8, 2020
111. List of Top 100 Stockholders for the period ended September 30, 2020
112. Announcement on the availability of the Company's revised Charter of the Corporate Governance and Nomination Committee on the Company's website through the link: https://acenergy.ph/governance/board-committee/board-committees/corporate-governance-and-nomination-committee/
113. Announcement on the availability of the Company's revised Charter of the Board Risk Management and Related Party Transactions Committee on the Company's website through the link: https://acenergy.ph/governance/board-committee/board-committees/board-risk-and-rpt-committee/
114. Announcement on the availability of the Company's revised Code of Conduct and Ethics on the Company's website through the link: https://acenergy.ph/governance/board-committee/code-of-conduct/
115. Announcement on the availability of the Company's revised Charter of the Personnel and Compensation Committee on the Company's website through the link: https://acenergy.ph/governance/board-committee/board-committees/compensation-committee/
116. Announcement on the availability of the Company's revised Charter of the Board of Directors on the Company's website through the link: https://acenergy.ph/governance/board-committee/board-committees/
117. Participation of the Company's directors and officers in the Advanced Corporate Governance Training administered by the Institute of Corporate Directors during the Ayala Group Integrated Corporate Governance, Risk Management, and Suitability Summit held on August 9, 2019 at the New World Hotel, Makati City.
118. Submission of SEC Form 23-B of Solomon M. Hermosura dated October 16, 2020
119. Subscription by the Company of shares in Bataan Solar Energy, Inc.
120. Amendment of the disclosure on the subscription by the Company of shares in Ingrid Power Holdings, Inc.
121. Submission of SEC Form 23-B of Solomon M. Hermosura dated October 21, 2020
122. Submission of SEC Form 23-B of Irene S. Maranan dated October 23, 2020
123. Submission of SEC Form 23-B of Solomon M. Hermosura dated October 22, 2020
124. Bulacan Power Generation Corporation's disposition of 3,500,000 ACEN shares

125. Bulacan Power Generation Corporation's disposition of 5,000,000 ACEN shares
126. Submission of SEC Form 23-B of Roman Miguel G. de Jesus dated November 3, 2020
127. Subscription by the Company of shares in ACE Endevor, Inc.
128. Subscription by the Company to additional shares in ACE Shared Services, Inc.
129. Report on the Company’s receipt of the Bureau of Internal Revenue’s Certification Ruling SN027-2020 dated 30 October 2020, as update on the Property-for-Share Swap between ACEN and AC Energy, Inc.
130. Notice of Analysts' Briefing on 12 November 2020
131. Matters taken up and approved at the regular board meeting held on 11 November 2020, via video conferencing:
    a. The procurement of a new credit line of up to PhP3 billion, and the renewal of the Company’s credit lines with local banks of up to PhP3 billion, and additional counterparties to the Company’s hedging instruments, and opening of a Trust Account for the Company’s retirement program;
    b. The amendment of the Company’s dividend policy to declare and pay dividends on an annual basis using a payout ratio of 25% to 50% of the previous year’s core net income, to be effective on 1 January 2021 (the “Regular Dividends”), to include the Board’s discretion, exercised reasonably, to approve the declaration and payment of special dividends over and above the Regular Dividends;
    c. Additional funding for new technology investments in the Philippines;
    d. The execution of development management agreements between the Company and its various project companies;
    e. The terms of the Company’s stock rights offering for the issuance of 2,267,580,434 shares at an offer price of Php2.37 per share, and at an entitlement ratio of 1.11 shares:1 offer share, subject to applicable SEC and other regulatory approvals of the offer, including the offer price;
    f. The Company’s Quarterly Report and Consolidated Financial Statements for the quarter ending 30 September 2020;
    g. The issuance of unaudited pro forma consolidated financial statements for 30 September 2020 and 31 December 2019 solely for inclusion in the Company’s prospectus in connection with the planned stock rights offering;
    h. The Company’s 2021 budget;
    i. The engagement of FTI Consulting Philippines, Inc. as fairness opinion provider and other consultants for purposes of refreshing the valuation of the Company and the international business and assets of AC Energy, Inc. (“ACEI”) for the consolidation of ACEI’s international business and assets into the Company via a property-for-shares swap;
    j. The enhancements to the Company’s group insurance management policy;
    k. The Company’s capital expenditure budget for the Ayala Triangle Tower 2 office, and the execution of a lease contract with Ayala Land, Inc.;
    l. The funding and development of an eco-learning hub in Alaminos, Laguna, to showcase the Company’s renewable energy projects and sustainability initiatives;
    m. The amendments to the following codes and manuals:
        i. Code of Conduct
        ii. Charter of the Executive Committee
        iii. Whistleblower and Non-Retaliation Policy
        iv. Corporate Governance Manual
    n. The offer of an affiliate of GIC Private Limited to invest into the Company and acquire a 17.5% ownership stake, subject to definitive documentation and satisfaction of agreed conditions. The proposed 17.5% ownership stake is on the basis that ACEN’s stock rights offering and follow-on-offering, and the infusion by the Company’s parent company, AC Energy, Inc., of its international business into the Company, have been completed.
132. GIC Private Limited potential investment of approximately Php20bn in ACEN
133. Board of Directors’ approval of the pricing for, and volume, of the shares to be issued as update to the Company’s Stock Rights Offering.
134. Quarterly Report for the period ended September 30, 2020
135. Clarification of the news article in Business Mirror (Online Edition) on 19 November 2020 entitled “AC Energy expects to hit half of 5,000MW RE goal in 2021”
136. Bulacan Power Generation Corporation's disposition of 8,200,000 ACEN shares
137. Submission of SEC Form 23-B of Irene S. Maranan dated November 24, 2020
138. Submission of SEC Form 23-B of Roman Miguel G. de Jesus dated November 26, 2020
139. Amendment of the disclosure on the SEC Form 23-B of Irene S. Maranan as of February 2020

140. Amendment of the disclosure on the SEC Form 23-B of Irene S. Maranan as of October 2020
141. Company's receipt of the Philippine Competition Commission's approval as update on the Joint Venture/Shareholders' Agreement among AC Energy Philippines, Inc., ACE Endevor, Inc., and Axia Power Holdings Philippines Corp.
142. Company's receipt of the Confirmation Letter issued by the Markets and Securities Regulation Department of the Securities and Exchange Commission as update on the Company's Stock Rights Offering
143. Clarification of the article in in the news website Power Philippines News (http://powerphilippines.com/sec-approves-ac-energys-stock-rights-offering/) entitled "SEC approves AC Energy's stock rights offering
144. Submission of SEC Form 23-B of Jose Rene Gregory D. Almendras dated December 15, 2020
145. Matters taken up and approved at the special board meeting held on 17 December 2020, via video conferencing:
    o. Financing for a solar plant project to be built in Arayat and Mexico, Pampanga through a secured loan for 100% of the total project cost of up to PhP3.33 billion;
    p. Financing for a wind farm project to be built in Pagudpud, Ilocos Norte for up to 70% of the total project cost amounting to up to PhP7.48 billion;
    q. Conduct of preparatory works for the planned follow-on offering of the Company, including engagement of consultants and pre-filings with the relevant government agencies; and
    r. Engagement of SyCip Gorres Velayo & Co. to conduct a special audit of the Company's increase in authorized capital stock to comply with the requirements of the Securities and Exchange Commission.
146. Amendment of the disclosure on the SEC Form 23-B of Jose Rene Gregory D. Almendras as of December 2020
147. Disclosure/details on the Company's Stock Rights Offering
148. Amendment of the disclosure/details on the Company's Stock Rights Offering to correct the "End of Offer Period" to 5 February 2021
149. Subscription by the Company of shares in Buendia Christiana Holdings Corp.

Clarification of News Reports

Structured Reports submitted to SEC and PSE

1. Top 100 Stockholders Report
2. Public Ownership Reports
3. Statement of Changes in Beneficial Ownership of Securities of directors, officers, and 10% owners
4. Initial Statement of Beneficial Ownership of Securities of directors, officers, and 10% owners
5. Quarterly Financial Reports
6. Annual Report

AC Energy
An Ayala Company

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Tel +632 7730 6300
www.acenergy.com.ph

SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in the City of Makati on 31 March 2021.

AC Energy Corporation
By:

Fernando Zobel de Ayala
Chairman of the Board

John Eric T. Francia
President and Chief Executive Officer

Maria Corazon G. Dizon
Chief Finance Officer, Chief Risk Officer
Chief Compliance Officer, and Finance Group Head Officer

Solomon M. Hermosura
Chief Legal Officer and Corporate Secretary

Mariejo P. Bautista
SVP - Finance and Controller

Gabino Ramon G. Mejia
Head of Plant Operations

SUBSCRIBED AND SWORN to before me this 31 March 2021 at Makati City, affiants exhibiting to me his/their respective passports/driver's license, to wit:

Fernando Zobel de Ayala	P0349883B	22 Jan 2019	DFA Manila
John Eric T. Francia	P3923362B	21 Nov 2019	DFA Manila
Maria Corazon G. Dizon	P6253635A	2 Mar 2018	DFA NCR East
Solomon M. Hermosura	P3081434B	3 Oct 2019	DFA NCR East
Mariejo P. Bautista	EC8230873	7 Jul 2016	DFA Manila
Gabino Ramon G. Mejia	P7435224A	4 Jun 2018	DFA Manila

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JORDAN MAE T. CHUA
NOTARY PUBLIC
ROLL NO. 63561
MAKATI CITY, PHILIPPINES

JORDAN MAE T. CHUA
Notary Public for Makati City
Appointment No. M-67 until 30 June 2021 per SC B.M. 3795
Attorney's Roll No. 63561; 8 May 2014
PTR No. MKT 8535079; Makati City; 5 January 2021
IBP Lifetime No. 012851
MCLE Compliance No. VI - 0015897 valid until 14 April 2022
4th Floor, 6750 Office Tower, Ayala Avenue, Makati City

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Report of the Audit Committee to the Board of Directors
For the Year Ended 31 December 2020

The Board-approved Audit Committee ("the Committee") Charter defines the duties and responsibilities of the Committee. In accordance with the Charter, the Committee assists the Board of Directors in fulfilling its oversight responsibilities to the shareholders with respect to the:

- Integrity of the Company's financial statements and the financial reporting process;
- Appointment, remuneration, qualification, independence and performance of the external auditors and the integrity of the audit process as a whole;
- Effectiveness of the system of internal control;
- Performance and leadership of the internal audit function; and
- Company's compliance with applicable legal and regulatory requirements.

In compliance with the Audit Committee Charter, we confirm that:

- All the Audit Committee members are independent directors, including the Chairman;

- We had four (4) regular meetings and two (2) special meetings with Management, internal auditors and external auditors and one (1) executive meeting with internal auditors and external auditors;

- We recommended for approval of the Board and endorsement to the shareholders the reappointment of SGV & Co. as the Company's 2020 external auditors and the related audit fee;

- We reviewed and discussed the quarterly unaudited and the annual audited parent and consolidated financial statements of AC Energy Corporation (ACEN) and Subsidiaries, including the Management's Discussion and Analysis of Financial Condition and Results of Operations and the significant impact of new accounting standards, with management, internal auditors and SGV & Co. These activities were performed in the following context:
    - Management has the primary responsibility for the financial statements and the financial reporting process; and
    - SGV & Co. is responsible for expressing an opinion on the conformity of the AC Energy Corporation's audited parent and consolidated financial statements with the Philippine Financial Reporting Standards.

- We reviewed the Pro Forma Condensed Consolidated Financial Information as at September 30, 2020 and for the Nine-Month Period Ended September 30, 2020 and Year Ended December 31, 2019 showing the impact of the infusion of the offshore and on-shore assets of AC Energy and Infrastructure Corp. to ACEN for inclusion in the Offering Circular in relation to the stock rights offering;

- We approved the overall scope and the respective audit plans of the Company's internal auditors and SGV & Co. We reviewed the adequacy of resources, the competencies of staff and the effectiveness of the auditors to execute the audit plans ensuring that resources are reasonably allocated to the areas of highest

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risks. We also discussed the results of their audits, their assessment of the Company's internal controls, and the overall quality of the financial reporting process including their management letter of comments;

- We evaluated the effectiveness of the internal audit function, including compliance with the International Standards for the Professional Practice of Internal Auditing;

- We reviewed the reports and updates of the internal and external auditors ensuring that management is taking appropriate corrective actions in a timely manner, including addressing internal control and compliance issues. Based on the assurance provided by the internal audit as well as SGV & Co. as a result of their audit activities, the Committee assessed that the Company's system of internal controls, risk management, compliance, and governance processes are adequate;

- We reviewed and approved all audit, audit-related and non-audit services provided by SGV & Co. to AC Energy Corporation and the related fees. We also assessed the compatibility of non-audit services with the auditors' independence to ensure that such services will not impair their independence;

- We conducted an annual assessment of our performance, in accordance with Securities and Exchange Commission guidelines, and confirmed that the Committee had satisfactorily performed its responsibilities based on the requirements of its Charter; and

- We reviewed the Audit Committee Charter to ensure that it is updated and aligned with regulatory requirements.

Based on the reviews and discussions undertaken, and subject to the limitations on our roles and responsibilities referred to above, the Audit Committee recommends to the Board of Directors that the audited financial statements be included in the Annual Report for the year ended December 31, 2020 for filing with the Securities and Exchange Commission and the Philippine Stock Exchange. We are also recommending the reappointment of SGV & Co. as AC Energy Corporation's external auditors and the related audit fee for 2021 based on their performance and qualifications.

17 March 2021

Signed by:

MA. AURORA D. GEOTINA-GARCIA	**CONSUELO D. GARCIA**	**MARIO ANTONIO V. PANER**
Chairperson	Member	Member

EXHIBIT A

AC ENERGY CORPORATION and SUBSIDIARIES

Consolidated Financial Statements

December 31, 2020 and 2019
And Years Ended December 31, 2020, 2019 and 2018

AC ENERGY CORPORATION
Financial Highlights
(In Thousand Pesos Except Ratios)

	2020	2019	2018
Current Assets	14,154,476	14,335,802	5,165,264
Total Assets	63,575,320	48,537,543	18,924,695
Current Liabilities	17,117,954	5,295,661	2,963,271
Total Liabilities	42,220,251	32,152,524	10,553,247
Total Equity	21,355,069	16,385,019	8,371,448
Paid-in Capital	22,399,512	7,605,543	4,973,543
Total Revenues	20,439,451	16,114,405	15,123,392
Net Income (Loss)	3,869,513	132,873	(593,156)
Earnings Per Share	0.35	0.01	(0.11)
Current Ratio	0.83:1	2.71:1	1.74:1
Acid Test Ratio	0.66:1	2.42:1	1.49:1
Debt/Equity Ratio	1.98:1	1.96:1	1.26:1
Asset-to-Equity Ratio	2.98:1	2.96:1	2.26:1
Interest Rate Coverage Ratio	3.32:1	1.01:1	0.03:1
Net Debt to Equity Ratio	1.25:1	0.83:1	0.68:1
Return on Equity	20.76%	(0.46%)	(6.40%)
Return on Assets	6.90%	0.39%	(2.99%)
Asset turnover	36.46%	47.77%	76.22%

C O V E R   S H E E T
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

0	6	9	-	0	3	9	2	7	4	

C O M P A N Y   N A M E

AC ENERGY CORPORATION (Formerly AC Energy Philippines Inc.) AND SUBSIDIARIES

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

4th Floor, 6750 Office Tower, Ayala Avenue, Makati City

Form Type	Department requiring the report	Secondary License Type, If Applicable
AAFS	SEC	N/A

C O M P A N Y   I N F O R M A T I O N

Company's Email Address	Company's Telephone Number	Mobile Number
N/A	7730-6300	–
No. of Stockholders	**Annual Meeting (Month / Day)**	**Fiscal Year (Month / Day)**
3,182	04/20	12/31

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
ALAN T. ASCALON	Ascalon.at@acenergy.com.ph	(02) 7730-6300	–

CONTACT PERSON's ADDRESS

4th Floor, 6750 Office Tower, Ayala Avenue, Makati City, Philippines 1200

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.*

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SECURITIES & EXCHANGE COMMISSION
Secretariat Building, PICC Complex
Roxas Boulevard, Philippines

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **AC Energy Corporation and Subsidiaries**, formerly AC Energy Philippines, Inc., (the "Company") is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached therein, for the years ended December 31, 2020 and December 31, 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 consolidated financial statements including the schedules attached therein and submits the same to the Stockholders.

SyCip Gorres Velayo & Co., the independent auditors, appointed by the stockholders, has audited the consolidated financial statements of the Company in accordance with Philippine Standards on Auditing, and in its report to the Stockholders, has expressed their opinion on the fairness of presentation upon completion of such audit.

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(Page 2 of Statement of Management's
Responsibility for Consolidated Financial Statements)

FERNANDO M. ZOBEL DE AYALA
Chairman of the Board

JOHN ERIC T. FRANCIA
President and
Chief Executive Officer

MARIA CORAZON G. DIZON
Treasurer and
Chief Financial Officer

Signed this 8th day of March 2021

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(Page 3 of Statement of Management's
Responsibility for Consolidated Financial Statements)

(REPUBLIC OF THE PHILIPPINES)
Makati City) S.S.

SUBSCRIBED AND SWORN to before me this MAR 2 4 2021 affiant(s) exhibiting to me their Passport, as follows:

Name	Passport No.	Date of Issue	Place of Issue
Fernando M. Zobel De Ayala	P0349883B	01-22-19	DFA-Manila
John Eric T. Francia	P3923362B	11-21-19	DFA-Manila
Maria Corazon G. Dizon	P6253635A	03-02-18	DFA-NCR-East

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ATTY. MARK DEAN D.R. ITARALDE NOTARY PUBLIC ROLL NO. 71073 MAKATI CITY, PHILIPPINES

ATTY. MARK DEAN D.R. ITARALDE
Notary Public – Makati City
Appt. No. M-163 until December 31, 2021
Roll of Attorneys No. 71073
IBP OR No.144650; January 7, 2021
PTR No. MKT-8534431; 01/05/2021; Makati City
MCLE Compliance No. VI-0028680; valid until 04/14/2022
7727 E. Jacinto cor. Medina St.
Barangay Pio Del Pilar, Makati City

SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
Philippines

Tel: (632) 8891 0307
Fax: (632) 8819 0872
ey.com/ph

BOA/PRC Reg. No. 0001,
October 4, 2018, valid until August 24, 2021
SEC Accreditation No. 0012-FR-5 (Group A),
November 6, 2018, valid until November 5, 2021

INDEPENDENT AUDITOR'S REPORT

The Stockholders and the Board of Directors
AC Energy Corporation
4th Floor, 6750 Office Tower
Ayala Avenue, Makati City

Opinion

We have audited the consolidated financial statements of AC Energy Corporation (formerly AC Energy Philippines, Inc.) and its Subsidiaries (collectively, the Group), which comprise the consolidated statements of financial position as at December 31, 2020 and 2019, and the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2020, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2020 in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Accounting for Common Control Transaction

In 2020, AC Energy Corporation ("ACEN") and AC Energy and Infrastructure Corp. ("ACEIC") executed a Deed of Assignment (the "Transaction") where ACEIC transferred and conveyed to ACEN all its rights and interests in the onshore companies in consideration for the issuance by ACEN of 6,185,182,288 common shares at ₱2.37 per common share or a total transfer value of ₱14,658.88 million in favor of ACEIC. The Transaction was a common control transaction and was accounted for using the pooling of interests method. In applying the pooling of interests method, the assets and liabilities of the acquired entities were recognized at their carrying values, an equity adjustment was recorded for the difference between the carrying values of the assets and liabilities acquired and consideration given, and the prior year comparative information were restated. We considered the accounting for the Transaction as a key audit matter due to the complexity and financial impact of the Transaction to the Group.

The Group's disclosures about the Transaction are included in Notes 1, 3 and 32 to the consolidated financial statements.

Audit Response

We reviewed the Deed of Assignment and regulatory approvals related to the Transaction. We tested management's application of the pooling of interests method, the balances of the onshore entities transferred to ACEN, restatement of prior year comparative information and the resulting equity adjustments. We also reviewed the presentation and disclosures related to the common control transaction in the consolidated financial statements.

Accounting for Business Combinations

The Group had a number of acquisitions in 2020. We considered the accounting for these acquisitions as a key audit matter because these required significant management judgment and estimation in identifying the underlying assets and liabilities, and in measuring these and any previously-held interest at fair values. The key assumptions used include discount rates, revenue and earnings forecast and relevant market data.

The Group's disclosures about the business combinations are included in Notes 3, 10 and 31 to the consolidated financial statements.

Audit Response

We reviewed the purchase agreements and the purchase price allocation prepared by management. We tested the identification of the underlying assets and liabilities based on our understanding of the acquirees' businesses. We also involved our internal specialist in evaluating the methodologies and assumptions used in arriving at the fair values of the underlying assets and liabilities, and any previously-held interest. We compared the key assumptions used such as discount rates, revenue and earnings forecast against historical information and relevant market data. We reviewed the presentation and disclosures related to these business combinations in the consolidated financial statements.

Impairment Testing of Assets

As at December 31, 2020, the aggregate carrying amount of the Group's investment in Negros Island Biomass Holdings, Inc. ("NIBHI", an associate), power barges, assets related to the Bataan Project and goodwill amounted to ₱864.80 million. Management performed impairment assessment on these assets based on the following:

- The projects where NIBHI has investments have not started commercial operations, are still completing pertinent regulatory permitting requirements, and are accumulating losses.
- There are no existing ancillary service contracts to utilize power barges for income generation, and the Bataan Project lack economies of scale.
- Goodwill attributable to the acquisition of One Subic Power Generation Corporation in 2014 and to the acquisition of Negros Island Solar Power, Inc. in 2020 are required to be tested annually under PFRS.

Based on the impairment assessment, management provided allowance for impairment loss on its investment in NIBHI, power barges, and assets related to the Bataan Project amounting to ₱617.97 million. No impairment loss on goodwill was recognized. The impairment testing is a key audit matter because it requires significant management judgment and estimation with respect to the estimated future cash flows of the related cash-generating units, forecasted revenue growth rates, gross margin, prices in the energy spot market, fuel prices, weighted average cost of capital, market risk premium, pre-tax cost of debt, capital structure, scrap value and discount rates used in calculating the present value of future cash flows.

The Group's disclosures are included in Notes 3, 7, 9, 10 and 13 to the consolidated financial statements.

Audit Response

We involved our internal specialist in evaluating the methodologies and the assumptions used by management. These assumptions include forecasted revenue growth rates and gross margins, prices in the energy spot market, fuel prices, weighted average cost of capital, market risk premium, pre-tax cost of debt, capital structure, scrap value and discount rates. We compared the key assumptions used, such as forecasted revenue growth rates, gross margin, prices in the energy spot market and fuel prices against the historical performance of the cash generating units ("CGU") and other relevant external data, taking into consideration the impact associated with coronavirus pandemic. We tested the parameters used in the determination of the discount rate against market data. We also reviewed the Group's disclosures about those assumptions to which the outcome of the impairment test is most sensitive; specifically those that have the most significant effect on the determination of the recoverable amounts.

Provisions and Contingencies

The Group is involved in legal proceedings, tax and/or other regulatory assessments. This matter is significant to our audit because the estimation of the potential liability resulting from these assessments requires significant judgments by management. The inherent uncertainty over the outcome of these tax matters is brought about by the differences in the interpretation and application of laws and tax rulings.

The Group's disclosures about provisions and contingencies are included in Note 38 to the consolidated financial statements.

Audit Response

We involved our internal specialist in the evaluation of management's assessment on whether or not any provision for contingencies should be recognized, and the estimation of such amount. We discussed with management the status of these assessments and obtained the Group's correspondences with the relevant tax authorities and opinions of the external tax counsel. We evaluated the position of the Group by considering the relevant tax laws, rulings and jurisprudence.

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2020 but does not include the consolidated financial statements and our auditor's report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2020 are expected to be made available to us after the date of this auditor's report.

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

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

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Benjamin N. Villacorte.

SYCIP GORRES VELAYO & CO.

Benjamin N. Villacorte

Benjamin N. Villacorte
Partner
CPA Certificate No. 111562
SEC Accreditation No. 1539-AR-1 (Group A),
March 26, 2019, valid until March 25, 2022
Tax Identification No. 242-917-987
BIR Accreditation No. 08-001998-120-2019,
January 28, 2019, valid until January 27, 2022
PTR No. 8534383, January 4, 2021, Makati City

March 8, 2021

AC ENERGY CORPORATION
(Formerly AC ENERGY PHILIPPINES, INC.)
AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Amounts in Thousands)

	December 31	
	2020	2019 (As restated, Notes 2 and 32)
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 4 and 34)	**₱5,135,474**	₱9,593,248
Short-term investment (Note 34)	**–**	100,000
Receivables (Notes 5, 29 and 34)	**6,095,019**	3,122,386
Fuel and spare parts (Note 6)	**1,391,340**	938,459
Current portion of:		
Input value added tax (VAT)	**430,139**	186,337
Creditable withholding taxes	**649,271**	179,007
Other current assets (Notes 7 and 34)	**453,233**	212,819
	14,154,476	14,332,256
Assets held for sale (Note 8)	**–**	3,546
Total Current Assets	**14,154,476**	14,335,802
Noncurrent Assets		
Property, plant and equipment (Note 9)	**31,837,939**	25,438,929
Investments in associates and joint venture (Notes 2 and 10)	**6,593,492**	2,534,102
Financial asset at fair value through other comprehensive income [(FVOCI) Notes 11 and 35]	**1,211**	533,137
Investment properties (Note 12)	**341,549**	13,085
Goodwill and other intangible assets (Notes 13 and 31)	**2,537,094**	441,077
Right-of-use assets (Note 14)	**2,343,404**	951,750
Deferred income tax assets - net (Note 27)	**416,353**	653,923
Net of current portion:		
Input VAT	**1,177,802**	372,917
Creditable withholding taxes	**601,840**	861,208
Other noncurrent assets (Notes 15 and 34)	**3,570,160**	2,401,613
Total Noncurrent Assets	**49,420,844**	34,201,741
TOTAL ASSETS	**₱63,575,320**	₱48,537,543

(Forward)

	December 31	
	2020	2019 (As restated, Notes 2 and 32)
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and other current liabilities (Notes 16, 29 and 34)	**₱6,539,227**	₱4,199,576
Short-term loans (Notes 17 and 34)	**9,438,600**	3,556
Current portion of long-term loans (Notes 17, 34 and 35)	**707,782**	905,931
Current portion of lease liabilities (Notes 14, 34 and 35)	**285,001**	128,796
Income and withholding taxes payable	**129,072**	41,208
Due to stockholders (Notes 29 and 34)	**18,272**	16,594
Total Current Liabilities	**17,117,954**	5,295,661
Noncurrent Liabilities		
Long-term loans - net of current portion (Notes 17, 34 and 35)	**21,682,924**	22,292,698
Lease liabilities - net of current portion (Notes 14, 34 and 35)	**1,631,628**	852,742
Pension and other employee benefits (Note 28)	**50,929**	71,034
Deferred income tax liabilities - net (Note 27)	**127,693**	350,487
Other noncurrent liabilities (Note 18)	**1,609,123**	3,289,902
Total Noncurrent Liabilities	**25,102,297**	26,856,863
Total Liabilities	**42,220,251**	32,152,524
Equity		
Capital stock (Notes 1 and 19)	**13,706,957**	7,521,775
Additional paid-in capital (Notes 1 and 32)	**8,692,555**	83,768
Other equity reserves (Notes 19 and 32)	**(7,541,223)**	5,366,480
Unrealized fair value loss on equity instruments at FVOCI (Note 11)	**(8,169)**	(96,584)
Unrealized fair value gain (loss) on derivative instruments designated under hedging accounting (Note 34)	**57,409**	(14,742)
Remeasurement (loss) gain on defined benefit plans (Note 28)	**(6,999)**	9,254
Accumulated share in other comprehensive loss of associates and a joint venture (Note 10)	**(2,723)**	(2,107)
Retained earnings (Note 19)	**5,167,685**	3,296,295
Treasury shares (Note 19)	**(40,930)**	(27,704)
Total equity attributable to equity holders of the Parent Company	**20,024,562**	16,136,435
Non-controlling interests (Notes 2 and 31)	**1,330,507**	248,584
Total Equity	**21,355,069**	16,385,019
TOTAL LIABILITIES AND EQUITY	**₱63,575,320**	₱48,537,543

See accompanying Notes to Consolidated Financial Statements.

AC ENERGY CORPORATION
(Formerly AC ENERGY PHILIPPINES, INC.)
AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME
(Amounts in Thousands, Except Per Share Figures)

	Years Ended December 31		
	2020	2019 (As restated, Notes 2 and 32)	2018
REVENUES			
Revenue from sale of electricity (Note 20)	**₱20,283,303**	₱16,096,549	₱15,113,601
Rental income	**86,623**	3,115	674
Dividend income (Note 11)	**–**	14,741	9,117
Other revenues	**69,525**	–	–
	20,439,451	16,114,405	15,123,392
COSTS AND EXPENSES			
Costs of sale of electricity (Note 21)	**13,420,539**	15,302,530	15,109,491
General and administrative expenses (Note 22)	**2,585,290**	767,840	654,517
	16,005,829	16,070,370	15,764,008
INTEREST AND OTHER FINANCE CHARGES (Note 25)	**(1,879,868)**	(976,029)	(433,649)
EQUITY IN NET INCOME OF ASSOCIATES AND A JOINT VENTURE (Note 10)	**898,513**	206,985	532,460
OTHER INCOME - NET (Note 26)	**908,028**	736,249	120,252
INCOME (LOSS) BEFORE INCOME TAX	**4,360,295**	11,240	(421,553)
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 27)			
Current	**197,666**	99,250	20,699
Deferred	**293,116**	(220,883)	150,904
	490,782	(121,633)	171,603
NET INCOME (LOSS)	**₱3,869,513**	₱132,873	(₱593,156)
Net Income (Loss) Attributable To:			
Equity holders of the Parent Company	**₱3,753,813**	₱57,654	(₱560,496)
Non-controlling interests	**115,700**	75,219	(32,660)
	₱3,869,513	₱132,873	(₱593,156)
Basic/Diluted Earnings (Loss) Per Share (Note 30)	**₱0.35**	₱0.01	(₱0.11)

See accompanying Notes to Consolidated Financial Statements.

AC ENERGY CORPORATION
(Formerly AC ENERGY PHILIPPINES, INC.)
AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Amounts in Thousands)

	Years Ended December 31		
	2020	2019 (As restated, Notes 2 and 32)	2018
NET INCOME (LOSS)	**₱3,869,513**	₱132,873	(₱593,156)
OTHER COMPREHENSIVE INCOME (LOSS)			
Other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods			
Unrealized fair value gains (losses) on derivatives instruments designated under hedge accounting (Note 34)	**103,073**	(21,060)	–
Income tax effect	**(30,922)**	6,318	–
Other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods			
Net changes in the fair value of equity instruments at FVOCI (Note 11)	**(57)**	(29,619)	1,475
Remeasurement gains (losses) on defined benefit plans (Note 28)	**50**	(10,814)	5,237
Income tax effect	**2**	5,494	(940)
	72,146	(49,681)	5,772
SHARE IN OTHER COMPREHENSIVE INCOME OF ASSOCIATES AND JOINT VENTURE			
Other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods			
Share in other comprehensive income (loss) of associates and a joint venture - net of deferred income tax (Note 10)	**(616)**	86	1,220
TOTAL OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX	**71,530**	(49,595)	6,992
TOTAL COMPREHENSIVE INCOME (LOSS)	**₱3,941,043**	₱83,278	(₱586,164)
Total Comprehensive Income (Loss) Attributable To:			
Equity holders of the Parent Company	**₱3,825,343**	₱8,059	(₱553,504)
Non-controlling interests	**115,700**	75,219	(32,660)
	₱3,941,043	₱83,278	(₱586,164)

See accompanying Notes to Consolidated Financial Statements.

AC ENERGY CORPORATION
(Formerly AC ENERGY PHILIPPINES, INC.)
AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Amounts in Thousands)

	Attributable to Equity Holders of the Parent Company											
	Capital Stock (Note 19)	Additional Paid-in Capital	Other Equity Reserves (Note 19)	Unrealized Fair Value Gain (Loss) on Equity Investments at FVOCI (Note 11)	Unrealized Fair Value Loss on derivative instrument designated under hedge accounting (Note 34)	Remeasurement Gain (Loss) on Defined Benefit Plans (Note 28)	Accumulated Share in Other Comprehensive Gain (Loss) of Associates and a Joint Venture (Note 10)	Retained Earnings (Note 19)	Treasury Shares (Note 19)	Total	Non-controlling Interests	Total Equity
BALANCES AT JANUARY 1, 2020, AS PREVIOUSLY REPORTED	₱7,521,775	₱83,768	(₱2,342,103)	(₱8,129)	(₱14,742)	(₱7,034)	(₱2,107)	₱2,922,514	(₱27,704)	₱8,126,238	₱2,978,580	₱11,104,818
Effects of common control business combinations (Note 32)	–	–	7,708,583	(88,455)	–	16,288	–	373,781	–	8,010,197	(2,729,996)	5,280,201
BALANCES AT JANUARY 1, 2020, AS RESTATED	7,521,775	83,768	5,366,480	(96,584)	(14,742)	9,254	(2,107)	3,296,295	(27,704)	16,136,435	248,584	16,385,019
Net income	–	–	–	–	–	–	–	3,753,813	–	3,753,813	115,700	3,869,513
Other comprehensive income (loss)	–	–	–	(40)	72,151	35	(616)	–	–	71,530	–	71,530
Total comprehensive income (loss)	–	–	–	(40)	72,151	35	(616)	3,753,813	–	3,825,343	115,700	3,941,043
Dividends declared and paid (Note 19)	–	–	–	–	–	–	–	(546,751)	–	(546,751)	(133,121)	(679,872)
Issuance of capital stock (Note 32)	6,185,182	8,473,700	–	–	–	–	–	–	–	14,658,882	–	14,658,882
Stock issuance costs (Note 32)	–	(94,782)	–	–	–	–	–	–	–	(94,782)	–	(94,782)
Acquisition of treasury shares	–	–	–	–	–	–	–	–	(28,657)	(28,657)	–	(28,657)
Reissuance of treasury shares	–	71,402	–	–	–	–	–	–	15,431	86,833	–	86,833
Non-controlling interest arising from a business combination (Note 31)	–	–	–	–	–	–	–	–	–	–	1,099,344	1,099,344
Effects of common control business combinations (Note 32)	–	158,467	(12,907,703)	88,455	–	(16,288)	–	(1,335,672)	–	(14,012,741)	–	(14,012,741)
	6,185,182	8,608,787	(12,907,703)	88,455	–	(16,288)	–	(1,882,423)	(13,226)	62,784	966,223	1,029,007
BALANCES AT DECEMBER 31, 2020	₱13,706,957	₱8,692,555	(₱7,541,223)	(₱8,169)	₱57,409	(₱6,999)	(₱2,723)	₱5,167,685	(₱40,930)	₱20,024,562	₱1,330,507	₱21,355,069

(Forward)

	Attributable to Equity Holders of the Parent Company												
	Capital Stock (Note 19)	Additional Paid-in Capital	Other Equity Reserves (Note 19)	Unrealized Fair Value Gain (Loss) on Equity Investments at FVOCI (Note 11)	Unrealized Fair Value Gains on AFS Investments	Unrealized Fair Value Loss on derivative instrument designated under hedge accounting (Note 34)	Remeasurement Gain (Loss) on Defined Benefit Plans (Notes 28)	Accumulated Share in Other Comprehensive Gain (Loss) of Associates and a Joint Venture (Note 10)	Retained Earnings (Note 19)	Treasury Shares (Note 19)	Total	Non-controlling Interests	Total Equity
BALANCES AT JANUARY 1, 2019, AS PREVIOUSLY REPORTED	₱4,889,775	₱83,768	₱18,338	₱59,772	₱–	₱–	₱536	(₱2,193)	₱3,303,708	(₱27,706)	₱8,325,998	₱45,450	₱8,371,448
Effect of initial application of PFRS 16	–	–	–	–	–	–	–	–	(90,715)	–	(90,715)	–	(90,715)
BALANCES AT JANUARY 1, 2019, AS ADJUSTED	4,889,775	83,768	18,338	59,772	–	–	536	(2,193)	3,212,993	(27,706)	8,235,283	45,450	8,280,733
Net income (loss)	–	–	–	–	–	–	–	–	57,654	–	57,654	75,219	132,873
Other comprehensive income (loss)	–	–	–	(27,369)	–	(14,742)	(7,570)	86	–	–	(49,595)	–	(49,595)
Total comprehensive income (loss)	–	–	–	(27,369)	–	(14,742)	(7,570)	86	57,654	–	8,059	75,219	83,278
Sale of financial assets at FVOCI	–	–	–	(40,532)	–	–	–	–	40,532	–	–	–	–
Issuance of shares of stocks	2,632,000	–	–	–	–	–	–	–	–	–	2,632,000	–	2,632,000
Acquisition of non-controlling interests	–	–	(130,854)	–	–	–	–	–	–	–	(130,854)	(22,782)	(153,636)
Reissuance of treasury shares (Note 19)	–	–	–	–	–	–	–	–	–	2	2	–	2
Effects of common control business combinations (Note 32)	–	–	5,478,996	(88,455)	–	–	16,288	–	(14,884)	–	5,391,945	150,697	5,542,642
	2,632,000	–	5,348,142	(128,987)	–	–	16,288	–	25,648	2	7,893,093	127,915	8,021,008
BALANCES AT DECEMBER 30, 2019	₱7,521,775	₱83,768	₱5,366,480	(₱96,584)	₱–	(₱14,742)	₱9,254	(₱2,107)	₱3,296,295	(₱27,704)	₱16,136,435	₱248,584	₱16,385,019
BALANCES AT JANUARY 1, 2018, AS PREVIOUSLY REPORTED	₱4,889,775	₱83,768	₱18,338	₱–	₱85,924	₱–	(₱3,130)	(₱3,413)	₱4,018,980	(₱28,793)	₱9,061,449	₱78,110	₱9,139,559
Effect of initial application of PFRS 9	–	–	–	99,513	(85,924)	–	–	–	(9,614)	–	3,975	–	3,975
BALANCES AT JANUARY 1, 2018, AS ADJUSTED	4,889,775	83,768	18,338	99,513	–	–	(3,130)	(3,413)	4,009,366	(28,793)	9,065,424	78,110	9,143,534
Net loss	–	–	–	–	–	–	–	–	(560,496)	–	(560,496)	(32,660)	(593,156)
Other comprehensive income	–	–	–	2,106	–	–	3,666	1,220	–	–	6,992	–	6,992
Total comprehensive income (loss)	–	–	–	2,106	–	–	3,666	1,220	(560,496)	–	(553,504)	(32,660)	(586,164)
Sale of financial asset at FVOCI	–	–	–	(41,847)	–	–	–	–	49,436	–	7,589	–	7,589
Dividends declared	–	–	–	–	–	–	–	–	(194,598)	–	(194,598)	–	(194,598)
Disposal of treasury shares	–	–	–	–	–	–	–	–	–	1,087	1,087	–	1,087
	–	–	–	(41,847)	–	–	–	–	(145,162)	1,087	(185,922)	–	(185,922)
BALANCES AT DECEMBER 31, 2018	₱4,889,775	₱83,768	₱18,338	₱59,772	₱–	₱–	₱536	(₱2,193)	₱3,303,708	(₱27,706)	₱8,325,998	₱45,450	₱8,371,448

See accompanying Notes to Consolidated Financial Statements.

AC ENERGY CORPORATION
(Formerly AC ENERGY PHILIPPINES, INC.)
AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(Amounts in Thousands)

	Years Ended December 31		
	2020	2019 (As restated, Notes 2 and 32)	2018
CASH FLOWS FROM OPERATING ACTIVITIES			
Income (loss) before income tax	**₱4,360,295**	₱11,240	(₱421,553)
Adjustments for:			
Interest and other finance charges (Note 25)	**1,879,868**	976,029	433,649
Depreciation and amortization (Note 24)	**1,810,707**	1,037,725	405,835
Equity in net income of associates and a joint venture (Note 10)	**(898,513)**	(206,985)	(532,460)
Foreign exchange gains – net	**(361,260)**	(13,793)	(3,471)
Interest and other financial income (Note 26)	**(121,512)**	(116,569)	(96,851)
Gain on bargain purchase (Notes 26 and 31)	**(49,970)**	–	–
Pension and other employee benefits (Note 28)	**(20,071)**	35,439	9,373
Dividend income	**–**	(14,741)	(9,117)
Provisions for (reversal of):			
Impairment loss on:			
Property, plant and equipment impairment (Note 9)	**381,105**	–	2,066
Investments in associates and a joint venture (Note 10)	**186,513**	–	–
Advances to contractors (Notes 7 and 9)	**49,884**	–	–
Credit losses (Note 5)	**(32)**	12,059	14,548
Probable losses on deferred exploration costs (Note 13)	**–**	34,493	48,263
Inventory obsolescence (Note 6)	**–**	5,554	159
Unrecoverable input VAT (Note 26)	**–**	–	43,712
Plug and abandonment costs	**–**	–	38,776
Loss (gain) on sale of:			
Property and equipment (Note 26)	**4,280**	(294,725)	(254)
Derivatives (Note 26)	**3,414**	6,850	15,056
By-product (Note 26)	**(15,354)**	(13,226)	–
Asset held for sale (Note 26)	**–**	(14,289)	–
Investments (Note 26)	**–**	(1,375)	(5,834)
Inventories (Note 26)	**–**	461	–
Operating income (loss) before working capital changes	**7,209,354**	1,444,147	(58,103)
Decrease (increase) in:			
Receivables	**(1,399,141)**	263,401	(121,909)
Fuel and spare parts	**(426,969)**	(188,448)	(92,307)
Other current assets	**186,337**	504,819	(487,086)
Other noncurrent assets	**(1,238,150)**	–	–
Decrease in accounts payable and other current liabilities	**(324,695)**	(1,192,913)	(223,804)
Cash generated from operations	**4,006,736**	831,006	(983,209)
Income and withholding taxes paid	**(192,586)**	(227,577)	(20,699)
Net cash flows from (used in) operating activities	**3,814,150**	603,429	(1,003,908)

(Forward)

	Years Ended December 31		
	2020	2019 (As restated, Notes 2 and 32)	2018
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to:			
Property, plant and equipment (Note 9)	**(₱6,259,461)**	(₱496,471)	(₱119,680)
Investments in subsidiaries, net of cash acquired (Note 31)	**(4,026,861)**	2,203,455	–
Investment in a joint venture (Note 10)	**(2,573,300)**	–	(236,315)
Right-of-use assets (Notes 14 and 34)	**(378,492)**	–	–
Investment properties (Note 12)	**(44,605)**	–	–
Deferred exploration costs (Note 13)	**(13,836)**	(19,426)	(4,526)
Short-term investments (Note 34)	**–**	(100,000)	(35,326)
Financial assets at fair value through profit or loss (FVTPL)	**–**	–	(15,741,377)
Proceeds from:			
Termination of short-term investments	**100,000**	35,326	478,932
Insurance claim (Note 9)	**35,282**	222,789	90,146
Property, plant and equipment	**2,627**	337,961	261
Sale of financial assets at FVOCI	**–**	255,772	53,328
Sale of investment in joint venture	**–**	218,348	–
Sale of asset held for sale (Note 8)	**–**	45,071	–
Sale and redemption of financial assets at FVTPL	**–**	779,853	16,505,872
Cash dividends received (Notes 10, 11 and 32)	**446,480**	39,742	514,030
Interest received	**140,450**	71,232	33,471
Increase in other noncurrent assets, non-current portion of input VAT and CWT (Note 37)	**(1,766,094)**	(405,315)	118,346
Net cash flows from (used in) investing activities	**(14,337,810)**	3,188,337	1,657,162
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from:			
Availment of short-term debt (Notes 17 and 37)	**10,506,500**	–	400,000
Availment of long-term debt (Notes 17 and 37)	**3,807,614**	5,000,000	930,000
Reissuance of treasury shares (Note 19)	**86,833**	3	1,415
Issuance of capital stock (Note 30)	**–**	2,632,000	–
Sale of investment	**–**	–	225,000
Payments of:			
Long-term loans (Notes 17 and 37)	**(4,602,920)**	(1,494,900)	(1,445,235)
Interest on short-term, long-term loans (Note 37)	**(1,505,299)**	(958,249)	(406,779)
Short-term loans (Notes 17 and 37)	**(1,148,944)**	(400,000)	–
Cash dividends (Notes 19 and 37)	**(679,872)**	–	(193,247)
Interest on lease liabilities (Notes 14 and 37)	**(171,097)**	(69,284)	–
Stock issuance costs (Note 32)	**(94,782)**	–	–
Lease liabilities (Notes 14 and 37)	**(68,670)**	(49,522)	–
Treasury shares (Note 19)	**(28,657)**	–	–
Debt issue cost (Note 17)	**(28,500)**	(43,003)	(6,975)
Acquisition of non-controlling interests	**–**	(153,636)	–
Finance leases	**–**	–	(8,153)
Increase (decrease) in due to stockholders	**1,678**	(5,405)	–
Increase (decrease) in other noncurrent liabilities	**27,263**	334,009	(431,384)
Net cash flows from (used in) financing activities	**6,101,147**	4,792,013	(935,358)
EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**(35,261)**	(12,897)	3,471
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(4,457,774)**	8,570,882	(278,633)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**9,593,248**	1,022,366	1,300,999
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 4)	**₱5,135,474**	₱9,593,248	₱1,022,366

See accompanying Notes to Consolidated Financial Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in Thousands, Except When Otherwise Indicated)

1. Corporate Information and Status of Operations

AC Energy Corporation, formerly AC Energy Philippines, Inc. ("ACEN" or "the Parent Company"), incorporated on September 8, 1969, and registered with the Philippine Securities and Exchange Commission ("SEC"), is engaged in power generation and trading, oil and mineral exploration, development and production. The Parent Company is a licensed Retail Electricity Supplier ("RES"). As a RES, the Parent Company is allowed to supply electricity to the contestable market pursuant to the Electric Power Industry Reform Act ("EPIRA"). Other activities of the Parent Company include investing in various operating companies and financial instruments.

On February 7, 2019, Philippine Investment Management ("PHINMA"), Inc., PHINMA Corporation and AC Energy and Infrastructure Corporation ("ACEIC", formerly AC Energy, Inc.) signed an investment agreement for ACEIC's acquisition of PHINMA, Inc.'s and PHINMA Corporation's combined 51.476% stake in ACEN via a secondary share sale through the Philippine Stock Exchange ("PSE").

On April 15, 2019, the Philippine Competition Commission ("PCC") approved the sale of the combined stake of PHINMA, Inc. and PHINMA Corporation in ACEN to ACEIC. ACEIC made a tender offer to the other shareholders of ACEN on May 20, 2019 to June 19, 2019, with a total of 156,476 public shares of ACEN tendered during the tender offer period.

On June 24, 2019, the PSE confirmed the special block sale of ACEN shares to ACEIC. On the same day, ACEIC subscribed to 2.63 billion shares of ACEN. On June 22, 2020, the SEC approved the increase in ACEN's authorized capital stock and the issuance of the new shares to ACEIC equivalent to 6.19 billion common shares at ₱2.37 per share in exchange for ACEIC's interest in various Philippine companies.

As at December 31, 2020, ACEIC directly owns 81.62% of the ACEN's total outstanding shares of stock.

The direct parent company (or intermediate parent company) of ACEN is ACEIC, a wholly owned subsidiary of Ayala Corporation ("AC"), a publicly-listed company which is 47.3% owned by Mermac, Inc. (ultimate parent company). ACEN is managed by ACEIC under an existing management agreement, which was assigned by PHINMA, Inc. to ACEIC on June 24, 2019 and which assignment was approved by the stockholders on September 17, 2019. ACEN, ACEIC and Mermac, Inc. are all incorporated and domiciled in the Philippines. ACEN and its subsidiaries are collectively referred to as "the Group".

On July 23, 2019, the Board of Directors ("BOD" or "Board") of ACEN approved the following amendments to ACEN's articles of incorporation:

i) Change of the corporate name to AC Energy Philippines, Inc.;
ii) Change of the principal office of the Parent Company to 4th Floor, 6750 Office Tower, Ayala Ave., Makati City;
iii) Increase in authorized capital stock by 16 billion shares or from 8,400,000,000 common shares to 24,400,000,000 common shares.

On September 5, 2019, the BOD of ACEN approved an amendment to ACEN's articles of incorporation to exempt from the pre-emptive right of existing stockholders the issuance of shares in exchange for property needed for corporate purposes or in payment of previously contracted debt, provided that shares to be issued for this purpose shall not exceed sixteen (16) billion shares.

The foregoing amendments were approved by the stockholders on September 17, 2019.

The change in corporate name and office of the Parent Company was subsequently approved by the SEC on October 11, 2019, while the increase in authorized capital stock and the exemption from pre-emptive rights were approved on June 22, 2020.

On October 9, 2019, the BOD of ACEN approved, among others, the following matters:

i) The swap between the Parent Company and ACEIC and the issuance of shares of stock in the Parent Company in favor of ACEIC in exchange for the latter's shares of stock in its various Philippine subsidiaries and affiliates;
ii) The undertaking of a stock rights offering (the "Rights Offer" or the "SRO"), subject to applicable regulatory approvals and
iii) The transfer to ACEN of ACEIC's right to purchase the 20% ownership stake of Axia Power Holdings Philippines, Corporation ("APHPC"), a subsidiary of Marubeni Corporation, in South Luzon Thermal Energy Corporation ("SLTEC").

On October 9, 2019 ACEN and ACEIC executed a Deed of Assignment wherein ACEIC assigned to ACEN shares of stock in various ACEIC subsidiaries and affiliates in exchange for ACEN shares. The Deed of Assignment was amended on November 13, 2019 to reflect the correct number of common shares of ACEIC in SLTEC, ACTA Power Corporation ("ACTA Power") and Manapla Sun Power Development Corporation ("MSPDC"). Detailed information is disclosed in Note 32.

On November 5, 2019, ACEN signed a Deed of Assignment with ACEIC to transfer ACEIC's rights to purchase 20% ownership stake of APHPC in SLTEC, which owns and operates the 2x135 megawatt (MW) Circulating Fluidized Bed power plant (the "SLTEC Power Plant") in Calaca, Batangas.

On November 11, 2019, the BOD of ACEN approved, among others, the following matters:

i) Ratification of the Executive Committee's approval of the Parent Company's acquisition of Philippine Investment Alliance for Infrastructure's ("PINAI") ownership interest in Philippine Wind Holdings Corporation ("PhilWind");
ii) Purchase of up to 100% of the PINAI Fund's ownership interest in San Carlos Solar Energy, Inc. ("SACASOL"), which owns and operates a 45 MW solar farm in San Carlos City, Negros Occidental;
iii) Purchase of up to 100% of the PINAI Fund's ownership interest in Negros Island Solar Power, Inc. ("ISLASOL"), which owns and operates the 80 MW solar farms in Negros Occidental;
iv) Additional short-term credit lines of up to ₱8 billion; and

v) Investment into, and construction of, a 60 MW solar power plant in Palauig, Zambales through ACE Endevor, Inc.'s ("ACE Endevor" or formerly AC Energy Development, Inc.), wholly owned project company, Gigasol3, Inc.

During the regular meeting held on March 18, 2020, the BOD of ACEN approved the change in the corporate name from "AC Energy Philippines, Inc." to "AC Energy Corporation", and the increase in the Parent Company's authorized capital stock from ₱24.40 billion divided into 24.4 billion shares, to ₱48.40 billion divided into 48.4 billion shares.

The BOD also approved the consolidation of ACEIC's international business and assets into ACEN via a tax free exchange, whereby ACEIC will transfer its shares of stock in AC Energy International, Inc. (formerly Presage Corporation; "ACE International"), ACEIC's subsidiary, a holding company that owns ACEIC's international business and investments) to ACEN in exchange for the issuance to ACEIC of additional primary shares in ACEN (assets-for-shares swap), on terms to be determined by ACEN Executive Committee.

On April 1, 2020, ACEN's Executive Committee approved the terms of the exchange at 16,685,800,533 additional primary shares of ACEN to ACEIC at an issue price of ₱2.97 per share in exchange for property consisting of 100% of ACEIC's shares in ACE International. As at March 8, 2021, ACEIC and the Parent Company are still in discussions as to the timing and the implementation of the exchange, considering the regulatory approvals required.

During the Annual Stockholders' Meeting held on April 20, 2020, the stockholders of the Parent Company approved the following corporate actions:

i) Amendment to the Articles of Incorporation:
   a. to change the corporate name from "AC Energy Philippines, Inc." to "AC Energy Corporation"; and
   b. to increase the authorized capital stock from ₱24.4 billion divided into 24.4 billion shares, to ₱48.4 billion divided into 48.4 billion shares
ii) Amendment to the By-laws to change the corporate name from "AC Energy Philippines, Inc." to "AC Energy Corporation".

On January 5, 2021, the SEC approved the amendments to the Parent Company's Articles of Incorporation and By-laws to change the corporate name from "AC Energy Philippines, Inc." to "AC Energy Corporation." As at March 8, 2021, the Parent Company has not yet filed an application to increase its authorized capital stock from ₱24.4 billion divided into 24.4 billion shares, to ₱48.4 billion divided into 48.4 billion shares.

Effective on August 14, 2020, the Parent Company changed its PSE stock symbol from "ACEPH" to "ACEN".

On October 30, 2020, ACEN received BIR Certification Ruling SN027-2020 relative to the tax-exempt transfer of shares of stocks made by ACEIC to ACEN pursuant to Section 40 (C) (2) of the National Internal Revenue Code of 1997, as amended ("NIRC"). The Certification Ruling states that the property-for-share swap between ACEIC and ACEN covering the issuance of 6,185,182,288 shares of stock in ACEN in favor of ACEIC in exchange for ACEIC's shares of stock in select Philippine operating and development companies, is not subject to income tax/capital gains tax/expanded withholding tax/donor's tax and value-added tax (see Note 32).

On November 11, 2020, the BOD of ACEN approved, among others, the following matters:

i) The terms of the Parent Company's SRO for the issuance of 2,267,580,434 shares at an offer price of ₱2.37 per share, and at an entitlement ratio of 1.11 shares:1 offer share, subject to applicable SEC and other regulatory approvals of the offer, including the offer price and
ii) The offer of an affiliate of GIC Private Limited ("GIC"), Arran Investment Pte Ltd ("Arran"), to invest into ACEN and acquire a 17.5% ownership stake, subject to definitive documentation and satisfaction of agreed conditions. The proposed 17.5% ownership stake is on the basis that ACEN's SRO and follow-on-offering, and the infusion of ACEIC's international business into the Group, have been completed (see Note 33).

On December 11, 2020, ACEN received the confirmation letter from the SEC that the SRO is exempt from registration requirements under Section 8 of the Securities Regulation Code (the "Code") pursuant to Section 10.1 thereof. On December 16, 2020, the PSE approved the application of the Parent Company for the listing of additional shares of up to 2,267,580,434 common shares covering its SRO to all stockholders as of the proposed record date of January 13, 2021 (see Note 33).

On December 30, 2020, ACEN and ACEIC signed an Investment Agreement with Arran for the latter's investment into ACEN subject to agreed conditions precedent.

The registered office address of ACEN is 4th Floor, 6750 Ayala Avenue Office Tower, Makati City.

Authorization for Issuance of Consolidated Financial Statements

The consolidated financial statements of the Group were approved and authorized for issuance by the Parent Company's BOD on March 8, 2021.

2. Summary of Significant Accounting Policies

Basis of Preparation

The consolidated financial statements have been prepared on a historical cost basis, except for financial assets at fair value through profit or loss (FVTPL), derivative financial instruments and equity instruments at fair value through other comprehensive income (FVOCI) that have been measured at fair value. The consolidated financial statements are presented in Philippine peso which is the Parent Company's functional and presentation currency. All values are rounded to the nearest thousands ('000), except par values, per share amounts, number of shares and when otherwise indicated.

Statement of Compliance

The consolidated financial statements of the Group have been prepared in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Group as at December 31, 2020 and 2019 and for each of the three years in the period ended December 31, 2020. The financial statements of the subsidiaries are prepared for the same reporting year as the Parent Company using uniform accounting policies. When necessary, adjustments are made to the separate financial statements of the subsidiaries to bring its accounting policies in line with the Parent Company's accounting policies.

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

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

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

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the Parent Company and to the non-controlling interests (NCI), even if this results in the NCI having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

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

If the Group loses control over a subsidiary, it derecognizes the related assets (including goodwill), liabilities, NCI and other components of equity while any resulting gain or loss is recognized in the consolidated statement of income. Any investment retained is recognized at fair value.

NCI represents the interests in the subsidiaries not held by the Parent Company and are presented separately in the consolidated statement of income and within equity in the consolidated statement of financial position, separately from equity attributable to holders of the Parent Company. NCI shares in losses even if the losses exceed the NCI in the subsidiary.

The consolidated financial statements comprise the Parent Company and the following subsidiaries of the Group:

		Percentage of Ownership (%)			
		2020		2019 (As restated)	
Subsidiaries	Principal Activities	**Direct**	**Indirect**	Direct	Indirect
Bulacan Power Generation Corporation ("Bulacan Power" or formerly PHINMA Power)	Power generation	**100.00**	**–**	100.00	–
CIP II Power Corporation ("CIPP")	Power generation	**100.00**	**–**	100.00	–
Guimaras Wind Corporation (Formerly PHINMA Renewable)	Wind power generation	**100.00**	**–**	100.00	–
One Subic Oil Distribution Corporation	Distribution of petroleum products	**100.00**	**–**	100.00	–
One Subic Power Generation Corporation ("One Subic Power")	Power generation	**–**	**100.00**	–	100.00
ACE Enexor, Inc. ("ACEX")	Oil, gas, and geothermal exploration	**75.92**	**0.40**	75.92	0.40
Palawan55 Exploration & Production Corporation ("Palawan55")	Oil and gas exploration	**30.65**	**52.93**	30.65	52.93
South Luzon Thermal Energy Corporation	Power generation	**100.00**	**–**	100.00	–
Buendia Christiana Holdings Corp. ("BCHC")	Investment holding	**100.00**	**–**	100.00	–

Subsidiaries	Principal Activities	Percentage of Ownership (%) 2020 Direct	2020 Indirect	2019 (As restated) Direct	2019 (As restated) Indirect
ACE Shared Services, Inc. (“ACES”)	Shared services	**100.00**	**–**	100.00	–
Giga Ace 1, Inc.	Power generation	**100.00**	**–**	–	–
Giga Ace 2, Inc.	Power generation	**100.00**	**–**	–	–
Giga Ace 3, Inc.	Power generation	**100.00**	**–**	–	–
Giga Ace 4, Inc.	Power generation	**100.00**	**–**	–	–
Giga Ace 5, Inc.	Power generation	**100.00**	**–**	–	–
Giga Ace 6, Inc.	Power generation	**100.00**	**–**	–	–
Giga Ace 7, Inc.	Power generation	**100.00**	**–**	–	–
Giga Ace 8, Inc.	Power generation	**100.00**	**–**	–	–
Giga Ace 9, Inc.	Power generation	**100.00**	**–**	–	–
Giga Ace 10, Inc.	Power generation	**100.00**	**–**	–	–
Negros Island Solar Power, Inc.	Solar power generation	**–**	**60.00**	–	2.00
San Carlos Solar Energy, Inc.	Solar power generation	**–**	**100.00**	–	4.00
Monte Solar Energy, Inc. (“MSEI”)	Solar power generation	**96.00**	**4.00**	96.00	4.00
ACE Endevor, Inc.	Investment holding and management	**94.00**	**6.00**	94.00	6.00
Visayas Renewables Corp. (”VRC”)	Investment holding	**–**	**100.00**	–	100.00
San Julio Land Development Corporation	Leasing and land development	**–**	**100.00**	–	100.00
LCC Bulk Water Supply, Inc.	Water supply and distribution	**–**	**100.00**	–	100.00
MCV Bulk Water Supply Inc.	Water supply and distribution	**–**	**100.00**	–	100.00
SCC Bulk Water Supply Inc.	Water supply and distribution	**–**	**100.00**	–	100.00
HDP Bulk Water Supply Inc.	Water supply and distribution	**–**	**100.00**	–	100.00
Ingrid2 Power Corp.	Advisory/Consultancy	**–**	**100.00**	–	100.00
Ingrid3 Power Corp.	Advisory/Consultancy	**–**	**100.00**	–	100.00
Solienda Inc.	Leasing and land development	**–**	**100.00**	–	100.00
Gigasol 2, Inc.	Power generation	**–**	**100.00**	–	100.00
Gigasol 1, Inc.	Power generation	**–**	**100.00**	–	100.00
Gigasol 3, Inc.	Power generation	**–**	**100.00**	–	100.00
Gigawind1 Inc.	Power generation	**–**	**100.00**	–	100.00
Gigawind2 Inc.	Power generation	**–**	**100.00**	–	100.00
Solarace1 Energy Corp.	Power generation	**–**	**100.00**	–	100.00
Solarace2 Energy Corp.	Power generation	**–**	**100.00**	–	100.00
Solarace3 Energy Corp.	Power generation	**–**	**100.00**	–	100.00
Solarace4 Energy Corp.	Power generation	**–**	**100.00**	–	100.00
AC Subic Solar, Inc.	Power generation	**–**	**100.00**	–	100.00
AC Laguna Solar, Inc.	Power generation	**–**	**100.00**	–	100.00
AC La Mesa Solar, Inc.	Power generation	**–**	**100.00**	–	100.00
Bataan Solar Energy, Inc.	Power generation	**–**	**100.00**	–	100.00
Santa Cruz Solar Energy, Inc.	Power generation	**–**	**100.00**	–	100.00
Pagudpud Wind Power Corporation	Investment holding	**–**	**100.00**	–	100.00
Bayog Wind Power Corp.	Power generation	**–**	**60.00**	–	60.00
Manapla Sun Power Development Corporation (“MSPDC”)	Leasing and land development	**36.37**	**29.63**	36.37	29.63
ACE Renewables Philippines, Inc.	Investment holding	**100.00**	**–**	100.00	–
NorthWind Power Development Corporation (“NorthWind”)	Wind power generation	**19.52**	**48.27**	19.52	48.27
Viage Corporation	Investment holding	**100.00**	–	100.00	–
Ingrid Power Holdings, Inc. (“Ingrid”)	Advisory/Consultancy	**100.00**	–	100.00	–
ACTA Power Corporation	Coal power generation	**100.00**	–	100.00	–

Unless otherwise indicated, the principal place of business and country of incorporation of the Parent Company’s investments in subsidiaries is the Philippines.

Except as discussed below, the voting rights held by the Parent Company in its investments in subsidiaries are in proportion to its ownership interest.

The following significant transactions affected the Parent Company's investments in its subsidiaries:

Investments in SACASOL
On December 2, 2019, ACEN signed a share purchase agreement with Macquarie Infrastructure Holdings (Philippines) Pte. Limited, Langoer Investments Holding B.V., and the Government Service Insurance System (collectively, the "PINAI Investors") for the acquisition of PINAI's ownership interest in SACASOL. Prior to the acquisition, the Group had 4% economic interest in SACASOL through VRC. ACEN received the PCC approval for the transaction on February 13, 2020. Detailed information on the step acquisition of SACASOL is disclosed in Note 31.

Investments in ISLASOL
On December 2, 2019, ACEN signed a share purchase agreement with the PINAI Investors for the acquisition of PINAI's 98% ownership interest in ISLASOL Prior to the acquisition, the Group had 2% economic interest in ISLASOL through VRC. ACEN received the PCC approval for the transaction on February 26, 2020. Further, ACEN and ThomasLloyd CTI Asia Holdings Pte. Ltd. ("TLCTI Asia"), a corporation incorporated in Singapore, entered into an Investment Agreement with the intention to own 66% and 34% voting interest, and 60% and 40% economic interest, respectively, in ISLASOL.

A series of transactions entered into by ACEN together with TLCTI Asia for the investment and entry in ISLASOL were accounted for as a single transaction and resulted in recognition of NCI. Detailed information on the accounting for ownership interest in ISLASOL is disclosed in Note 31.

Subscription to Giga Ace 1, Inc. ("Giga Ace 1")
On February 27, 2020, ACEN subscribed to 75,000 common shares of Giga Ace 1 with par value of ₱1.00 per share to be issued out of the unissued authorized capital stock ("ACS"), and 43,069,625 common shares with par value of ₱1.00 per share and 53,562,609 Class A Redeemable Preferred Shares with par value of ₱40.00 per share to be issued out of increase in ACS of Giga Ace 1.

Subscription to Giga Ace 2, Inc. ("Giga Ace 2")
On March 20, 2020, ACEN signed a subscription agreement with Giga Ace 2 for the subscription by the Parent Company to 3,041,096,860 common shares with par value of ₱1.00 per share to be issued out of the increase in ACS of Giga Ace 2.

On March 23, 2020, Giga Ace 2 executed Deeds of Absolute Sale of Shares for the acquisition of 96% economic interest in SACASOL (see Note 31).

Subscription to Giga Ace 3, Inc. ("Giga Ace 3")
On March 20, 2020, ACEN signed a subscription agreement with Giga Ace 3 for the subscription by the Parent Company to 1,662,654,537 common shares with par value of ₱1.00 per share to be issued out of the increase in ACS of Giga Ace 3.

On March 23, 2020, Giga Ace 3 executed Deeds of Absolute Sale of Shares for the acquisition of 98% economic interest in ISLASOL (see Note 31).

Subscription to Various Giga Ace Entities
On June 15, 2020, the BOD of the Parent Company approved the acquisition of existing nominal shares and subscription to new shares to become the controlling shareholder of the following special purpose vehicles for development projects used by the Group:

- Giga Ace 4, Inc. ("Giga Ace 4")
- Giga Ace 5, Inc. ("Giga Ace 5")

- Giga Ace 6, Inc. (“Giga Ace 6”)
- Giga Ace 7, Inc. (“Giga Ace 7”)
- Giga Ace 8, Inc. (“Giga Ace 8”)
- Giga Ace 9, Inc. (“Giga Ace 9”)
- Giga Ace 10, Inc. (“Giga Ace 10”)

On July 27, 2020, ACEN signed a subscription agreement with these special purpose vehicles of 75,0000 common shares of each entities, to be issued out of their unissued authorized capital stocks.

Investments in various Onshore Companies under common control of ACEIC
On October 9, 2019, ACEN entered into a share swap agreement with ACEIC to acquire the latter’s ownership interest in various entities (the “Onshore Companies”) in exchange for ACEN’s issuance of additional primary shares via a tax-free exchange. The parties obtained relevant regulatory approvals to formalize the agreement.

On June 22, 2020, the application for the increase in the capital stock was approved by the SEC, which rendered prior period restatement to account for the retroactive impact of the share swap transaction effective July 1, 2019, the date when ACEN and the Onshore Companies became under the common control of ACEIC. Detailed information on the share swap is disclosed in Note 32.

Investment in new solar power plants
ACEN is set to develop two new solar plants in Central Luzon with an aggregate capacity of up to 150 MW. This will bring ACEN’s total Philippine projects under construction to 480 MW, which includes 330 MW of solar and 150 MW of peaking diesel plants.

The first project is ACEN’s joint venture with Citicore Renewable Energy Corporation (“Citicore”), where ACEN will have a 50% voting and economic ownership, is a solar plant with up to 75 MW capacity located in Arayat and Mexico, Pampanga. The facility is expected to start its power generation in the 4th quarter of 2021.

On July 10, 2020, ACEN signed a ₱230-million loan agreement with Greencore Power Solutions 3, Inc. (“Greencore”), Citicore’s designee for the project. Proceeds of which shall be strictly utilized for acquiring land and funding other development activities for the Arayat Project (see Note 5).

The second project, wholly-owned by ACEN is another solar plant with up to 75 MW capacity located in Palauig, Zambales. The project is expected to reach completion in the first quarter of 2022.

On August 19, 2020, the BOD approved these investments of up to ₱500 Million for the solar power plant project in Arayat and Mexico, Pampanga, and investment of up to ₱2.9 billion for the construction of a 75 MW solar power plant project in Palauig, Zambales, through its subsidiaries, ACE Endevor and Giga Ace 8.

Investments in Ingrid Power Holdings, Inc. (“Ingrid”)
On July 23, 2020, the Parent Company and ACE Endevor signed a Shareholders’ Agreement (the “Agreement”) with APHPC and Marubeni Corporation, for the development, construction and operation of a 150 megawatt (MW) high-speed diesel power plant project in Brgy. Malaya, Pililla, Rizal (the “Ingrid Project”), which will provide ancillary services to the National Grid Corporation of the Philippines (NGCP). The power plant is targeted to be completed in the first quarter of 2021.

The Ingrid Project will be through a Power Plant Lease Agreement from Aggreko International Projects Limited.

Under the Agreement, APHPC will acquire 50% of the voting shares and 50% of the economic rights in the Ingrid Project while the Parent Company will hold 50% of the voting shares and 45% of the economic rights, with ACE Endevor having a 5% share of the economic rights in Ingrid.

On November 24, 2020, the PCC issued Decision No. 20-M-017/2020 finding that the transaction "will not likely result in substantial lessening of competition" and resolving "to take no further action with respect to the proposed transaction among APHPC, ACEN, Endevor and Ingrid".

As at December 31, 2020, there are no pending regulatory approvals and ACEN continues to account for Ingrid as a wholly-owned subsidiary. Further, ACEN has infused ₱570.00 million into Ingrid in addition to its initial ₱10.00 million equity to fund the construction of the project. Infusions from APHPC are to be received in the first quarter of 2021 following the agreement to set implementation date of the Shareholders' Agreement to 2021.

Ingrid and ACE Endevor are among the Parent Company's subsidiaries which were acquired from ACEIC in exchange for ACEN's own shares.

Additional Investment in Bataan Solar Energy, Inc. ("Bataan Solar") and Giga Ace 4
On July 28, 2020, ACEN's Executive Committee approved ACEN's investment of up to ₱2.20 billion into its subsidiaries, namely, Bataan Solar and Giga Ace 4. Infusions into each will be used by the subsidiaries to further the opportunities presented by emerging clean energy technologies and will be used for various development activities such as but not limited to securing land, permitting, undertaking project studies, project planning, and procuring and installing equipment available from the new technologies that these subsidiaries will use. This was subsequently approved by the BOD on August 19, 2020.

Subscription of Redeemable Preferred Shares in Buendia Christiana Holdings Corp. ("BCHC")
On September 24, 2020, ACEN signed a subscription agreement with BCHC for the subscription of 2,500,000 Redeemable Preferred B Shares with a par value of ₱100 per share or a total par value of ₱250,000,000 (the "Subscription Price), to be issued out of the increase in ACS of BCHC.

Material partly-owned subsidiaries with material economic ownership interest
The consolidated financial statements include additional information about subsidiaries that have NCI that are material to the Group. Management determined material partly-owned subsidiaries as those with balance of NCI greater than 5% of total NCI's and those subsidiaries which type of activities engaged in are important to the Group as at the end of the year.

The principal place of business of the subsidiaries are as follows:

<u>NorthWind</u>
The registered office address of NorthWind is Sitio Suyo, Barangay Baruyen, Municipality of Bangui, Province of Ilocos Norte.

<u>MSPDC</u>
MSPDC's registered office address is at No. 56, Rodriguez Avenue, Brgy. 36, Bacolod City, Negros Occidental.

<u>BWPC</u>
BWPC's principal and registered office address is 4F Delgado-Adiarte Building, Rizal Street corner Gen. Segundo Avenue, Laoag City, 2900, Ilocos Norte.

ACEX
The registered office address of ACEX is at 4th Floor, 6750 Office Tower, Ayala Ave., Makati City.

Palawan55
The registered office address of Palawan55 is Level 11 PHINMA Plaza, 39 Plaza Drive, Rockwell Center, Makati City.

ISLASOL
The registered office address and principal place of business of ISLASOL are Emerald Arcade, F.C. Ledesma St., San Carlos City, Negros Occidental.

Information on subsidiaries that have material non-controlling economic interests are provided below:

2020	**ISLASOL**	**NorthWind**	**MSPDC**	**BWPC**	**ACEX**	**Palawan55**
Proportion of equity interests held by NCI	**40.00%**	**32.21%**	**34.00%**	**40.00%**	**23.68%**	**16.42%**
Voting rights held by NCI	**34.00%**	**32.21%**	**34.00%**	**40.00%**	**23.68%**	**16.42%**
Accumulated balances of NCI	**₱1,056,074**	**₱312,710**	**₱12,141**	**(₱61,372)**	**₱14,040**	**(₱3,086)**
Net income (loss) allocated to NCI	**(43,270)**	**160,511**	**18,750**	**(15,469)**	**(1,352)**	**(3,470)**
Comprehensive income (loss) allocated to NCI	**(43,270)**	**160,695**	**18,750**	**(15,469)**	**(1,352)**	**(3,470)**
Dividends paid to NCI	–	**112,721**	**20,400**	–	–	–

2019 (As restated)	NorthWind	MSPDC	BWPC	ACEX	Palawan55
Proportion of equity interests held by NCI	32.21%	34.00%	40.00%	23.68%	16.42%
Voting rights held by NCI	32.21%	34.00%	40.00%	23.68%	16.42%
Accumulated balances of non-controlling interest	₱264,920	₱13,791	(₱45,903)	₱15,392	₱384
Net income (loss) allocated to NCI	77,606	8,555	(4,051)	(6,473)	(418)
Comprehensive income (loss) allocated to material NCI	77,606	8,555	(4,051)	(6,473)	(418)
Dividends paid to NCI	8,053	12,161	–	–	–

Summarized financial information of these subsidiaries are as follows:

2020	**ISLASOL**	**NorthWind**	**MSPDC**	**BWPC**	**ACEX**	**Palawan55**
			(In Thousands)			
Statements of financial position						
Current assets	**₱830,148**	**₱751,206**	**₱10,467**	**₱9,768**	**₱39,925**	**₱8,400**
Noncurrent assets	**2,855,627**	**2,658,610**	**33,655**	**277,682**	**30,792**	**36,639**
Current liabilities	**236,607**	**358,575**	**17,964**	**8,692**	**3,065**	**65,654**
Noncurrent liability	**3,871,321**	**2,084,203**	–	**420,810**	–	–
Statements of comprehensive income (loss)						
Revenues	**224,726**	**1,154,383**	**79,393**	**27**	**37**	**27**
Cost and expenses	**332,219**	**626,495**	**1,431**	**41,850**	**5,020**	**21,245**
Other income (expenses)	**(681)**	**(1,260)**	–	**15,948**	**(726)**	**88**
Provision for income tax	–	**28,302**	**22,815**	–	–	–
Profit (loss) attributable to:						
Equity holders of the parent	**(64,904)**	**337,815**	**36,397**	**(10,406)**	**(4,357)**	**(17,660)**
Non-controlling interests	**(43,270)**	**160,511**	**18,750**	**(15,469)**	**(1,352)**	**(3,470)**
Total comprehensive income (loss) attributable to:						
Equity holders of the parent	**(64,904)**	**337,999**	**36,397**	**(10,406)**	**(4,357)**	**(17,660)**
Non-controlling interests	**(43,270)**	**160,695**	**18,750**	**(15,469)**	**(1,352)**	**(3,470)**
Statements of cash flows						
Operating activities	**82,640**	**783,280**	**15,903**	**(20,367)**	**(16,143)**	**(8,307)**
Investment activities	**(2,024)**	**(288,104)**	–	**(58,997)**	**(260)**	**(20,245)**
Financing activities	**153,044**	**(436,151)**	**(60,000)**	**73,316**	–	**19,846**
Net increase (decrease) in cash and cash equivalents	**₱233,660**	**₱59,025**	**(₱44,097)**	**(₱6,048)**	**(₱16,403)**	**(₱8,706)**

2019 (As restated)	NorthWind	MSPDC	BWPC	ACEX	Palawan55
			(In Thousands)		
Statements of financial position					
Current assets	₱657,147	₱68,063	₱13,061	₱54,097	₱16,542
Noncurrent assets	2,559,607	33,410	213,024	30,702	23,063
Current liabilities	251,286	3,556	426	11,256	39,090
Noncurrent liability	2,142,992	57,090	340,416	16	–
Statements of comprehensive income (loss)					
Revenues	580,819	31,593	–	–	–
Cost and expenses	269,544	580	5,816	19,463	1,631
Other income (expenses)	(58,855)	–	(4,312)	1,320	(198)
Provision for (benefit from) income tax	11,482	5,687	–	(293)	(6)
Profit (loss) attributable to:					
Equity holders of the parent	163,332	16,771	(6,077)	(11,377)	(1,405)
Non-controlling interests	77,606	8,555	(4,051)	(6,473)	(418)
Total comprehensive income (loss) attributable to:					
Equity holders of the parent	163,332	16,771	(6,077)	(11,377)	(1,405)
Non-controlling interests	77,606	8,555	(4,051)	(6,473)	(418)
Statements of cash flows					
Operating activities	606,382	71,387	(17,103)	(25,374)	4,519
Investment activities	(24,116)	(900)	(34,937)	57,739	(16,588)
Financing activities	(642,205)	(60,069)	54,156	–	22,465
Net increase (decrease) in cash and cash equivalents	(₱59,939)	₱10,418	₱2,116	₱32,365	₱10,396

2018	ACEX	Palawan55
	(In Thousands)	
Statements of financial position		
Current assets	₱63,753	₱5,777
Noncurrent assets	29,527	6,816
Current liabilities	1,590	6
Noncurrent liability	281	–
Statements of comprehensive income (loss)		
Revenues	–	–
Cost and expenses	64,405	5,516
Other income	1,543	35
Benefit from income tax	170	6
Loss attributable to:		
Equity holders of the parent	(32,232)	(3,627)
Non-controlling interests	(30,800)	(1,860)
Total comprehensive loss attributable to:		
Equity holders of the parent	(32,232)	(3,627)
Non-controlling interests	(30,800)	(1,860)
Statements of cash flows		
Operating activities	(16,061)	2,757
Investment activities	19,025	(1,102)
Financing activities	–	1,950
Net increase in cash and cash equivalents	₱2,964	₱3,605

Changes in Accounting Policies

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of new standards effective as at January 1, 2020. Unless otherwise indicated, adoption of these new standards did not have an impact on the consolidated financial statements of the Group.

- Amendments to PFRS 3, *Business Combinations*, *Definition of a Business*

  The amendments to PFRS 3 clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. Furthermore, it clarifies that a business can exist without including all of the inputs and processes needed to create outputs.

  The Group applied the amendments in accounting for business combinations for the year ended December 31, 2020 (see Note 31).

- Amendments to PFRS 7, *Financial Instruments: Disclosures* and PFRS 9, *Financial Instruments*, *Interest Rate Benchmark Reform*

  The amendments to PFRS 9 provide a number of reliefs, which apply to all hedging relationships that are directly affected by the interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainties about the timing and or amount of benchmark-based cash flows of the hedged item or the hedging instrument.

  The Group's hedged item has not been modified and remains exposed to interbank offered rates ("IBORs") as it continues to apply the relief to the hedge relationship as the Group's hedged item continues to be exposed to the uncertainties of interest rate benchmark. The Group demonstrates that on a prospective basis it expects its alternative risk free rate (RFR)-based derivative to be highly effective at hedging its IBOR-based hedged item in the case of Philippine Accounting Standards ("PAS") 39, or in the case of PFRS 9 demonstrate that the RFR-based derivative and the IBOR-based hedged item have an economic relationship.

- Amendments to PAS 1, *Presentation of Financial Statements,* and PAS 8*, Accounting Policies, Changes in Accounting Estimates and Errors, Definition of Material*

  The amendments provide a new definition of material that states "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity."

  The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users.

- Conceptual Framework for Financial Reporting issued on March 29, 2018

  The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the standard-setters in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards.

  The revised Conceptual Framework includes new concepts, provides updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts.

- Amendments to PFRS 16, *COVID-19-related Rent Concessions*

  The amendments provide relief to lessees from applying the PFRS 16 requirement on lease modifications to rent concessions arising as a direct consequence of the COVID-19 pandemic. A lessee may elect not to assess whether a rent concession from a lessor is a lease modification if it meets all of the following criteria:
  - The rent concession is a direct consequence of COVID-19;
  - The change in lease payments results in a revised lease consideration that is substantially the same as, or less than, the lease consideration immediately preceding the change;
  - Any reduction in lease payments affects only payments originally due on or before June 30, 2021; and
  - There is no substantive change to other terms and conditions of the lease.

  A lessee that applies this practical expedient will account for any change in lease payments resulting from the COVID-19 related rent concession in the same way it would account for a change that is not a lease modification, i.e., as a variable lease payment.

  The amendments are effective for annual reporting periods beginning on or after June 1, 2020. Early adoption is permitted. The Group early adopted the amendments related to rent concessions starting July 1, 2020 but it has no impact to the Group for the year ended December 31, 2020.

Future Changes in Accounting Policies
Pronouncements issued but not yet effective are listed below. Unless otherwise indicated, the Group does not expect that the future adoption of the said pronouncements will have a significant impact on its consolidated financial statements. The Group intends to adopt the following pronouncements when they become effective.

Effective beginning on or after January 1, 2021

- Amendments to PFRS 9, PFRS 7, PFRS 4 and PFRS 16, *Interest Rate Benchmark Reform – Phase 2*

  The amendments provide the following temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR):

  - Practical expedient for changes in the basis for determining the contractual cash flows as a result of IBOR reform
  - Relief from discontinuing hedging relationships
  - Relief from the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component

  The Group shall also disclose information about:

  - The about the nature and extent of risks to which the entity is exposed arising from financial instruments subject to IBOR reform, and how the entity manages those risks; and
  - Their progress in completing the transition to alternative benchmark rates, and how the entity is managing that transition

  The amendments are effective for annual reporting periods beginning on or after January 1, 2021 and apply retrospectively, however, the Group is not required to restate prior periods. The amendments are not expected to have a material impact on the Group.

Effective beginning on or after January 1, 2022

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

  The amendments are intended to replace a reference to the *Framework for the Preparation and Presentation of Financial Statements*, issued in 1989, with a reference to the *Conceptual Framework for Financial Reporting* issued in March 2018 without significantly changing its requirements. The amendments added an exception to the recognition principle of PFRS 3, *Business Combinations* to avoid the issue of potential 'day 2'gains or losses arising for liabilities and contingent liabilities that would be within the scope of PAS 37, *Provisions, Contingent Liabilities and Contingent Assets* or Philippine-IFRIC 21, *Levies*, if incurred separately.

  At the same time, the amendments add a new paragraph to PFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

  The amendments are effective for annual reporting periods beginning on or after January 1, 2022 and apply prospectively. The amendments are not expected to have material impact to the Group.

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

  The amendments prohibit entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the costs of producing those items, in profit or loss.

  The amendment is effective for annual reporting periods beginning on or after January 1, 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

  The amendments are not expected to have a material impact on the Group.

- Amendments to PAS 37, *Onerous Contracts - Costs of Fulfilling a Contract*

  The amendments specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

  The amendments are effective for annual reporting periods beginning on or after January 1, 2022. The Group will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments. The amendments are not expected to have a material impact on the Group.

- *Annual Improvements to PFRSs* 2018-2020 Cycle

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

      The amendment permits a subsidiary that elects to apply paragraph D16(a) of PFRS 1 to measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to PFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of PFRS 1.

      The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted. The amendments are not expected to have a material impact on the Group.

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

      The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

      The amendment is effective for annual reporting periods beginning on or after January 1, 2022, with earlier adoption permitted. The Group will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the Group first applies the amendment. The amendments are not expected to have a material impact on the Group.

    - Amendments to PAS 41, *Agriculture, Taxation in fair value measurements*

      The amendment removes the requirement in paragraph 22 of PAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of PAS 41.

      An entity applies the amendment prospectively to fair value measurements on or after the beginning of the first annual reporting period beginning on or after January 1, 2022 with earlier adoption permitted. The amendments are not expected to have an impact on the Group.

Effective beginning on or after January 1, 2023

- Amendments to PAS 1, *Classification of Liabilities as Current or Non-current*
  The amendments clarify paragraphs 69 to 76 of PAS 1, *Presentation of Financial Statements*, to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:
  - What is meant by a right to defer settlement
  - That a right to defer must exist at the end of the reporting period

- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and must be applied retrospectively. The Group is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

- PFRS 17, *Insurance Contracts*

PFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, PFRS 17 will replace PFRS 4, *Insurance Contracts*. This new standard on insurance contracts applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply.

The overall objective of PFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in PFRS 4, which are largely based on grandfathering previous local accounting policies, PFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of PFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

PFRS 17 is effective for reporting periods beginning on or after January 1, 2023, with comparative figures required. Early application is permitted.

Deferred effectivity

- Amendments to PFRS 10, *Consolidated Financial Statements*, and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

On January 13, 2016, the Financial Reporting Standards Council deferred the original effective date of January 1, 2016 of the said amendments until the International Accounting Standards Board (IASB) completes its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

Summary of Significant Accounting Policies

The accounting policies set out below have been applied consistently to all periods presented in the Group's consolidated financial statements, unless otherwise indicated.

Business Combinations and Goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any NCI in the acquiree. For each business combination, the Group elects whether to measure the NCI in the acquiree at fair value or at the proportionate share of the acquiree's identifiable assets. Acquisition-related costs are expensed as incurred and included in general and administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, any previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognized in the consolidated statement of income.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognized in the consolidated statement of income. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognized for NCI, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognized at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognized in the consolidated statement of income.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units (CGU) that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a CGU and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the CGU retained.

Combination of Entities under Common Control

Combination of entities under common control are accounted for by applying the pooling-of-interests method. The pooling-of-interests method generally involved the following:

- The assets and liabilities of the combining entities are reflected in the consolidated financial statements at their carrying amounts. No adjustments are made to reflect fair value or recognize any new assets or liabilities at the date of combination. The only adjustments that are made are those adjustments to harmonize the accounting policies.

- No new goodwill is recognized as a result of the combination. The only goodwill that is recognized is any existing goodwill relating to either of the combining entities. Any difference between the consideration paid or transferred and the entity acquired is reflected within equity.
- The consolidated statement of income, comprehensive income and cash flows reflect the result of the combining entities in full, irrespective of when the combination takes place.
- Comparative financial information are presented as if the entities had always been combined, or on date the common control existed on the combining entities, whichever comes earlier.
- The effects of any intercompany transactions are eliminated to the extent possible.

Presentation of Consolidated Financial Statements
The Group has elected to present all items of recognized income and expense in two statements: a statement displaying components of profit or loss (consolidated statement of income) and a second statement beginning with profit or loss and displaying components of OCI (consolidated statement of comprehensive income).

Current versus Noncurrent Classification
The Group presents assets and liabilities in the consolidated statement of financial position based on current or noncurrent classification. An asset is current when it is:
- expected to be realized or intended to be sold or consumed in normal operating cycle;
- held primarily for the purpose of trading;
- expected to be realized within twelve (12) months after the reporting period; or,
- cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve (12) months after the reporting period.

All other assets are classified as noncurrent.

A liability is current when:
- it is expected to be settled in the normal operating cycle;
- it is held primarily for the purpose of trading;
- it is due to be settled within twelve (12) months after the reporting period; or,
- there is no unconditional right to defer the settlement of the liability for at least twelve (12) months after the reporting period.

The Group classifies all other liabilities as noncurrent.

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

Cash and Cash Equivalents
Cash and cash equivalents in the consolidated statement of financial position is composed of cash in banks and on hand and short-term deposits with a maturity of three (3) months or less, which are subject to an insignificant risk of changes in value.

Short-term Investments
Short-term investments represent investments that are readily convertible to known amounts of cash with original maturities of more than three (3) months to one (1) year.

Fair Value Measurement
The Group measures financial assets at FVTPL, FVOCI and derivative financial instruments at fair value at each reporting date. Fair value related disclosures for financial instruments and non-financial assets that are measured at fair value or where fair values are disclosed, are summarized in the following notes:
- Quantitative disclosures of fair value measurement hierarchy (see Note 34)
- Investment properties (see Note 12)
- Financial instruments (including those carried at amortized cost, see Note 34)

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

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming market participants act in their economic best interest.

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

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

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described in Note 35, based on the lowest level input that is significant to the fair value measurement as a whole.

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

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

Financial Instruments – Classification and Measurement

Classification of Financial Assets
Financial assets are classified in their entirety based on the contractual cash flows characteristics of the financial assets and the Group's business model for managing the financial assets. The Group classifies its financial assets into the following measurement categories:
- financial assets measured at amortized cost
- financial assets measured at FVTPL

- financial assets measured at FVOCI, where cumulative gains or losses previously recognized are reclassified to profit or loss
- financial assets measured at FVOCI, where cumulative gains or losses previously recognized are not reclassified to profit or loss

Contractual Cash Flows Characteristics
If the financial asset is held within a business model whose objective is to hold assets to collect contractual cash flows or within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, the Group assesses whether the cash flows from the financial asset represent solely payments of principal and interest (SPPI) on the principal amount outstanding.

In making this assessment, the Group determines whether the contractual cash flows are consistent with a basic lending arrangement, i.e., interest includes consideration only for the time value of money, credit risk and other basic lending risks and costs associated with holding the financial asset for a particular period of time. In addition, interest can include a profit margin that is consistent with a basic lending arrangement. The assessment as to whether the cash flows meet the test is made in the currency in which the financial asset is denominated. Any other contractual terms that introduce exposure to risks or volatility in the contractual cash flows that is unrelated to a basic lending arrangement, such as exposure to changes in equity prices or commodity prices, do not give rise to contractual cash flows that are solely payments of principal and interest on the principal amount outstanding.

Business Model
The Group's business model is determined at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. The Group's business model does not depend on management's intentions for an individual instrument.

The Group's business model refers to how it manages its financial assets in order to generate cash flows. The Group's business model determines whether cash flows will result from collecting contractual cash flows, selling financial assets or both. Relevant factors considered by the Group in determining the business model for a group of financial assets include how the performance of the business model and the financial assets held within that business model are evaluated and reported to the Group's key management personnel, the risks that affect the performance of the business model (and the financial assets held within that business model) and how these risks are managed and how managers of the business are compensated.

Financial Assets at Amortized Cost
A financial asset is measured at amortized cost if (i) it is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and (ii) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. These financial assets are initially recognized at fair value plus directly attributable transaction costs and subsequently measured at amortized cost using the EIR method, less any impairment in value. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the EIR. The amortization is included in "Other income-net" in the consolidated statement of income and is calculated by applying the EIR to the gross carrying amount of the financial asset, except for (i) purchased or originated credit-impaired financial assets and (ii) financial assets that have subsequently become credit-impaired, where, in both cases, the EIR is applied to the amortized cost of the financial asset. Losses arising from impairment are recognized in "Provision for probable losses" in the consolidated statement of income.

As at December 31, 2020 and 2019, the Group's financial assets at amortized cost includes cash and cash equivalents, short-term investments, trade receivables, due from related parties and receivables from third parties under "Receivables" and deposits under "Other Noncurrent Assets" (see Notes 4, 5, 7, 15 and 34).

Financial Assets at FVOCI

Debt instruments

A financial asset is measured at FVOCI if (i) it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and (ii) its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. These financial assets are initially recognized at fair value plus directly attributable transaction costs and subsequently measured at fair value. Gains and losses arising from changes in fair value are included in other comprehensive income within a separate component of equity. Impairment losses or reversals, interest income and foreign exchange gains and losses are recognized in profit and loss until the financial asset is derecognized. Upon derecognition, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss. This reflects the gain or loss that would have been recognized in profit or loss upon derecognition if the financial asset had been measured at amortized cost. Impairment is measured based on the expected credit loss (ECL) model.

As at December 31, 2020 and 2019, the Group does not have debt instruments at FVOCI.

Equity instruments

The Group may also make an irrevocable election to measure at FVOCI on initial recognition investments in equity instruments that are neither held for trading nor contingent consideration recognized in a business combination in accordance with PFRS 3. Amounts recognized in OCI are not subsequently transferred to profit or loss. However, the Group may transfer the cumulative gain or loss within equity. Dividends on such investments are recognized in profit or loss, unless the dividend clearly represents a recovery of part of the cost of the investment.

Dividends are recognized in profit or loss only when:

- the Group's right to receive payment of the dividend is established
- it is probable that the economic benefits associated with the dividend will flow to the Group; and
- the amount of the dividend can be measured reliably.

As at December 31, 2020 and 2019, the Group's investments in quoted and unquoted equity securities and golf club shares are classified as financial asset at FVOCI (see Notes 11 and 34).

Financial Assets at FVTPL

Financial assets at FVTPL are measured at fair value unless these are measured at amortized cost or at FVOCI. Included in this classification are debt instruments with contractual terms that do not represent solely payments of principal and interest. Finwy2ancial assets held at FVTPL are initially recognized at fair value, with transaction costs recognized in the consolidated statement of income as incurred. Subsequently, they are measured at fair value and any gains or losses are recognized in the consolidated statement of income.

Additionally, even if the asset meets the amortized cost or the FVOCI criteria, the Group may choose at initial recognition to designate the financial asset at FVTPL if doing so eliminates or significantly reduces a measurement or recognition inconsistency (an accounting mismatch) that would otherwise arise from measuring financial assets on a different basis.

Trading gains or losses are calculated based on the results arising from trading activities of the Group, including all gains and losses from changes in fair value for financial assets and financial liabilities at FVTPL, and the gains or losses from disposal of financial investments.

The net changes in fair value of financial assets at FVTPL from the Group's investments in Unit Investment Trust Funds (UITF) and Fixed Interest Treasury Notes (FXTN),, included in "Interest and other financial income" account presented under "Other income - net" in the consolidated statements of income, amounted to nil, ₱30.84 million and ₱24.83 million in 2020, 2019 and 2018, respectively (see Note 26).

As at December 31,2020, the Group has already liquidated all outstanding investment in marketable securities and will discontinue investing in highly volatile financial instruments to keep a risk-averse position.

Derivative financial instruments and hedge accounting

Initial recognition and subsequent measurement

The Group uses derivative financial instruments, such as forward currency contracts, interest rate swaps and forward commodity contracts, to hedge its foreign currency risks, interest rate risks and commodity price risks, respectively. Such derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

For the purpose of hedge accounting, hedges are classified as:
- Fair value hedges when hedging the exposure to changes in the fair value of a recognized asset or liability or an unrecognized firm commitment
- Cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognized firm commitment
- Hedges of a net investment in a foreign operation

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which it wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge.

The documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Group will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined). A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:
- There is 'an economic relationship' between the hedged item and the hedging instrument.
- The effect of credit risk does not 'dominate the value changes' that result from that economic relationship.
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

Hedges that meet all the qualifying criteria for hedge accounting are accounted for, as described below:

Fair value hedges
The change in the fair value of a hedging instrument is recognized in the consolidated statement of income as other expense. The change in the fair value of the hedged item attributable to the risk hedged is recorded as part of the carrying value of the hedged item and is also recognized in the consolidated statement of income as other expense.

For fair value hedges relating to items carried at amortized cost, any adjustment to carrying value is amortized through profit or loss over the remaining term of the hedge using the EIR method. The EIR amortization may begin as soon as an adjustment exists and no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged.

If the hedged item is derecognized, the unamortized fair value is recognized immediately in profit or loss.

When an unrecognized firm commitment is designated as a hedged item, the subsequent cumulative change in the fair value of the firm commitment attributable to the hedged risk is recognized as an asset or liability with a corresponding gain or loss recognized in consolidated statement of income.

Cash flow hedges
The effective portion of the gain or loss on the hedging instrument is recognized in OCI in the cash flow hedge reserve, while any ineffective portion is recognized immediately in the consolidated statement of income. The cash flow hedge reserve is adjusted to the lower of the cumulative gain or loss on the hedging instrument and the cumulative change in fair value of the hedged item.

The Group uses forward commodity contracts for its exposure to volatility in the commodity prices. The ineffective portion relating to foreign currency contracts is recognized as other expense and the ineffective portion relating to commodity contracts is recognized in other operating income or expenses.

The Group designates only the spot element of forward contracts as a hedging instrument. The forward element is recognized in OCI and accumulated in a separate component of equity under cost of hedging reserve.

The amounts accumulated in OCI are accounted for, depending on the nature of the underlying hedged transaction. If the hedged transaction subsequently results in the recognition of a non-financial item, the amount accumulated in equity is removed from the separate component of equity and included in the initial cost or other carrying amount of the hedged asset or liability. This is not a reclassification adjustment and will not be recognized in OCI for the period. This also applies where the hedged forecast transaction of a non-financial asset or non-financial liability subsequently becomes a firm commitment for which fair value hedge accounting is applied.

For any other cash flow hedges, the amount accumulated in OCI is reclassified to profit or loss as a reclassification adjustment in the same period or periods during which the hedged cash flows affect profit or loss.

If cash flow hedge accounting is discontinued, the amount that has been accumulated in OCI must remain in accumulated OCI if the hedged future cash flows are still expected to occur. Otherwise, the amount will be immediately reclassified to profit or loss as a reclassification adjustment. After discontinuation, once the hedged cash flow occurs, any amount remaining in accumulated OCI must be accounted for depending on the nature of the underlying transaction as described above.

The Group entered into fuel and coal swap contracts as a hedge of its exposure to price risk on its purchases (see Note 34).

Classification of Financial Liabilities

Financial liabilities are measured at amortized cost, except for the following:
- financial liabilities measured at FVTPL;
- financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the Group retains continuing involvement;
- financial guarantee contracts;
- commitments to provide a loan at a below-market interest rate; and
- contingent consideration recognized by an acquirer in accordance with PFRS 3.

A financial liability may be designated at fair value through profit or loss if it eliminates or significantly reduces a measurement or recognition inconsistency (an accounting mismatch) or:
- if a host contract contains one or more embedded derivatives; or
- if a group of financial liabilities or financial assets and liabilities is managed and its performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

Where a financial liability is designated at FVTPL, the movement in fair value attributable to changes in the Group's own credit quality is calculated by determining the changes in credit spreads above observable market interest rates and is presented separately in other comprehensive income.

As at December 31, 2020 and 2019, the Group has not designated any financial liability at FVTPL.

The Group's accounts payable and other current liabilities (excluding derivative liability and statutory payables), due to stockholders, short-term and long-term loans, deposit payables and other noncurrent liabilities are classified as financial liabilities measured at amortized cost under PFRS 9 (see Notes 16, 17, 18 and 34).

Derecognition of Financial Assets and Financial Liabilities

Financial Assets
A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from the Group's consolidated statement of financial position) when:
- the rights to receive cash flows from the asset have expired; or,
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset; or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

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

Modification of Contractual Cash Flows
When the contractual cash flows of a financial asset are renegotiated or otherwise modified and the renegotiation or modification does not result in the derecognition of that financial asset, the Group recalculates the gross carrying amount of the financial asset as the present value of the renegotiated or modified contractual cash flows discounted at the original EIR (or credit-adjusted EIR for purchased or originated credit-impaired financial assets) and recognizes a modification gain or loss in the statement of income.

When the modification of a financial asset results in the derecognition of the existing financial asset and the subsequent recognition of the modified financial asset, the modified asset is considered a 'new' financial asset. Accordingly, the date of the modification shall be treated as the date of initial recognition of that financial asset when applying the impairment requirements to the modified financial asset.

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

<u>Offsetting of Financial Instruments</u>
Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statements of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously.

The Group assesses that it has a currently enforceable right of offset if the right is not contingent on a future event, and is legally enforceable in the normal course of business, event of default, and event of insolvency or bankruptcy of the Group and all of the counterparties.

There are no offsetting of financial assets and financial liabilities and any similar arrangements that warrants disclosure in the Group's consolidated financial statements as at December 31, 2020 and 2019.

<u>Impairment of Financial Assets</u>
PFRS 9 introduces the single, forward-looking "expected loss" impairment model, replacing the "incurred loss" impairment model under PAS 39.

The Group recognizes ECL on debt instruments that are measured at amortized. No ECL is recognized on equity investments.

ECLs are measured in a way that reflects the following:
- an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- the time value of money; and
- reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

Financial assets migrate through the following three (3) stages based on the change in credit quality since initial recognition:

Stage 1: 12-month ECL
For credit exposures where there have not been significant increases in credit risk since initial recognition and that are not credit-impaired upon origination, the portion of lifetime ECLs that represent the ECLs that result from default events that are possible within the 12-months after the reporting date are recognized.

Stage 2: Lifetime ECL – not credit-impaired
For credit exposures where there have been significant increases in credit risk since initial recognition on an individual or collective basis but are not credit-impaired, lifetime ECLs representing the ECLs that result from all possible default events over the expected life of the financial asset are recognized.

Stage 3: Lifetime ECL – credit-impaired
Financial assets are credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of those financial assets have occurred. For these credit exposures, lifetime ECLs are recognized and interest revenue is calculated by applying the credit-adjusted effective interest rate to the amortized cost of the financial asset.

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

For cash and cash equivalents, the Group applies the low credit risk simplification. The investments are considered to be low credit risk investments as the counterparties have investment grade ratings. It is the Group's policy to measure ECLs on such instruments on a 12-month basis based on available probabilities of defaults and loss given defaults. The Group uses the ratings published by a reputable rating agency to determine if the counterparty has investment grade rating. If there are no available ratings, the Group determines the ratings by reference to a comparable bank.

For all debt financial assets other than trade receivables, ECLs are recognized using general approach wherein the Group tracks changes in credit risk and recognizes a loss allowance based on either a 12-month or lifetime ECLs at each reporting date.

Loss allowances are recognized based on 12-month ECL for debt investment securities that are assessed to have low credit risk at the reporting date. A financial asset is considered to have low credit risk if:
- the financial instrument has a low risk of default

- the borrower has a strong capacity to meet its contractual cash flow obligations in the near term
- adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Group considers a financial asset to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'.

Determining the Stage for Impairment
At each reporting date, the Group assesses whether there has been a significant increase in credit risk for financial assets since initial recognition by comparing the risk of default occurring over the expected life between the reporting date and the date of initial recognition. The Group considers reasonable and supportable information that is relevant and available without undue cost or effort for this purpose. This includes quantitative and qualitative information and forward-looking analysis.

An exposure will migrate through the ECL stages as asset quality deteriorates. If, in a subsequent period, asset quality improves and reverses any previously assessed significant increase in credit risk since origination, then the loss allowance measurement reverts from lifetime ECL to 12-months ECL.

Write-off policy
The Group writes-off a financial asset and any previously recorded allowance, in whole or in part, when the asset is considered uncollectible, it has exhausted all practical recovery efforts and has concluded that it has no reasonable expectations of recovering the financial asset in its entirety or a portion thereof.

Fuel and Spare Parts
Fuel and spare parts are stated at the lower of cost or net realizable value (NRV). Cost is determined using the first-in, first-out method. NRV is the current replacement cost of fuel and spare parts.

Non-current Assets Held for Sale
The Group classifies non-current assets as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Non-current assets classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the disposal of an asset (disposal group), excluding finance costs and income tax expense.

The criteria for held for sale classification under PFRS 5, *Noncurrent Assets Held for Sale and Discontinued Operations* is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the plan to sell the asset and the sale is expected to be completed within one year from the date of the classification.

Property, plant and equipment are not depreciated or amortized once classified as held for sale. Assets and liabilities classified as held for sale are presented separately as current items in the consolidated statement of financial position.

Property, Plant and Equipment
Property, plant and equipment, except land, is stated at cost, net of accumulated depreciation and impairment losses. Such cost includes the cost of replacing a part of the plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of plant and equipment are required to be replaced at intervals, the Group depreciates them separately based on their specific useful lives. Likewise, when a major inspection is performed,

its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in the consolidated statement of income as incurred.

Land is stated at cost, net of accumulated impairment losses, if any.

The present value of the expected cost for the decommissioning of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets. The depreciation of property and equipment, except land, begins when it becomes available for use, i.e., when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Depreciation ceases when the assets are fully depreciated or at the earlier of the date that the item is classified as held for sale (or included in the disposal group that is classified as held for sale) in accordance with PFRS 5, and the date the item is derecognized. The estimated useful lives used in depreciating the Group's property, plant and equipment are as follows:

Category	In Years
Land improvements	10
Buildings and improvements	6-25
Machinery and equipment:	
Wind towers and equipment	25
Power plant	20
Power barges	10
Others	10-15
Tools and other miscellaneous assets	5-10
Transportation equipment	3-5
Office furniture, equipment and others	3-10

The residual values, useful lives and depreciation method are reviewed periodically to ensure that the periods and methods of depreciation are consistent with the expected pattern of economic benefits from items of property and equipment. These are adjusted prospectively, if appropriate.

Fully depreciated property, plant and equipment are retained in the accounts until they are no longer in use and no further depreciation is charged to current operations.

An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of income when the asset is derecognized.

Construction in progress includes cost of construction and other direct costs and is stated at cost less any impairment in value. Construction in progress is not depreciated until such time as the relevant assets are completed and ready for operational use.

Leases (Prior to adoption of PFRS 16)
The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

A reassessment is made after the inception of the lease, if any, if the following applies:
a) there is a change in contractual terms, other than a renewal or extension of the arrangement;
b) a renewal option is exercised or extension granted, unless the term of the renewal or extension was initially included in the lease term;
c) there is a change in the determination of whether fulfillment is dependent on a specified asset; or,
d) there is substantial change to the asset.

Where the reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gave rise to the reassessment for scenarios (a), (c), or (d) above, and at the date of renewal or extension period for scenario (b).

The Group determines whether arrangements contain a lease to which lease accounting must be applied. The costs of the agreements that do not take the legal form of a lease but convey the right to use an asset are separated into lease payments if the entity has the control of the use or access to the asset, or takes essentially all of the outputs of the asset. The said lease component for these arrangements is then accounted for as finance or operating lease.

Group as a Lessee
A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the Group is classified as a finance lease.

Finance leases are capitalized at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized under "Interest and Other Finance Charges" account in the consolidated statement of income.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset or the lease term.

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognized as "Rent" included under "Cost of sale of electricity" and "General and administrative expenses" in the consolidated statement of income on a straight-line basis over the lease term.

Group as a Lessor
Leases in which the Group does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

<u>Leases (Upon adoption of PFRS 16)</u>
The Group applied PFRS 16, *Leases* on January 1, 2019.

PFRS 16 supersedes PAS 17, *Leases*, IFRIC 4, *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases-Incentives* and SIC-27, *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model.

Lessor accounting under PFRS 16 is substantially unchanged under PAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in PAS 17. Therefore, PFRS 16 did not have an impact for leases where the Group is the lessor.

The Group adopted PFRS 16 using the modified retrospective method of adoption with the date of initial application of January 1, 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognized at the date of initial application. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying PAS 17 and IFRIC 4 at the date of initial application. The Group also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ('short-term leases'), and lease contracts for which the underlying asset is of low value ('low-value assets').

Right-of-use assets
The Group recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

Lease liabilities
At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the remaining lease term. The lease payments include fixed payments (including in-substance fixed payments, as applicable) less any lease incentives receivable and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

The Group has elected to use the two exemptions proposed by the standard on the following contracts:

a. Lease contracts for which the lease terms ends within 12 months from the date of initial application
b. Lease contracts for which the underlying asset is of low value

Significant judgement in determining the lease term of contracts with renewal options

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has the option to renew the lease contract for an additional term subject to the mutual agreement with the lessors. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy).

Deferred taxes
Upon adoption of PFRS 16, the Group has adopted the modified retrospective approach for accounting the transition adjustments and has elected to recognize the deferred income tax assets and liabilities pertaining to right-of-use assets and lease liabilities on a gross basis.

Borrowing Costs
Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the asset. To the extent that funds are borrowed specifically for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalization on that asset shall be determined as the actual borrowing costs incurred on that borrowing during the period less any investment income on the temporary investment of those borrowings. To the extent that funds are borrowed generally, the amount of borrowing costs eligible for capitalization shall be determined by applying a capitalization rate to the expenditures on that asset. The capitalization rate used by the Group is the weighted average of the borrowing costs applicable to the borrowings that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset. The amount of borrowing costs capitalized during a period shall not exceed the amount of borrowing costs incurred during that period.

All other borrowing costs are expensed in the period in which these occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Foreign Currency Denominated Transactions and Balances
Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date. Differences arising on settlement or translation of monetary items are recognized as "Foreign exchange gain - net" under "Other income - net" in the consolidated statement of income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the dates when the fair values are determined. The gains or losses arising on translation of non-monetary items measured at fair value are treated in line with the recognition of the gains or losses on the change in fair values of the items (i.e., translation differences on items which the fair value gains or losses are recognized in OCI or in profit or loss are also recognized in OCI or in profit or loss, respectively).

Interests in Joint Arrangements
Joint arrangement is an arrangement over which two or more parties have joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities (being those that significantly affect the returns of the arrangement) require unanimous consent of the parties sharing control.

Joint Operations
A joint operation is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities and share in the revenues and expenses relating to the arrangement. The Group's service contracts (SC) are assessed as joint operations.

Investments in Associates and a Joint Venture
An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries.

The Group's investments in its associates and a joint venture are accounted for using the equity method. Under the equity method, the investment in an associate or a joint venture is initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the Group's share in the net assets of the associate or joint venture since the acquisition date.

Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is collectively assessed for impairment.

The consolidated statement of income reflect the Group's share of the results of operations of the associate or joint venture. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognized directly in the equity of the associate or joint venture, the Group recognizes its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealized gains and losses resulting from transactions between the Group and the associate or joint venture are eliminated to the extent of the interest in the associate or joint venture.

The aggregate of the Group's share in profit or loss of the associate or the joint venture is shown in the consolidated statement of income outside operating profit and represents profit or loss after tax and NCI in the subsidiaries of the associate or joint venture.

If the Group's share in losses of an associate or a joint venture equals or exceeds its interest in the associate or joint venture, the Group discontinues recognizing its share of further losses.

The financial statements of the associate or joint venture are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognize an impairment loss on its investment in its associate or joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate or joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value, and then recognizes the loss in the consolidated statement of income.

Upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognized in the consolidated statement of income.

The consolidated financial statements include additional information about associates and joint ventures that are material to the Group (see Note 10). Management determined material associates and joint ventures as those associates and joint ventures where the Group's carrying amount of investments is greater than 5% of the total investments and advances in associates and joint ventures as at the end of the year.

Investment Properties

Investment properties are carried at cost, including transaction costs, net of accumulated depreciation. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day servicing of an investment property.

Investment properties are derecognized either when disposed of or when permanently withdrawn from use and no future economic benefit is expected from disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the consolidated statement of income in the period of derecognition.

Transfers are made to (or from) investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the carrying value at the date of change in use. If owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

Leasehold Rights (Prior to adoption of PFRS 16)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Internally generated intangibles, excluding capitalized development costs, are not capitalized and the related expenditure is reflected in the consolidated statement of income in the period in which the expenditure is incurred. The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortized over their economic useful lives and assessed for impairment whenever there is an indication that the intangible assets may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the consolidated statement of income in the expense category that is consistent with the function of the intangible assets.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the consolidated statement of income when the asset is derecognized.

The useful lives of leasehold rights are assessed as finite. The amortization expense on leasehold rights are recognized as “Depreciation and amortization” under “Cost of sale of electricity” account in the consolidated statement of income.

Deferred Exploration Costs
The Group follows the full cost method of accounting for exploration costs determined on the basis of each SC area. Under this method, all exploration costs relating to each SC are deferred pending the determination of whether the contract area contains oil and gas reserves in commercial quantities, net of any allowance for impairment losses.

Expenditures for mineral exploration and development work on mining properties are also deferred as incurred, net of any allowance for impairment losses. These expenditures are provided with an allowance when there are indications that the exploration results are negative. These are written-off against the allowance when the projects are abandoned or determined to be unproductive. When the exploration work results are positive, the net exploration costs and subsequent development costs are capitalized and amortized from the start of commercial operations.

Impairment of Non-financial Assets
The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired in accordance with PAS 36. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset’s recoverable amount. An asset’s recoverable amount is the higher of an asset’s or CGU’s fair value less costs of disposal and its value-in-use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Group’s CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth (5^{th}) year.

Impairment losses are recognized in the consolidated statement of income in the expense categories consistent with the function of the impaired asset.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognized impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset’s or CGU’s recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset’s recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statement of income.

The following assets have specific characteristics for impairment testing:

Property, Plant and Equipment and Investment Properties
For property, plant and equipment and investment properties, the Group assesses for impairment based on impairment indicators such as evidence of internal obsolescence or physical damage.

Investments in Associates and Interest in a Joint Venture
The Group determines at the end of each reporting period whether there is any objective evidence that the investments in associates and interest in a joint venture are impaired. If this is the case, the amount of impairment is calculated as the difference between the recoverable amount of the investments in associates and interests in joint ventures, and their carrying amounts.

Goodwill
Goodwill is tested for impairment annually and more frequently when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods.

Right-of-Use Assets and Leasehold Rights
Right of use assets and leasehold rights with finite useful lives are tested for impairment when circumstances indicate that the carrying value may be impaired.

Deferred Exploration Costs
Deferred exploration costs are reassessed for impairment on a regular basis. An impairment review is performed, either individually or at the CGU level, when there are indicators that the carrying amount of the assets may exceed their recoverable amounts. To the extent that this occurs, the excess is fully provided against, in the reporting period in which this is determined.

Facts and circumstances that would require an impairment assessment as set forth in PFRS 6, *Exploration for and Evaluation of Mineral Resources*, are as follows:
- The period for which the Group has the right to explore in the specific area has expired or will expire in the near future and is not expected to be renewed;
- Substantive expenditure on further exploration and evaluation of mineral resources in the specific area is neither budgeted nor planned;
- Exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the entity has decided to discontinue such activities in the specific area;
- When a service contract where the Group has participating interest in is permanently abandoned; and
- Sufficient data exist to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

When facts and circumstances suggest that the carrying amount exceeds the recoverable amount, impairment loss is measured, presented and disclosed in accordance with PAS 36, *Impairment of Assets*.

Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event; it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and, a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the consolidated statement of income, net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as "Other income" in the consolidated statement of income.

Asset Retirement Obligation

The Group is legally required under a lease agreement to dismantle certain machinery and equipment and restore the leased site at the end of the lease contract term. The Group recognizes the fair value of the liability for this obligation and capitalizes the present value of these costs as part of the balance of the related property, plant and equipment accounts, which are being depreciated on a straight-line basis over the shorter of the useful life of the related asset or the lease term. The liability is subsequently carried at amortized cost using the EIR method with the related interest expense recognized in the consolidated statement of income.

Pensions and Other Post-employment Benefits

Defined Benefit Plan

ACEN Retirement Plan for Plants is a hybrid retirement plan which has funded defined benefit features and matching defined contribution features covering all regular and permanent employees. Benefits under the defined benefit features of the plan are based on the employee's final plan salary and years of service. The defined benefit provisions of the ACEN Retirement Plan for Plants is patterned from the Phinma Jumbo Retirement Plan, which is the former retirement plan of the Group.

Effective January 1, 2020, the matching defined contribution features of the plan covers all regular and permanent employees. Starting on the date of membership of an employee in the Plan, the Group shall contribute to the retirement fund a percentage of the member's salary as defined when a Member opts to contribute to the plan. Benefits are based on the percentage of the total amount of contributions and investment returns credited to the personal retirement account (PRA) of the member at the time of separation. The Retirement Plan meets the minimum retirement benefit specified under Republic Act 7641.

The retirement fund is administered by a trustee bank under the supervision of the Retirement Committee of the plan. The Retirement Committee is responsible for investment strategy of the plan.

The hybrid retirement plan currently covers for participating entities: ACEN, Bulacan Power, CIPP, One Subic Power, Guimaras Wind, and any subsidiary and affiliate of ACEN that may subsequently adopt and participate in the Plan.

SLTEC and NorthWind currently operate their separate and distinct funded, noncontributory, defined benefit retirement plan with separately administered funds. Other entities are covered by Republic Act (R.A.) 7641, otherwise known as "The Philippine Retirement Law", which provides for qualified employees to receive a defined benefit minimum guarantee. The defined benefit minimum guarantee is equivalent to a certain percentage of the monthly salary payable to an employee at normal retirement age with the required credited years of service based on the provisions of R.A. 7641. The cost of providing benefits is determined using the projected unit credit method.

The Defined Benefit Obligation (DBO)/Actuarial Accrued Liability (AAL) is the actuarial present value of expected future payments required to settle the obligation resulting from employee service in current and prior periods. The calculation of the DBO/AAL assumes that the plan continues to be in effect and that estimated future events (including salary increases, turnover and mortality) occur. DBO differs from AAL only in the use of discount rate to compute the present value of expected future payments. The discount rate for DBO is based on the single weighted average discount rate which is based on the bootstrapped PHP-BVAL rates as mandated by PAS 19 at various tenors for intermediate durations were interpolated. The rates were then weighted by the expected benefits payments at those durations to arrive at the single weighted average discount rate while the expected rate of return on plan assets is used as the discount rate in computing AAL for funding.

Remeasurements, comprising of actuarial gains and losses, the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability and the return on plan assets (excluding amounts included in net interest on the net defined benefit liability), are recognized immediately in the consolidated statement of financial position with a corresponding debit or credit to retained earnings through OCI in the period in which these occur. Remeasurements are not reclassified to the consolidated statement of income in subsequent periods.

Past service costs are recognized in the consolidated statement of income on the earlier of:
- the date of the plan amendment or curtailment; or,
- the date that the Group recognizes related restructuring costs.

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset at the beginning of the period, unless there is a plan amendment, curtailment or settlement during the reporting period. The calculation also takes into account any changes in the net defined benefit liability or asset during the period as a result of contributions and benefit payments. The Group recognizes the following changes in the net defined benefit obligation under “Cost of sale of electricity” and “General and administrative expenses” accounts in the consolidated statement of income:
- service costs comprising current service costs, past service costs, gains and losses on curtailments and non-routine settlements
- net interest expense or income

Employee Leave Entitlement
Employee entitlements to annual leave are recognized as a liability when these are accrued to the employees. The undiscounted liability for leave expected to be settled wholly before twelve months after the end of the annual reporting period is recognized for services rendered by employees up to the end of the reporting period.

Other long-term benefits
Vacation and sick leaves are recognized as a liability when these are accrued to the employees. Unused vacation and sick leave credits shall be converted to cash upon separation of employee. Leave expected to be settled wholly before twelve months after the end of the annual reporting period is reclassified to short-term benefits.

<u>Capital Stock</u>
Capital stock represents the portion of the paid-in capital representing the total par value of the shares issued.

Stock Options and Grants

Stock option and grants are accounted for in accordance with PFRS 2, that is, the cost of stock option awards is measured by reference to the fair value at the date on which they are granted. The fair value is determined using the binomial method. The cost of such awards is recognized, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award. The cumulative expense that is recognized at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the consolidated statement of income for a period represents the movement in cumulative expense recognized as at the beginning and end of the period.

No expense is recognized for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

Where the terms of the award are modified, the minimum expense recognized is the expense if the terms had not been modified. An additional expense is recognized for any modification, which increases the total fair value of the share-based payment arrangement or is otherwise beneficial to the employee as measured at the date of modification.

Where the stock option is cancelled, it is treated as if it had vested on the date of the cancellation, and any expense not yet recognized for the award is recognized immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the preceding paragraph.

If the outstanding options are dilutive, its effect is reflected as additional share dilution in the computation of diluted earnings per share.

Additional Paid-in Capital (APIC)

APIC represents the amount paid in excess of the par value of the shares issued. An entity typically incurs various costs in issuing or acquiring its own equity instruments. Those costs, net of tax, might include registration and other regulatory fees, amounts paid to legal, accounting and other professional advisers, printing costs and stamp duties. In accordance with PAS 32, *Financial Instruments: Presentation,* the transaction costs of an equity transaction are accounted for as a deduction from equity to the extent they are incremental costs directly attributable to the equity transaction that otherwise would have been avoided.

Accounted also in the APIC are dividends declared by the transferee entities in the common control transaction with ACEIC between October 10, 2019 to June 20, 2020 which the Parent Company has beneficial economic interests already based on the Deed of Assignment. These are accounted for as equity contributions from ACEIC and are recorded as APIC.

Treasury Shares

Own equity instruments that are reacquired (treasury shares) are recognized at cost and deducted from equity. No gain or loss is recognized in the consolidated statement of income on the acquisition, reissuance or retirement of the Group's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognized in APIC. Share options exercised during the reporting period are satisfied with treasury shares.

Other Equity Reserves
Other equity reserves are made up of equity transactions other than capital contributions such as share in equity transactions of associates and joint ventures and difference between considerations paid or transferred and the net assets of the entity acquired through business combinations involving entities under common control.

Retained Earnings
Retained earnings include all current and prior period results of operations as reported in the consolidated statement of income, net of any dividend declaration and adjusted for the effects of changes in accounting policies as may be required by PFRS's transitional provisions.

Cash Dividend and Non-cash Dividend to Equity Holders of the Parent Company
The Group recognizes a liability to make cash or non-cash distributions to equity holders of the Parent Company when the distribution is authorized and the distribution is no longer at the discretion of the Group. A corresponding amount is recognized directly in equity.

Revenue from Contracts with Customers
Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group has concluded acting as principal in all its revenue arrangements since it is the primary obligor in all the revenue arrangements, has pricing latitude and exposed to credit risks.

The specific recognition criteria described below must also be met before revenue is recognized.

Sale of Electricity
Sale of electricity is consummated whenever the electricity generated by the Group is transmitted through the transmission line designated by the buyer, for a consideration. Revenue from sale of electricity is based on sales price. Sales of electricity using bunker fuel are composed of generation fees from spot sales to the WESM and supply agreements with third parties and are recognized monthly based on the actual energy delivered.

Starting December 27, 2014, sales of electricity to the WESM using wind are based on the Feed in Tariff (FIT) rate under the FIT System and are recognized monthly based on the actual energy delivered. Meanwhile, revenue from sale of electricity through ancillary services to NGCP is recognized monthly based on the capacity scheduled and/or dispatched and provided. Revenue from sale of electricity through Retail Supply Contract (RSC) is composed of generation charge from monthly energy supply with various contestable customers and is recognized monthly based on the actual energy delivered. The basic energy charges for each billing period are inclusive of generation charge and retail supply charge.

The Group identified the sale of electricity as its performance obligation since the customer can benefit from it in conjunction with other readily available resources and it is also distinct within the context of the contract. The performance obligation qualifies as a series of distinct services that are substantially the same and have the same pattern of transfer. The Group concluded that the revenue should be recognized overtime since the customers simultaneously receives and consumes the benefits as the Group supplies electricity.

Amounts Reimbursed to Customers
Certain revenue contracts with customers provide for the sale of any unutilized electricity to the WESM. The proceeds are recorded as reduction in "Revenue from sale of electricity" in the consolidated statement of income.

Dividend Income
Dividend income is recognized when the Group’s right to receive the payment is established, which is generally when shareholders of the investees approve the dividend.

Management Fees
Management fees for services rendered are recognized when earned.

Rental Income
Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms and is included in revenue in the consolidated statement of income due to its operating nature.

Contract Liability
A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognized when the payment is made, or the payment is due (whichever is earlier). Contract liability is recognized as revenue when the Group performs under the contract.

Claims on business interruptions and property damage
Income is recognized when an acknowledgment for the proposed claims is received from insurers. The income arises from unplanned shutdown of an insured property which resulted to business interruptions and property damage.

Other Income
Other income is recognized when there is an incidental economic benefit, other than the usual business operations, that will flow to the Group through an increase in asset or reduction in liability that can be measured reliably.

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

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

Management periodically evaluates positions taken in the tax return with respect to situations in which applicable tax regulations are subject to interpretations and establishes provisions where appropriate.

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

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

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

Deferred income tax assets are recognized for all deductible temporary differences, including carryforward benefits of unused net operating loss carryover (NOLCO) and excess minimum corporate income tax (MCIT) over regular corporate income tax (RCIT) which can be deducted against future RCIT due to the extent that it is probable that future taxable income will be available against which the deductible temporary differences and carryforward benefits of unused tax credits from unused NOLCO can be utilized, except:
- when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting income nor taxable income;
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred income tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable income will be available against which the temporary differences can be utilized.

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

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

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

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

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, are recognized subsequently if new information about facts and circumstances change. The adjustment is either treated as a reduction in goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or recognized in the consolidated statement of income.

Creditable Withholding Taxes (CWT)
CWTs are carried at the amount withheld by the customers for services provided by the Group. CWTs are recognized when payments are received from customers and the related withholding taxes were made. CWTs can be utilized as credits against the Group's income tax liability provided these are properly supported by certificates of creditable tax withheld at source subject to the rules on Philippine income taxation and may also be reduced by impairment losses, if any. CWTs, which are expected to be utilized as payment for income taxes within 12 months are classified as current, otherwise, these are classified as noncurrent assets.

Value-added Tax (VAT)
Expenses and assets are recognized net of the amount of VAT, except:
- When the VAT incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the VAT is recognized as part of the cost of acquisition of the asset or as part of the expense item, as applicable; and,
- When receivables and payables are stated with the amount of VAT included

The amount of VAT recoverable from the taxation authority is recognized as "Input VAT", while VAT payable to taxation authority is recognized as "Output VAT". Output VAT is recorded based on the amount of sale of electricity billed to third parties. Any amount of output VAT not yet collected as at reporting period are presented under "Accounts payable and other current liabilities" account in the consolidated statement of financial position.

Earnings (Loss) Per Share
Basic earnings (loss) per share is computed based on weighted average number of issued and outstanding common shares during each year after giving retroactive effect to stock dividends declared during the year. Diluted earnings (loss) per share is computed as if the stock options were exercised as at the beginning of the year and as if the funds obtained from exercise were used to purchase common shares at the average market price during the year. Outstanding stock options will have a dilutive effect under the treasury stock method only when the fair value of the underlying common shares during the period exceeds the exercise price of the option. Where the outstanding stock options have no dilutive effect and the Group does not have any potential common share nor other instruments that may entitle the holder to common shares, diluted earnings (loss) per share is the same as basic earnings (loss) per share.

Segment Reporting
The Group's operating businesses are organized and managed separately according to its geographic areas of operations, with each segment representing a strategic business unit that serves different markets.

Previously, the operating businesses are organized and managed separately according to its related services. Financial information on operating segments and the restatement following a change in composition of reportable segments are presented in Note 36 to the consolidated financial statements.

Contingencies
Contingent liabilities are not recognized in the consolidated financial statements but are disclosed in the notes to the consolidated financial statements unless the possibility of an outflow of resources embodying economic benefits is remote. If it is probable that an outflow of resources embodying economic benefits will occur and the liability's value can be measured reliably, the liability and the related expense are recognized in the consolidated financial statements.

Contingent assets are not recognized in the consolidated financial statements but disclosed in the notes to the consolidated financial statements when an inflow of economic benefits is probable. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the consolidated financial statements. If it is virtually certain that an inflow of economic benefits or service potential will arise and the asset's value can be measured reliably, the asset and the related revenue are recognized in the consolidated financial statements.

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

3. **Significant Accounting Judgment, Estimates and Assumptions**

The preparation of the accompanying consolidated financial statements in conformity with PFRSs requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. The estimates and assumptions used in the accompanying consolidated financial statements are based upon management's evaluation of relevant facts and circumstances as at the date of the consolidated financial statements. Actual results could differ from such estimates.

Judgments and estimates are continually evaluated taking into consideration the Group's historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

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

Asset Acquisitions and Business Combinations
Where asset is acquired through the acquisition of corporate interests, management considers the substance of the assets and activities of the acquired entity in determining whether the acquisition represents an acquisition of a business. The Group accounts for an acquisition as a business combination where an integrated set of activities is acquired in addition to the asset.

Where such acquisitions are not judged to be an acquisition of a business, they are not treated as business combinations. Rather, the cost to acquire the corporate entity is allocated between the identifiable assets and liabilities of the entity based on their relative fair values at the acquisition date. Otherwise, corporate acquisitions are accounted for as business combinations. The cost of the acquisition is allocated to the assets and liabilities acquired based upon their relative fair values, and no goodwill or deferred tax is recognized.

The Group's acquisitions of SACASOL and ISLASOL have been accounted for as business combinations, the share swap transaction with ACEIC and the acquisition of 20% ownership stake of APHPC in SLTEC as business combinations involving entities under common control, while acquisition of BCHC, Ingrid and ACTA Power and various subscriptions to Giga Ace 1 up to 10 have been accounted for as purchases of assets (see Notes 2 and 31).

Combination of Entities under Common Control
A combination involving entities or businesses under common control is 'a business combination in which all of the combining entities or businesses are ultimately controlled by the same party or parties both before and after the business combination, and that control is not transitory'. This will include transactions such as the transfer of subsidiaries or businesses between entities within a group.

The share swap transaction entered into by the Parent Company with ACEIC and the acquisition of 20% ownership stake of APHPC in SLTEC were determined to be common control business combinations (see Note 32).

Accounting for Arrangements as a Single Transaction
In determining whether to account for the arrangements as a single transaction, an entity considers all the terms and conditions of the arrangements and their economic effects. One or more of the following indicate that the Parent Company should account for the multiple arrangements as a single transaction:
(a) They are entered into at the same time or in contemplation of each other;
(b) They form a single transaction designed to achieve an overall commercial effect;
(c) The occurrence of one arrangement is dependent on the occurrence of at least one other arrangement; or
(d) One arrangement considered on its own is not economically justified, but it is economically justified when considered together with other arrangements. An example is when a disposal of shares is priced below market and is compensated for by a subsequent disposal priced above market.

The indicators clarify that arrangements that are part of a package are accounted for as a single transaction.

The series of transactions entered into by ACEN together with TLCTI Asia for the investment and entry in ISLASOL, were assessed to be linked agreements and thus, were accounted for as a single transaction that resulted in recognition of NCI. Management's judgements in accounting for its ownership interest in ISLASOL are discussed in Note 31.

Assessment of Joint Control
The Group's investments in joint ventures are structured in separate incorporated entities. The investment in PhilWind is accounted for as an investment in a joint venture as the relevant activities such as approval of business plan and annual budget, appropriation of retained earnings and declaration of cash dividends among others of PhilWind and its subsidiary, North Luzon Renewable Energy Corp. ("NLR") require the unanimous consent of the stockholders. Even though the Group holds 69.81% ownership interest on these arrangements, their respective joint arrangement agreements requires unanimous consent from all parties to the agreement for the relevant activities identified. The Group and the parties to the agreement only have rights to the net assets of the joint venture through the terms of the contractual arrangements (see Note 10).

Change in Operating Segments
The Group changed the structure of its internal organization that caused the composition of its reportable segments to change. The Group's segment report is according to its geographic areas of operations, with each segment representing a strategic business unit that serves different markets, reported on the basis that is used internally by the management for evaluating segment performance and deciding how to allocate resources among operating segments. The reported operating segment information is in accordance with PFRS 8 (see Note 36).

Revenue Recognition

Identifying Performance Obligations

The Group identifies performance obligations by considering whether the promised goods or services in the contract are distinct goods or services. A good or service is distinct when the customer can benefit from the good or service on its own or together with other resources that are readily available to the customers and the Group's promise to transfer the good or service to the customer is separately identifiable.

The Group assesses performance obligations as a series of distinct goods and services that are substantially the same and have the same pattern of transfer if (i) each distinct good or service in the series are transferred over time and (ii) the same method of progress will be used (i.e., units of delivery) to measure the entity's progress towards complete satisfaction of the performance obligation.

For power generation, trading and ancillary services where capacity and energy dispatched are separately identified, these two obligations are to be combined as one performance obligation since these are not distinct within the context of the contract as the customer cannot benefit from the contracted capacity alone without the corresponding energy and the customer cannot obtain energy without contracting a capacity.

The combined performance obligation qualifies as a series of distinct services that are substantially the same and have the same pattern of transfer since the delivery of energy every month are distinct services which are all recognized over time and have the same measure of progress.

Retail supply also qualifies as a series of distinct services which is accounted for as one performance obligation since the delivery of energy every month is a distinct service which is recognized over time and have the same measure of progress.

Identifying Methods for Measuring Progress of Revenue Recognized Over Time

The Group determines the appropriate method of measuring progress which is either using input or output methods. Input method recognizes revenue based on the entity's efforts or inputs to the satisfaction of a performance obligation while output method recognizes revenue based on direct measurements of the value to the customer of the goods or services transferred to date.

For ancillary services, the Group determined that the output method is the best method in measuring progress since actual energy is supplied to customers. The Group recognizes revenue based on contracted and actual kilowatt hours (kwh) dispatched which are billed on a monthly basis.

For power generation and trading and retail supply, the Group uses the actual kwh dispatched which are also billed on a monthly basis.

Determining Method to Estimate Variable Consideration and Assessing the Constraint

The Group includes some or all the amounts of variable consideration estimated but only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved. The Group considers both likelihood and magnitude of the revenue reversal in evaluating the extent of variable consideration the Group will subject to constraint. Factors such as (i) highly susceptible to factors outside of the Group's influence, (ii) timing of resolution of the uncertainty, and (iii) having a large number and broad range of possible outcomes are considered.

Some contracts with customers provide for unspecified quantity of energy, index adjustments and prompt payment discounts that give rise to variable considerations. In estimating the variable consideration, the Group is required to use either the expected value method or the most likely amount method based on which method better predicts the amount of consideration to which it will be entitled. The expected value method of estimation takes into account a range of possible outcomes while most likely amount is used when the outcome is binary.

The Group determined that the expected value method is the appropriate method to use in estimating the variable consideration given the large number of customer contracts that have similar characteristics and wide the range of possible outcomes.

Before including any amount of variable consideration in the transaction price, the Group considers whether the amount of variable consideration is constrained. The Group determined that the estimates of variable consideration are to be fully constrained based on its historical experience (i.e., prompt payment discounts), the range of possible outcomes (i.e., unspecified quantity of energy), and the unpredictability of other factors outside the Group's influence (i.e., index adjustments).

Lease Accounting

Determining Whether an Arrangement Contains a Lease (Prior to adoption of PFRS 16)

ACEN supplies the electricity requirements of certain customers under separate Electricity Supply Agreements (ESA) (see Note 33). The Group has evaluated the arrangements and the terms of the ESA and determined that the agreements do not qualify as leases. Accordingly, fees billed to these customers are recognized as revenue from sale of electricity.

Under ACEN's Power Purchase Agreement (PPA) with SLTEC and Maibarara Geothermal Inc. (MGI), ACEN agreed to purchase all of SLTEC's and MGI's output (see Note 33). The Group has evaluated the arrangements and the terms of the PPA and determined that the agreements do not qualify as leases prior to adoption of PFRS 16. Accordingly, prior to the consolidation of SLTEC to the Group, the fees paid to SLTEC and MGI are recognized under "Cost of sale of electricity" (see Note 21).

Guimaras Wind also entered into various easements and right of way agreements with various landowners to support the erection of transmission lines to be used to connect its 54 MW Wind Farm Project in Guimaras. These agreements contain leases as the arrangements convey the rights to use the assets and Guimaras Wind has control over the utility of the assets. Accordingly, the Group has accounted for these agreements as leases upon adoption of PFRS 16.

Classification of Leases - the Group as Lessee (Prior to adoption of PFRS 16)

The Group exercises judgment in determining whether substantially all the significant risks and rewards of ownership of the leased assets are transferred to the Group. Lease agreements, which transfer to the Group substantially all the risks and rewards incidental to ownership of the leased items are classified as finance leases. Otherwise, these are considered as operating leases (see Note 33).

One Subic Power has a lease agreement with Subic Bay Metropolitan Authority ("SBMA") for a parcel of land and electric generating plant and facilities where it has determined that the risks and rewards related to the properties are retained with the lessor (e.g., no bargain purchase option and transfer of ownership at the end of the lease term). The lease is, therefore, accounted for as an operating lease (see Note 33).

Guimaras Wind has entered into various lease agreements with individual land owners where the present value of the minimum lease payments does not amount to at least substantially all of the fair value of the leased asset, among others, which indicates that it does not transfer substantially all the risks and rewards from the various land owners to the Group incidental to the ownership of the parcels of land. These leases are classified as operating leases.

Guimaras Wind has entered into various lease agreements with individual land owners where the present value of the minimum lease payments amount to at least substantially all of the fair value of the leased asset, which indicates that the risks and rewards related to the asset are transferred to the Group. These leases are classified as finance leases.

The Parent Company, AC Energy, Ayala Land, Inc. (ALI) and Ayalaland Offices, Inc. entered an agreement on assignment of contract of lease. ACEIC assigned a portion of its office unit and parking slots to the Parent Company.

Various renewable entities also have existing lease agreements for land properties as sites for the power plant projects. Details of these and the above lease agreements are disclosed in Note 33.

Classification of Leases - the Group as Lessor
The Group had a lease agreement for the lease of its investment property. The Group had determined that the risks and rewards of ownership of the underlying property were retained by the Group. Accordingly, the leases are classified as an operating lease (see Note 33).

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

The Group did not include the renewal period as part of the lease term for leases of land and power plant because as at commencement date, the Group assessed that it is not reasonably certain that it will exercise the renewal options since the renewal options are subject to mutual agreement of the lessor and the Group. Furthermore, the periods covered by termination options are included as part of the lease term only when they are reasonably certain not to be exercised.

Discount Rate
The Group used the risk free rate per PHP-BVAL plus the credit spread provided by the bank or the incremental borrowing rate which is the rate of interests that a lessee would have to pay to borrow over a similar term, and with similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in similar economic environment.

Practical Expedients
The Group also applied the available practical expedients wherein it:
- Used a single discount rate to a portfolio of leases with reasonably similar characteristics.
- Relied on its assessment of whether leases are onerous immediately before the date of initial application.
- Applied the short-term leases exemptions to leases with lease term that ends within 12 months at the date of initial application. All leases with a term of 1 year and below shall be expensed outright.

- Excluded the initial direct costs from the measurement of the right-of-use assets at the date of initial application.

Refer to Note 33 for information on potential future rental payments relating to periods following the exercise date of extension and termination options that are not included in the lease term.

Business Model Assessment
Classification and measurement of financial assets depends on the results of the business model and SPPI characteristics tests. The Group manages its financial assets based on a business model that maintains adequate level of financial assets to match expected cash outflows while maintaining a strategic portfolio of financial assets for trading activities. This assessment consists of judgment reflecting all relevant evidence including how the performance of the asset is evaluated and their performance measured and the risks that affect the performance of the assets. The Group's business model can be to hold financial assets to collect contractual cash flows even when sales of certain financial assets occur.

Judgements made in determining taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates applying paragraph 122 of PAS 1, Presentation of Financial Statements
Upon adoption of the Interpretation, the Group has assessed whether it has any uncertain tax positions. The Group applies significant judgement in identifying uncertainties over its income tax treatments. The Group determined, based on its tax assessment, in consultation with its tax counsel, that it is probable that its income tax treatments (including those for the subsidiaries) will be accepted by the taxation authorities. Accordingly, the interpretation did not have an impact on the consolidated financial statements of the Group.

Management's Use of Estimates
The key assumptions concerning the future and other sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Measurement of Expected Credit Losses
At each reporting date, the Group assesses whether there has been a significant increase in credit risk for financial assets since initial recognition by comparing the risk of default occurring over the expected life between the reporting date and the date of initial recognition. The Group considers reasonable and supportable information that is relevant and available without undue cost or effort for this purpose. This includes quantitative and qualitative information and forward-looking analysis. An exposure will migrate through the ECL stages as asset quality deteriorates. If in a subsequent period, asset quality improves and any previously assessed significant increase in credit risk also reverses since origination, then the loss allowance measurement reverts from lifetime ECL to 12-month ECL (see Note 5).

Determination of Significant Increase in Credit Risk (SICR)
The Group compares the probabilities of default occurring over the expected life of financial assets as at the reporting date with the probability of default occurring over the expected life on the date of initial recognition to determine significant increase in credit risk. Since comparison is made between forward-looking information at reporting date against initial recognition, the deterioration in credit risk may be triggered by the following factors:

- substantial deterioration in credit quality as measured by the applicable internal or external ratings or credit score or the shift from investment grade category to non-investment grade category;
- adverse changes in business, financial and/or economic conditions of the borrower;
- early warning signs of worsening credit where the ability of the counterparty to honor his obligation is dependent upon the business or economic condition;
- the account has become past due beyond 30 days where an account is classified under special monitoring category; and
- expert judgment for the other quantitative and qualitative factors which may result to SICR as defined by the Group.

In response to COVID-19, the Group undertook a review of its portfolio of financial assets and the ECL for the year for financial assets carried at amortized cost. The review considered the macroeconomic outlook, client and customer/borrower credit quality, the type of collateral held, exposure at default and the effect of payment deferral options as at the reporting date.

As at December 31, 2020 and 2019, the Group assessed that for its financial assets such as cash and cash equivalents, there has been no SICR since origination and is assessed as low credit risk based on published information of comparable entities. For trade receivables, the Group used provision matrix in estimating its ECL. A broad range of forward-looking information were considered as economic inputs, such as GDP growth, inflation rates, unemployment rates, interest rates and BSP statistical indicators. The inputs and models used for calculating ECL may not always capture all characteristics of the market at the date of the consolidated financial statements. To reflect this, qualitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material. While these model inputs including forward-looking information are revised, the ECL models, and definitions of default remain consistent with prior periods.

The Group complied with the Department of Energy ("DOE") circulars on granting extensions on deferment of payments and obligation. The changes in economic activity brought about by the community quarantine measures and lowering of WESM prices have resulted in lower electricity demand and consumption. Consequently, this affected the revenue targets of the Distribution Companies, Generation Companies, and RES business units. However, projects under FIT were not affected by the movements in the WESM prices. Nevertheless, the Group has been in constant discussions, and has been working together with its customers and other key stakeholders to minimize the impact of the pandemic to the respective parties' power supply agreements.

Purchase Price Allocation and Goodwill
The Group made several acquisitions in 2020 (see Note 31) accounted for using the acquisition method which requires extensive use of accounting estimates and judgments to allocate the purchase price to the fair market values of the acquiree's identifiable assets and liabilities at acquisition date. It also requires the acquirer to recognize gain on bargain purchase or goodwill. The Group's acquisitions in 2020 have resulted in gain on bargain purchase and goodwill. See Notes 26 and 31 for related disclosures.

The Group estimated the fair value of the net assets of the investee companies for the finalization of the purchase price allocation. Information related to Certificate of Compliance ("COC") authorizing to operate as FIT-eligible RE plant, as issued by Energy Regulatory Commission ("ERC"), certain bilateral contracts, WESM prices, forecast of electricity demand and consumption, discount rates, and property plant and equipment were used in the estimation (see Note 31).

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognized for NCI, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognized at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognized in the consolidated statement of income (see Note 13).

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units (CGU) that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a CGU and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the CGU retained.

Determination of Present Value of FIT Adjustment
The adjustment on the FIT rate for the delivered energy is a variable consideration which shall be accounted for in the period in which the transaction prices changed. The Group recognized additional revenue and long-term receivables computed on the FIT rate increment, which, according to Resolution No.06, Series of 2020 issued by the ERC, will be recovered for a period of five (5) years starting from January 2021 (see Notes 5, 15 and 20).

The Group determined the present value of the Tariff adjustments through discounted cash flow model using Bloomberg Valuation Service (BVAL) risk-free interest rates of 5-year tenor for government securities that are denominated in Philippine peso currency, being the rate that the Group would receive in a similar economic environment with similar terms, security and conditions. The valuation technique is validated and periodically reviewed by qualified personnel independent of the area that created them.

Evaluating Net Realizable Value of Inventories
The Group writes down its inventory to net realizable value (NRV) whenever NRV becomes lower than cost due to damage, physical deterioration, changes in price levels or other causes. Estimates of NRV are based on the most reliable evidence available at the time the estimates are made on the amount expected to be realized. Review is performed on a regular basis to reflect the reasonable valuation of the inventory in the consolidated financial statements. As at December 31, 2020 and 2019, the carrying value of inventories amounted to ₱1,391.34 million and ₱938.46 million, respectively (see Note 6).

Recoverability and Classification of Input VAT
Input VAT represents taxes paid on purchases of applicable goods and services which can be recovered as tax credit against future output VAT liability of the Group. The Group is also allowed to recover excess input VAT by filing a claim for refund or tax credit certificate with the BIR. The Group has various claims for tax credit certificate of its input VAT. Considering the uncertainty in the timing of the final decision on these claims, the input VAT claimed for refund was recognized as part of noncurrent asset in the consolidated statements of financial position (see Note 38).

The Group has written off input VAT of nil in 2020 and 2019, and ₱21.90 million in 2018 as these are considered no longer recoverable. The Group also provided provisions for unrecoverable input tax amounting to nil in 2020 and 2019, while ₱43.71 million in 2018 (see Notes 26 and 38). The carrying amounts of input VAT as at December 31, 2020 and 2019 amounted to ₱1,607.94 million and ₱559.25 million, respectively.

Recoverability and Classification of Creditable Withholding Tax
Creditable withholding taxes (CWT) represent amounts withheld by the Group's customers and are deducted from the Group's income tax payable. The Group has recognized as part of noncurrent assets in the consolidated statement of financial position the CWTs that are not expected to be utilized within one year based on forecast of taxable income. As at December 31, 2020 and 2019, the carrying amount of CWT amounted to ₱1,251.11 million and ₱1,040.22 million, respectively.

Impairment of Goodwill
The Group subjects goodwill to an impairment test annually and whenever there is an indication that it is impaired. This requires an estimation of the value in use of the related CGU. The value in use calculation requires the Group to make an estimate of the expected future cash flows from the CGU and to choose a suitable discount rate in order to calculate the present value of those cash flows.

Key assumptions used in the value-in-use calculations
The calculations of value-in-use for the CGUs are most sensitive to the following assumptions:
- Forecasted revenue growth - Revenue forecasts are management's best estimates considering factors such as historical/industry trend, target market analysis, government regulations and other economic factors.
- EBITDA margin - It is a measure of a firm's profit that includes all expenses except interest, depreciation and income tax expenses. It is the difference between operating revenues and operating expenses. EBITDA was adjusted for tax, depreciation, interest expenses and changes in net working capital and maintenance capital expenditures in arriving the free cash flow.
- Discount rates - represent the current market assessment of the risks specific to each CGU, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the Group and its operating segments and is derived from its weighted average cost of capital (WACC). The WACC considers both debt and equity. The cost of equity is derived from the expected return on investment. The cost of debt is based on the interest-bearing borrowings the Group is obliged to service. Segment-specific risk is incorporated by applying individual beta factors. The beta factors are evaluated annually based on publicly available market data. Adjustments to the discount rate are made to factor in the specific amount and timing of the future tax flows in order to reflect a pre-tax discount rate.

An increase of 100 basis points in the Group's pre-tax discount rate will not result in an impairment of goodwill.

Management used an appropriate discount rate for cash flows which is consistent with the valuation practice. The management used the weighted average cost of capital (WACC) wherein the source of the cost of equity and debt financing are weighted. The post-tax discount rates of 7.7% to 9.7% and 8.4% to 9.4% were used in 2020 and 2019. The Group used a capital structure of 64.7% and 50.3% debt/equity (DE) ratio based on industry-comparable weights and the growth rate used in extrapolating cash flows beyond the period covered by the Group's recent budget was 3% in 2020 and 2019.

The carrying amount of goodwill amounted to ₱246.61 million and ₱234.15 million as at December 31, 2020 and 2019 (see Note 13). No impairment loss has been recognized on goodwill in 2020, 2019 and 2018.

Impairment of Deferred Exploration Costs
The carrying value of deferred exploration costs is reviewed for impairment by management when facts and circumstances suggest that their carrying amount exceeds the recoverable amount under PFRS 6. Among the factors considered by management on impairment review of deferred exploration costs are the expiration of the contracts and the technical evaluation that the remaining prospects in these areas are small and are likely to be uneconomic. In the event of impairment, the Group measures, presents and discloses the resulting impairment loss in accordance with PAS 36.

The ability of the Group to recover its deferred exploration costs would depend on the commercial viability of the reserves. The Group considers the status of each exploration projects and its plans as it determines the recoverable amount of deferred exploration costs. The Group recognized impairment losses on deferred exploration costs amounting to nil, ₱34.49 million and ₱48.26 million in 2020, 2019 and 2018, respectively (see Note 22). The carrying value of deferred exploration costs amounted to ₱59.88 million and ₱46.04 million as at December 31, 2020 and 2019, respectively (see Note 13).

Impairment of Non-financial Assets, other than Goodwill and Deferred Exploration Costs
The Group reviews property, plant and equipment, investments in associates and joint venture, investment properties, leasehold rights and right-of-use assets for impairment of value. This includes considering certain indications of impairment such as significant changes in asset usage, significant decline in assets' market value, obsolescence or physical damage of an asset, significant underperformance relative to expected historical or projected future operating results and significant negative industry or economic trends.

Business disruption resulting from the global pandemic has led to the Group recognizing asset impairments and forecasting future losses. These circumstances introduced new uncertainties that the Group considered in its analysis of the recoverability of certain assets.

Impairment of Investment in an Associate
In 2020, the Group assessed that its investment in Negros Island Biomass Holdings, Inc (NIBHI) was impaired. The Group expects the return on its investment in NIBHI through dividends. Given however that the projects where NIBHI has investments have not started commercial operations, are still completing pertinent regulatory permitting requirements, and in the process are accumulating pre-operating costs and losses, the Group has provided allowance for the impairment loss amounting to ₱186.51 million (see Note 22).

The recoverable amount of the investment in NIBH amounting to nil as at December 31, 2020 was determined based on a value in use calculation using cash flow projections from financial budgets approved by senior management covering a twenty five-year period. The pre-tax discount rate applied to cash flow projections is 10.0%. It was concluded that the fair value less costs of disposal did not exceed the value in use. As a result of this analysis, the Group has recognized an impairment charge of ₱186.51 million in 2020 against the related goodwill recorded inthe investment in an associate account. The provision for impairment of investment in an associate is recorded in "General and administrative expenses" in the consolidated statements of income (see Notes 10 and 22).

Impairment of Assets Related to Bataan Project
On September 20, 2020, Bataan Solar Energy, Inc. ("BSEI") issued the Notice to Proceed ("NTP") for the development of a 4.375 MWdc Renewable Energy Laboratory Facility with Energy Storage System Project (the "Bataan Project") in Brgy. Batangas-II Mariveles, Bataan. The Bataan Project utilizes state-of-the art technologies in the solar and storage industry with various types of modules, mounting structures, inverters and energy storage system with the view of acquiring first-hand experience in operating such technologies. Power generated will be initially sold to WESM. Given however the lack of economies of scale for the Bataan Project, the management assessed that the expected revenue cannot cover return of the investment in the Bataan Project and thereby provided impairment for the Bataan Project's various spending to date for its advances to contractors and construction in progress and tools and miscellaneous assets under property, plant and equipment amounting to ₱49.88 million, ₱96.62 million, and ₱14.89 million, respectively (see Notes 7 and 9).

The recoverable amount of the Bataan Project assets amounting to nil as at December 31, 2020 was determined based on a value in use calculation using cash flow projections from financial budgets approved by senior management covering a seven-year period. The pre-tax discount rate applied to cash flow projections is 10.0%. It was concluded that the fair value less costs of disposal did not exceed the value in use. As a result of this analysis, the Group recognized an impairment charge of ₱160.93 million in 2020 against the related other current assets and property, plant and equipment. The provision for impairment of property, plant and equipment and advances to contracts are included in "General and administrative expenses" in the consolidated statements of income (see Notes 7, 9 and 22).

Impairment of PB 102 and PB 103
In 2020, following the fuel oil discharge accident (Notes 9 and 38), the Parent Company recognized full provision for impairment of PB 102 and PB 103 amounting to ₱270.53 million as the assets are not operational as at December 31, 2020 and there are no existing ancillary service contracts to utilize the assets for income generation. The Group reassessed the depreciation policies of its property, plant and equipment and estimated that their useful lives will not be affected following this decision.

The recoverable amounts of PB 102 and PB 103 amounting to nil as at December 31, 2020 were determined based on the calculation of fair value less costs of disposal using estimated scrap value with reference to recent sales, adjustments to weight of the scrap and deduction for costs of disposal. As a result of this analysis, the Group has recognized an impairment charge of ₱270.53 million in 2020 against the related property, plant and equipment. The provision for impairment loss on property, plant and equipment is included in "General and administrative expenses" in the consolidated statements of income (see Notes 9 and 22).

Further details on plant, property, and equipment, investments in associates and joint venture, investment properties, leasehold rights and right-of-use assets are provided in Notes 9, 10, 12, 13 and 14, respectively.

Estimating Useful Lives of Property, Plant and Equipment, Investment Properties, Right-of-Use Assets and Leasehold Rights
The Group estimates the useful lives of property, plant and equipment, investment properties, right-of-use assets and leasehold rights based on the period over which the assets are expected to be available for use. The estimated useful lives of property, plant and equipment, investment properties, right-of-use assets and leasehold rights are reviewed periodically and are updated if expectations

differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets. In addition, estimation of the useful lives of property, plant and equipment and investment properties are based on collective assessment of industry practice, internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in estimates brought about by changes in factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. In 2020, 2019 and 2018, there were no changes in the estimated useful lives of these assets.

The total depreciation and amortization of property, plant and equipment, right-of-use assets investment properties and leasehold rights amounted to ₱1,810.71 million, ₱1,037.73 million and ₱405.84 million in 2020, 2019 and 2018, respectively (see Note 24).

Estimating the Incremental Borrowing Rate
The Group cannot readily determine the interest rate implicit in its leases, therefore, it used its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the entities' stand-alone credit rating). The Group's lease liabilities amounted to ₱1,916.63 million and ₱981.54 as at December 31, 2020 and 2019, respectively (see Note 14).

Realization of Deferred Income Tax Assets
The Group reviewed its business and operations to take into consideration the estimated impacts of COVID-19, including its estimated impact on macroeconomic environment, the market outlook and the Group's operations. As such, the Group assessed its ability to generate sufficient taxable income in the future that will allow realization of net deferred tax assets. As a result, the carrying amount of deferred tax assets is reduced to the extent that the related tax assets cannot be utilized due to insufficient taxable profit against which the deferred tax assets will be applied. The Group assessed that sufficient taxable profit will be generated to allow all or part of the deferred income tax assets to be utilized (see Note 27).

The deferred income tax assets recognized by the Group and the deductible temporary differences, unused NOLCO and MCIT for which no deferred income tax assets were recognized as at December 31, 2020 and 2019 are disclosed in Note 27.

Estimation of Pension and Other Employee Benefits Liabilities
The cost of defined benefit pension plans and other post-employment benefits and the present value of the pension obligation are determined using actuarial valuations. The actuarial valuation involves making various assumptions. These include the determination of the discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined benefit obligations are highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

In determining the appropriate discount rate, management considers the interest rates of government bonds that are denominated in the currency in which the benefits will be paid, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation. The mortality rate is based on publicly available mortality tables for the country and is modified accordingly with estimates of mortality improvements. Future salary increases and pension increases are based on expected future inflation rates of the country. Further details about the assumptions used are provided in Note 28. Pension and other employee benefits amounted to ₱50.93 million and ₱71.03 million as at December 31, 2020 and 2019, respectively.

Contingencies and Tax Assessments
The Group is currently involved in various legal proceedings and assessments for local and national taxes (see Note 38). The estimate of the probable costs for the resolution of these claims has been developed in consultation with outside counsel handling the defense in these matters and is based upon an analysis of potential results. The final settlement of these may result in material adverse impact on the Group's consolidated financial statements.

4. Cash and Cash Equivalents

	2020	2019 (As restated)
Cash on hand and in banks	**₱3,354,039**	₱2,015,564
Short-term deposits	**1,781,435**	7,577,684
	₱5,135,474	₱9,593,248

Cash in banks earn interest at the respective bank deposit rates for its peso and dollar accounts.

Short-term deposits are made for varying periods between one day and three months depending on the immediate cash requirements of the Group and earn interest at the respective short-term deposit rates.

Interest income earned on cash in banks and short-term deposits in 2020, 2019 and 2018 amounted to ₱57.56 million, ₱70.79 million and ₱34.04 million, respectively (see Note 26).

Short-term deposits include debt service reserves account amounting to ₱212.24 million and ₱281.65 million as at December 31, 2020 and 2019, respectively, for the payment of loans by Guimaras Wind and SLTEC (see Note 17).

5. Receivables

	2020	2019 (As restated)
Trade	**₱4,662,852**	₱2,644,921
Due from related parties (Note 29)	**219,965**	9
Receivables from:		
Third parties (Note 15)	**1,227,849**	403,950
Consortium - service contracts and assignee of mining rights	**78,809**	78,809
Employees	**16,608**	102,628
Others	**55,911**	59,076
	6,261,994	3,289,393
Less allowance for credit losses	**166,975**	167,007
	₱6,095,019	₱3,122,386

Trade receivables mainly represent receivables from Independent Electricity Market Operator of the Philippines (“IEMOP”), NGCP and National Transmission Corporation (“Transco”) for the FIT and from the group’s bilateral customers. Significant portion of outstanding balance relate to receivables from Manila Electric Company (“MERALCO”) baseload and Mid-Merit PSAs as well as FIT system adjustments (see Notes 20 and 33).

Trade receivables consist of both noninterest-bearing and interest-bearing receivables. The term is generally thirty (30) to sixty (60) days.

Receivable from third parties mainly pertains to the current portion of noninterest-bearing long-term receivable from the sale of transmission assets and submarine cable. Also included under this account is SLTEC’s receivable from NGCP for the remaining uncollected consideration for the sale of the 230KV Salong Switching Station and related assets and subscription receivable of ISLASOL from TLCTI Asia (see Note 31).

Receivable from third parties also include the ₱230-million loan agreement with Greencore to implement the Arayat project (see Note 2).

The movements in the allowance for credit losses on individually impaired receivables in 2020 and 2019 are as follows:

	2020		
	Trade	**Others**	**Total**
Balances at beginning of year	**₱80,991**	**₱86,016**	**₱167,007**
Reversal	**–**	**(32)**	**(32)**
Balances at end of year	**₱80,991**	**₱85,984**	**₱166,975**

	2019 (As restated)		
	Trade	Others	Total
Balances at beginning of year	₱36,957	₱94,377	₱131,334
Effect of common control business combination	32,712	1,162	33,874
Effect of consolidation of SLTEC	–	(10,260)	(10,260)
Provisions - net (Note 22)	11,322	737	12,059
Balances at end of year	₱80,911	₱86,016	₱167,007

The allowance for credit losses includes ₱39.37 million full provision for receivables from mining rights assigned to a third party.

6. Fuel and Spare Parts

	2020	2019 (As restated)
Fuel - at cost	**₱251,553**	₱247,570
Fuel - at net realizable value	**419,974**	66,217
Spare parts - at cost	**310,899**	299,396
Spare parts - at net realizable value	**408,914**	325,276
	₱1,391,340	₱938,459

Fuel charged to "Costs of sale of electricity" in the consolidated statements of income amounted to ₱2,820.12 million, ₱2,568.33 million and ₱766.48 million in 2020, 2019 and 2018, respectively (see Note 21).

In 2020, 2019 and 2018, the Group recognized provision for impairment of fuel inventory amounting to nil, ₱5.55 million and ₱0.16 million, respectively, while none was recognized for spare parts in those years (see Note 22).

The cost of the fuel carried at net realizable value as at December 31, 2020 and 2019 amounted to ₱425.59 million and ₱71.83 million, respectively.

The cost of spare parts carried at net realizable value as at December 31, 2020 and 2019 amounted to ₱410.26 million and ₱326.62 million, respectively.

7. Other Current Assets

	2020	2019 (As restated)
Advances to contractors	**₱264,979**	₱14,593
Prepaid expenses	**186,213**	197,595
Derivative asset (Notes 34 and 35)	**46,968**	33
Others	**4,957**	598
	503,117	212,819
Less allowance for impairment loss	**(49,884)**	–
	₱453,233	₱212,819

Advances to contractors pertain to advance payments for services and supply of repairs and maintenance. In 2020, advances to contractors amounting to ₱14.59 million were transferred to Property, plant and equipment (see Note 9).

Prepaid expenses pertain to insurance, subscriptions, rent, taxes and other expenses paid in advance.

Allowance for impairment relates to the advances to contractors paid by BSEI for the development of its renewable energy laboratory facility with energy storage system project (see Notes 3 and 9).

8. Asset held for sale

One Subic Oil

In 2018, the management planned to sell some of its equipment and parts presented under "Machinery and equipment" and the remaining unsold assets were classified as "Assets held for sale". Impairment loss amounting to ₱1.13 million was recognized in 2018 to reduce the carrying amount of the assets held for sale to their fair value less costs to sell.

The carrying value of the remaining asset classified as assets held for sale amounting to ₱3.55 million were reclassified to "Property, Plant and Equipment" as at December 31, 2020 as the Group changed its intention from selling to using the assets for future projects.

ACEN
On August 7, 2018, the BOD approved the Parent Company's decision to sell the Guimaras Power Plant located in Jordan, Guimaras. Subsequently, on January 7, 2019, the BOD approved the sale of the Guimaras Power Plant and on January 24, 2019, the Asset Purchase Agreement (APA) between the Parent Company and S.I. Power Corporation (the buyer) was signed and notarized with an agreed selling price of ₱45.07 million. The sale resulted in a gain of ₱14.29 million (see Note 26).

SLTEC
Under the Republic Act No. 9136 Electric Power Industry Reform Act (EPIRA) of 2001, NGCP, as National Transmission Commission's concessionaire, is solely responsible for the operation and/or maintenance of the connection assets and is designated as the only entity which possesses the required technical expertise to maintain and operate the nationwide power grid. Following a decision by the ERC based on the EPIRA, SLTEC determined on June 19, 2017 that certain transmission line assets need to be transferred, conveyed, and turned-over to NGCP, hence, it classified said assets as noncurrent assets held for sale. The transmission line assets pertain to the easements or Right-of-Way (ROW) granted by landowners over portions of land, for the installation and maintenance of the 230kV Salong-Calaca Line.

However, in 2018, NGCP informed SLTEC of additional requirements relating to the documentation of the ROW which need to be complied with as a condition for the sale and transfer of the assets.

Due to the significant change in the circumstances, the transmission line assets are not readily available for immediate sale as at December 31, 2019. As a result, SLTEC reclassified the 230kV Salong-Calaca Line back to "Property, Plant and Equipment". The cost of the transmission line assets transferred to "Property, Plant and Equipment" amounted to ₱152.38 million and the accumulated depreciation amounted to ₱15.30 million (see Note 9).

9. Property, Plant and Equipment

The details and movements of this account for the years ended December 31 are shown below:

	2020							
	Land and Land Improvements	Buildings and Improvements	Machinery and Equipment	Transportation Equipment	Tools and Other Miscellaneous Assets	Office Furniture, Equipment and Others	Construction in Progress	Total
Cost								
Balance at beginning of year	**₱1,177,004**	**₱8,033,011**	**₱23,024,374**	**₱66,048**	**₱199,444**	**₱152,941**	**₱426,124**	**₱33,078,946**
Step acquisition of ISLASOL and SACASOL (Note 31)	**283,450**	**384,724**	**1,264,699**	**896**	**180,884**	**5,143**	**–**	**2,119,796**
Additions	**25,683**	**32,929**	**581,841**	**26,541**	**33,922**	**49,253**	**5,702,253**	**6,452,422**
Transfer to investment property (Note 12)	**(283,860)**	**–**	**–**	**–**	**–**	**–**	**–**	**(283,860)**
Transfer from right-of-use assets (Note 14)	**–**	**12,685**	**–**	**–**	**–**	**–**	**12,142**	**24,827**
Transfer from development costs	**–**	**–**	**–**	**–**	**–**	**–**	**7,297**	**7,297**
Transfer from asset held for sale (Note 8)	**–**	**–**	**3,547**	**–**	**–**	**–**	**–**	**3,547**
Transfers from advances to contractors (Note 7)	**–**	**–**	**–**	**–**	**–**	**–**	**14,593**	**14,593**
Insurance claims	**–**	**–**	**–**	**–**	**–**	**–**	**(35,282)**	**(35,282)**
Disposals and retirement	**–**	**(20,719)**	**–**	**(8,412)**		**(2,384)**	**–**	**(31,515)**
Reclassification	**–**	**(172,578)**	**304,776**	**1,876**	**(74,814)**	**(12,790)**	**(46,227)**	**243**
Balance at end of year	**1,202,277**	**8,270,052**	**25,179,237**	**86,949**	**339,436**	**192,163**	**6,080,900**	**41,351,014**
Accumulated depreciation								
Balance at beginning of year	**4,703**	**1,574,440**	**5,647,718**	**40,505**	**118,634**	**117,979**	**–**	**7,503,979**
Depreciation (Note 24)	**12,070**	**332,392**	**1,102,321**	**15,091**	**21,266**	**33,421**	**–**	**1,516,561**
Disposals and retirement	**–**	**(14,453)**	**–**	**(8,412)**	**–**	**(1,743)**	**–**	**(24,608)**
Reclassifications	**–**	**(198,943)**	**295,891**	**552**	**(38,047)**	**(59,453)**	**–**	**–**
Balance at end of year	**16,773**	**1,693,436**	**7,045,930**	**47,736**	**101,853**	**90,204**	**–**	**8,995,932**
Accumulated impairment loss								
Balance at beginning of year	**–**	**933**	**81,536**	**–**	**–**	**–**	**53,569**	**136,038**
Allowance for impairment loss	**–**	**–**	**270,528**	**–**	**14,890**	**–**	**96,620**	**382,038**
Reversals	**–**	**(933)**	**–**	**–**	**–**	**–**	**–**	**(933)**
Balance at end of year	**–**	**–**	**352,064**	**–**	**14,890**	**–**	**150,189**	**517,143**
Net Book Value	**₱1,185,504**	**₱6,576,616**	**₱17,781,243**	**₱39,213**	**₱222,693**	**₱101,959**	**₱5,930,711**	**₱31,837,939**

	2019 (As restated)							
	Land and Land Improvements	Buildings and Improvements	Machinery and Equipment	Transportation Equipment	Tools and Other Miscellaneous Assets	Office Furniture, Equipment and Others	Construction in Progress	Total
Cost								
Balance at beginning of year	₱252,241	₱489,170	₱6,863,611	₱38,971	₱68,746	₱51,179	₱419	₱7,764,337
Acquisition through business combination (Note 32)	669,850	7,705,192	10,005,328	26,793	57,303	38,958	252,952	18,756,376
Effect of acquisition of ACEIC's subsidiaries through share swap (Note 31)	235,793	19,911	5,530,810	20,797	57,356	17,532	248,047	6,130,246
Additions	135,930	26,295	433,007	2,589	16,062	45,359	243,500	902,742
Transfer from asset held for sale (Note 8)	–	–	152,376	–	–	–	–	152,376
Transfer to right-of-use assets (Note 14)	(116,810)	–	–	–	–	–	–	(116,810)
Insurance claims	–	–	–	–	–	–	(222,789)	(222,789)
Disposals and retirement	–	(209,095)	(55,225)	(23,102)	(23)	(87)	–	(287,532)
Reclassification	–	1,538	94,467	–	–	–	(96,005)	–
Balance at end of year	1,177,004	8,033,011	23,024,374	66,048	199,444	152,941	426,124	33,078,946
Accumulated depreciation								
Balance at beginning of year	1,236	363,926	1,466,138	20,642	33,968	40,859	–	1,926,769
Acquisition through business combination (Note 32)	–	1,196,563	1,500,118	16,587	46,354	18,331	–	2,777,953
Effect of acquisition of ACEIC's subsidiaries through share swap (Note 31)	3,467	5,204	1,996,267	33,127	12,448	9,058	–	2,059,571
Depreciation (Note 24)	–	179,136	720,879	8,392	5,199	49,813	–	963,419
Disposals and retirement	–	(170,389)	(50,983)	(17,564)	(14)	(82)	–	(239,032)
Transfer from asset held for sale (Note 8)	–	–	15,299	–	–	–	–	15,299
Balance at end of year	4,703	1,574,440	5,647,718	61,184	97,955	117,979	–	7,503,979
Accumulated impairment loss								
Balance at beginning of year	–	933	75,672	–	–	–	–	76,605
Effect of acquisition of ACEIC's subsidiaries through share swap (Note 32)	–	–	5,864	–	–	–	53,569	59,433
Balance at end of year	–	933	81,536	–	–	–	53,569	136,038
Net Book Value	₱1,172,301	₱6,457,638	₱17,295,120	₱4,864	₱101,489	₱34,962	₱372,555	₱25,438,929

Significant Additions During the Year
In 2020, the Group invested significant capital expenditures related to the following projects:

- ₱3,321.33 million for its 120 MW solar farm project in Alaminos, Laguna through its subsidiary, Solarace1 Energy Corp.;
- ₱464.75 million for its 150 MW diesel-fired power facility in Pililia, Rizal through its subsidiary, Ingrid Power Holdings, Inc.
- ₱1,657.69 million for its 60 MW solar power project in Palauig, Zambales through its subsidiary, Gigasol 3, Inc;
- ₱105.18 million for its 5 MW Solar Plant Project in Mariveles Bataan through its subsidiary, BSEI.
- Capital expenditures for One Subic Power amounting to ₱269.24 million which consists of crankshaft engine, air cooler, major parts for diesel engines.
- Capitalized costs for ACEN amounting to ₱100.63 million which consists of drydocking costs of PB101, cylinder head cover and installation costs of engine bearing.

In 2020, the Group acquired assets with a total cost of ₱6,452.42 million (2019: ₱902.74 million), excluding property, plant and equipment acquired through a business combination. The net book value of assets acquired through the business combination with SACASOL and ISLASOL amounted to ₱618.94 million and ₱1,500.86 million, respectively (see Note 31).

Non-cash component in the total additions amounted to ₱192.96 million in 2020 (see Note 37).

Disposals
The Parent Company executed Deeds of Sale with PHINMA Inc. and Mariposa Properties, Inc. (MPI) on July 4, 2019 for the sale of the Group's share in the Mezzanine, 3rd and 11th floors of the PHINMA Plaza amounting to ₱316.97 million, resulting in a gain of ₱286.75 million.

Assets (other than those classified as held for sale) with a net book value of ₱6.91 million and ₱48.50 million were disposed by the Group during 2020 and 2019, respectively. This resulted in a net loss of ₱4.28 million and net gain of ₱294.73 million in 2020 and 2019, respectively (see Note 26).

Impairment Losses
ACEN's Power Barge ("PB") 102 located in Barrio Obrero, Iloilo City, accidentally discharged fuel oil on July 3, 2020. Based on initial investigation, there was an explosion in one of the barge's fuel tanks which ruptured the hull of the barge and resulted in the oil spill.

PB101 and 102 were commissioned in 1981 while PB 103 in 1985. These were acquired by ACEN from the Power Sector Assets and Liabilities Management Corporation (PSALM) in 2015. Each power barge is a barge-mounted bunker-fired diesel generating power station with Hitachi diesel generator units and a gross capacity of 32MW and providing dispatchable reserve services to the Visayas grid.

The Group assessed at reporting date and determined that the incident has raised impairment indication that the asset's carrying amount exceeded its estimated recoverable amount. The Group recognized full provision for impairment for PB 102 and PB103 amounting to ₱270.53 million. The loss provision is presented as part of "General and administrative expenses" account (see Note 22).

Other provisions in 2020 include ₱96.16 million and ₱14.89 million for BSEI's construction-in-progress and tools and miscellaneous assets, respectively (see Note 3), and ₱0.46 million for Guimaras Wind's construction-in-progress of its Sibunag Wind Project. These provisions for impairment loss are presented as part of "General and administrative expenses" account (see Note 22).

Land Held under Finance Leases
The Group entered into finance leases of land in Barangay Suclaran and Cabano in San Lorenzo, Guimaras and Barangay Zaldivar and Sawang in Buenavista, Guimaras to facilitate the construction of the San Lorenzo wind farm (see Note 33). The carrying amount of land held under finance leases, included under “Land and land improvements” amounting to ₱116.81 million were reclassified to right-of-use assets as at January 1, 2019 upon adoption of PFRS 16.

Mortgaged Property and Equipment
Guimaras Wind’s wind farm with carrying value of ₱3,909.77 million and ₱4,106.00 million as at December 31, 2020 and 2019, respectively included under “Machinery and Equipment” account is mortgaged as security for the long-term loan. (see Note 17).

Pledges of Shares, Assignment of Receivables and all Material Contracts
As security for the timely payment, discharge, observance and performance of the secured obligations, ACEIC, ACEN, and APHPC, to the extent of their ownership interests in SLTEC, pledged shares owned by it, whether now owned or existing or hereafter acquired to the Security Trustee for the benefit of the Lenders and the Security Trustee.

In addition, SLTEC, and ACEIC, ACEN and/or APHPC, as the relevant Sponsor under the New Omnibus Agreement, have assigned, conveyed and transferred unto the Security Trustee, for the benefit of the Lenders and the Security Trustee, all of its respective rights, title and interest in, to and under the following: (i) all monies standing in the cash flow waterfall accounts, with respect to SLTEC; (ii) all project receivables, with respect to SLTEC; (iii) the proceeds of any asset and business continuity insurance obtained by SLTEC; (iv) any advances or subordinated loans, if any, granted by any of ACEIC, ACEN and APHPC to SLTEC; and (v) the proceeds, products and fruits of those provided under items (i) to (iv) hereof.

SLTEC, as continuing security for the timely payment and discharge of the secured obligations, has also assigned, conveyed and transferred to the Security Trustee all of its rights, title and interests in and to the Project Agreements to which it is a party. Project agreements include: (i) power purchase agreements; (ii) all fuel oil purchase agreements, together with corresponding performance guarantees and bonds having a total amount of at least ₱25.00 million per agreement; (iii) all operations and maintenance agreements, together with corresponding performance guarantees and bonds, for the operation and maintenance of the power plant; (iv) all asset and business continuity insurance obtained in relation to the power plant and its operation; (v) government approvals obtained by SLTEC in relation to the ownership, operation and maintenance of the power plant, except governmental approvals covered by excluded assets; and (vi) any and all other material contracts as may be agreed upon by SLTEC and the Lenders.

Power Plant Rehabilitation
The Group has contractual commitments and obligations for the rehabilitation of One Subic Power amounting to ₱550.00 million as at December 31, 2019, which was subsequently completed in March 2020.

SLTEC’s Contract for Design and Supply of HIP Rotor with Harbin Electric International Co., Ltd. (HEI)
On July 20, 2019, SLTEC engaged the services of HEI to design, fabricate, and supply SLTEC with the brand-new spare HIP rotor and it is expected to be completed and delivered within the next seven (7) months. SLTEC capitalized the advance payment made on September 19, 2019 amounting to ₱30.58 million under Construction-in-Progress.

For the year ended December 31, 2020, SLTEC recognized additional capital expenditure relating to the HIP rotor amounting to ₱102.12 million. SLTEC received the HIP rotor on June 17, 2020.

Insurance Claims
In 2020 and 2019, SLTEC recognized a claim amounting to ₱35.28 million and ₱222.79 million as compensation for the property damage covered by industrial all risk insurance. This was deducted from the construction-in progress.

In 2018, ACEN recognized a claim amounting to ₱90.15 million for the net insurance proceeds from third parties for the reimbursement of capital expenditures relating to the repair of Power Barge 103 as a result of damages due to typhoon.

Total depreciation charged to operations amounted to ₱1,475.02 million and ₱958.83 million in 2020 and 2019, respectively. The amount charged to "General and administrative expenses" account amounted to ₱41.54 million and ₱4.58 million in 2020 and 2019, respectively (see Note 24).

The Group has no significant property, plant and equipment which are temporarily idle as at December 31, 2020 and 2019.

10. Investments in Associates and a Joint Venture

Details of investments in associates and interest in joint venture as December 31 are as follows:

	Percentage of ownership		Carrying amount	
	2020	2019 (As restated)	**2020**	2019 (As restated)
Investments in associates:				
Maibarara Geothermal, Inc. ("MGI")	**25.00**	25.00	**₱739,076**	₱685,133
Negros Island Biomass Holdings, Inc. ("NIBHI")	**45.12**	45.12	**224**	186,540
Asia Coal Corporation ("Asia Coal")*	**28.18**	28.18	**631**	631
			739,931	872,304
Interest in joint venture:				
Philippine Wind Holdings Corporation ("PhilWind")	**69.81**	42.74	**5,853,561**	1,661,798
			₱6,593,492	₱2,534,102

**Shortened corporate life to October 31, 2009. As at March 8, 2021, Asia Coal is still in the process of securing a tax clearance with the BIR in connection with the filing with the SEC of its application for dissolution.*

The details and movements of investments in associates and a joint venture accounted for under the equity method are as follows:

	2020	2019 (As restated)
Investment in associates and interest in joint venture		
Acquisition costs:		
Balance at beginning of year	**₱2,041,340**	₱3,911,572
Additions	**2,573,300**	–
Effect of business combinations under common control (Note 32)	**1,579,595**	(1,645,232)
Sale of joint venture interest	**–**	(225,000)
Balance at end of year	**6,194,235**	2,041,340

(Forward)

	2020	2019 (As restated)
Accumulated equity in net earnings (losses):		
Balance at beginning of year	**₱496,428**	₱397,633
Effect of business combinations under common control (Note 32)	**(516,877)**	(91,217)
Equity in net earnings	**898,513**	206,985
Dividends received	**(288,012)**	(25,000)
Sale of joint venture interest	**–**	8,027
Balance at end of year	**590,052**	496,428
Accumulated share in other comprehensive income:		
Balance at beginning of year	**(2,107)**	(2,193)
Share in other comprehensive income (loss)	**(616)**	86
Balance at end of year	**(2,723)**	(2,107)
Other equity transactions:		
Balance at beginning of year	**–**	17,231
Effect of business combinations under common control (Note 32)	**–**	(17,231)
Balance at end of year	**–**	–
Accumulated impairment losses		
Balance at beginning of year	**(1,559)**	(1,559)
Impairment loss	**(186,513)**	–
Accumulated impairment losses	**(188,072)**	(1,559)
Total investments	**₱6,593,492**	₱2,534,102

Investments in Associates

MGI
The Parent Company subscribed to 25% of the capital stock of MGI which was incorporated and registered with the SEC on August 11, 2010 to implement the integrated development of the Maibarara geothermal field in Calamba, Laguna and Sto. Tomas, Batangas for power generation. MGI's registered business address is 7th F JMT Building, ADB Avenue, Ortigas Center, Pasig City.

The summarized financial information of MGI, a material associate of the Parent Company, and the reconciliation with the carrying amount of the investments and advances in the consolidated financial statements are shown below:

Summarized Statement of Financial Position as at December 31:

	2020	2019
Current assets	**₱1,201,592**	₱1,101,966
Noncurrent assets	**4,707,501**	4,796,719
Total assets	**5,909,093**	5,898,685
Current liabilities	**608,361**	496,559
Noncurrent liabilities	**2,344,428**	2,661,593
Net assets	**2,956,304**	2,740,533
Ownership interest in investee	**25%**	25%
Carrying amount of the investment	**₱739,076**	₱685,133

Summarized Statement of Income for the Years Ended December 31:

	2020	2019	2018
Revenue from sale of electricity	**₱1,044,250**	₱1,139,163	₱1,110,004
Cost of sale of electricity	**527,265**	574,002	507,587
Gross profit	**516,985**	565,161	602,417
Interest expense - net	**(182,365)**	(203,611)	(181,323)
General and administrative expenses	**(48,295)**	(59,978)	(55,341)
Other income - net	**1,591**	19,255	10,843
Income before income tax	**287,916**	320,827	376,596
Provision for (benefit from) income tax	**481**	154	(903)
Net income	**287,435**	320,673	377,499
Other comprehensive income	**–**	–	346
Total comprehensive income	**₱287,435**	₱320,673	₱377,845

On September 16, 2011, the Parent Company entered into an ESA with MGI under which the Parent Company will purchase the entire net electricity output of MGI's power plant for a period of 20 years at an agreed price, subject to certain adjustments (see Note 33). Commercial operations of MGI started in February 2014.

The Parent Company is also a Project Sponsor for MGI's ₱2.40 billion Term Loan Facility for the 20 MW Maibarara Geothermal Power Plant and ₱1.40 billion Project Loan Facility for its 12 MW Maibarara Expansion Project. In the event of a default of MGI, as a Project Sponsor, the Parent Company is obligated to:

- assign, mortgage or pledge all its right, title and/or interest in and its shares of stocks in MGI, including those that may be issued in the name of the Parent Company;
- assign its rights and/or interests in the Joint Venture Agreement executed on May 19, 2010 with PNOC Renewables Corporation;
- secure the debt service reserve account (DSRA) with a standby letter of credit, when reasonably required and pursuant to the terms of the facilities;
- guarantee the completion of the projects and for this purpose, the Parent Company undertakes to:
  i. contribute to MGI its pro-rata share of the funds necessary to enable MGI to complete the construction of its projects; and,
  ii. make cash advances or otherwise arrange to provide MGI with funds sufficient to complete construction, in the event that MGI does not have sufficient funds available to cover the full cost of constructing and completing the project due to costs overrun.

The loan covenants covering the outstanding debt of MGI include, among others, maintenance of debt-to-equity and debt-service ratios. As at December 31, 2020 and 2019, MGI is in compliance with the said loan covenants.

In 2015, the construction of Phase 2 of the project commenced. MGI successfully commissioned the 12-megawatt (MW) Maibarara Geothermal Power Plant-2 (MGPP-2) and successfully synchronized to the Luzon grid on March 9, 2018. On April 30, 2018, MGPP-2 commenced its commercial operations.

The Parent Company received dividend amounting to ₱17.50 million and ₱25.00 million in 2020 and 2019, respectively. It also invested additional capital of ₱12.50 million in 2018.

NIBHI
NIBHI is a domestic corporation registered in the Philippines and located at 26th floor, PSE Tower Bonifacio High St., 28th cor. 5th Ave., Bonifacio Global City, Taguig City. NIBHI is a holding firm for the BioPower Group (SCBP, SNBP and NNBP). The Group, in partnership with TLCTI Asia, currently has a portfolio totaling 63.44 MW in generation capacity from biomass.

Upon effectivity of ACEN's share swap with ACEIC, the Parent Company acquired a 45.12% voting ownership in NIBHI, through ACE Endevor, Inc. (see Note 32).

For the year ended December 31, 2020, the Group assessed at reporting date that there is an objective evidence that the investment in NIBHI was impaired. The Group provided ₱186.51 million provision for impairment for its investments in NIBHI calculated as the difference between the recoverable amount of the investment and its carrying amount. The provision for impairment loss is presented as part of general and administrative expenses (see Note 22).

The summarized financial information of NIBHI which is a material associate are shown below:

Summarized Statement of Financial Position as at December 31:

	2020	2019 (As restated)
Current assets	**₱78,832**	₱67,253
Noncurrent assets	**19,088**	42,437
Total assets	**97,920**	109,690
Current liabilities	**24,811**	34,444
Noncurrent liabilities	**12,401**	28,117
Net assets	**60,708**	47,129
Ownership interest in investee	**45.12%**	45.12%
Share in net assets of investee	**27,391**	21,265
Goodwill and other adjustments	**(27,167)**	165,275
Carrying amount of the investment	**₱224**	₱186,540

Summarized Statement of Comprehensive Income for the Years Ended December 31:

	2020	2019 (As restated)
Revenue from sale of electricity	**₱12,047**	₱140,159
Interest expense - net	**4**	117
General and administrative expenses	**(12,335)**	(131,930)
Income (loss) before income tax	**(284)**	8,346
Provision for (benefit from) income tax	**(1,182)**	1,935
Net income	**898**	6,411
Other comprehensive income	**–**	–
Total comprehensive income	**₱898**	₱6,411

Interest in Joint Venture

PhilWind
On November 5, 2019, the Parent Company's Executive Committee approved and authorized the share purchase agreement to acquire PINAI's ownership interest in PhilWind, a holding company for North Luzon Renewable Energy Corp. ("NLR").

On November 14, 2019, ACEN signed a First Amended and Restated Share Purchase Agreement with the PINAI Investors for the acquisition of PINAI's indirect ownership interest in NLR.

PINAI effectively has a 31.01% preferred equity and 15.00% common equity ownership in NLR. NLR is a joint venture of ACEIC, UPC Philippines Wind Holdco I B.V., Luzon Wind Energy Holdings B.V. (DGA) and the PINAI Investors. NLR owns and operates an 81 MW wind farm in Pagudpud, Ilocos Norte, which started operations in November 2014. PhilWind is the parent company of NLR. PhilWind directly and indirectly owns 66.69% of NLR, through its 38.00% direct interest and 28.69% indirect interest through its 100% wholly owned subsidiary, Ilocos Wind Energy Holding Co., Inc. ("Ilocos Wind").

On February 27, 2020, the Parent Company purchased all the shares of PINAI Investors in PhilWind for ₱2,573.30 million through its wholly-owned subsidiary Giga Ace 1, Inc.

The investment in PhilWind is accounted for as an investment in joint venture as the relevant activities of PhilWind and NLR require the unanimous consent of the stockholders.

On June 22, 2020, upon the effectivity of ACEN's share swap transaction with ACEIC, the Parent Company increased its ownership interest in PhilWind to 69.81% (see Note 32).

PhilWind was incorporated and registered with the SEC on November 12, 2009, primarily to engage in the business of a holding company for renewable energy and other corporations. The registered office address is at 15th Floor, Picadilly Star Bldg., 4th Avenue Cor. 27th St., Bonifacio Global City, Taguig, with principal place of business at 4th Floor 6750 Ayala Avenue Office Tower, Makati City.

Dividends declared by PhilWind amounted to ₱270.51 million and ₱214.99 million in 2020 and 2019, respectively.

The summarized financial information of PhilWind which is a material joint venture are shown below:

Summarized Statement of Financial Position as at December 31:

	2020	2019 (As restated)
Current assets*	**₱1,624,625**	₱1,499,224
Noncurrent assets	**7,542,675**	7,153,020
Total assets	**9,167,300**	8,652,244
Current liabilities**	**445,949**	772,650
Noncurrent liabilities***	**5,219,873**	5,217,044
Net assets	**3,501,478**	2,662,550
Ownership interest in investee	**69.81%**	42.74%
Share in net assets of investee	**2,444,382**	1,137,974
Goodwill and other adjustments	**3,409,179**	523,824
Carrying amount of investment	**₱5,853,561**	₱1,661,798

**including cash and cash equivalents amounting to ₱711.98 million and ₱544.08 million as at December 31, 2020 and 2019, respectively.*
***including financial liabilities amounting to ₱326.41 million and. ₱447.75 million as at December 31, 2020 and 2019, respectively.*
****including financial liabilities amounting to ₱5.12 billion for both years.*
Financial liabilities exclude trade and other payables and provisions.

Summarized Statement of Comprehensive Income for the Years Ended December 31:

	2020	2019 (As restated)
Revenue from sale of electricity	**₱2,826,099**	1,885,146
Costs of sale of electricity	**693,282**	663,804
Gross profit	**2,132,817**	1,221,342
Interest income	**8,052**	24,208
Interest expense and other financing charges	**(496,804)**	(374,687)
Depreciation expense	**(2,049)**	(5,093)
Other general and administrative expenses	**(35,145)**	(41,945)
Other expenses - net	**(68,950)**	(5,035)
Income before income tax	**1,537,921**	818,790
Provision for (benefit from) income tax	**5,094**	(4,948)
Net income	**1,532,827**	823,738
Other comprehensive income	–	(2,303)
Total comprehensive income	**₱1,532,827**	821,435

11. **Financial assets at FVOCI**

	2020	2019 (As restated)
Golf club shares	**₱1,190**	₱1,230
Listed shares of stock	**21**	21
Unlisted shares of stock	–	531,886
	₱1,211	₱533,137

Unlisted shares pertain to interests in ISLASOL and SACASOL held by VRC prior to the step acquisition which was completed on March 23, 2020. The acquisition of interests from PINAI resulted in the step acquisition of the two solar entities (see Note 31).

The movements in net unrealized gain on financial assets at FVOCI for the years ended December 31 are as follows:

	2020	2019 (As restated)
Balance at beginning of period	**(₱96,584)**	₱59,772
Effect of business combinations under common control (Note 32)	**88,455**	(88,455)
Unrealized gain recognized in other comprehensive income	**(40)**	(27,369)
Cumulative unrealized gain on disposal of equity instruments at FVOCI transferred to retained earnings	–	(40,532)
Balance at end of period	**(₱8,169)**	(₱96,584)

Dividend income earned from financial assets at FVOCI amounted to nil, ₱3.12 million and ₱9.12 million in 2020, 2019 and 2018, respectively.

12. Investment Properties

Investment properties include land stated at cost amounting to ₱341.55 million and ₱13.09 million as at December 31, 2020 and 2019 respectively.

In 2020, BCHC purchased a 1.79 hectare land in located in Binugao, Toril, Davao City amounting to ₱44.60 million. This was classified as an investment property since it will be held for the potential use of Special Purpose Vehicles in building and operating power plants.

Movement on the account during 2020 includes reclassification from Property, plant and equipment of a land owned by BCHC amounting to ₱283.86 million.

Bulacan Power ‘s investment property pertains to a land amounting to ₱13.09 million.

The aggregate fair value of investment properties amounted to ₱354.29 million which is composed of the acquisition costs of land acquired in 2020 and 2019, and the fair value of Bulacan Power's land which is based on the latest valuation as at August 20, 2019 by an independent firm of appraisers amounted to ₱25.83 million with Securities and Exchange Commission (SEC) Accreditation No. 028. Management expects no significant change in fair value as at December 31, 2020. The investment property is valued at ₱1,732/sqm.

The fair value of Bulacan Power's land was arrived using the Market Data Approach which estimates the value of the land based on sales and listings of comparable property registered within the vicinity. This technique requires the adjustments of comparable property by reducing reasonable comparative sales and listings to a common denominator. This is done by adjusting the differences between the subject property and those actual sales and listings regarded as comparable. The properties used as bases of comparison are situated within the immediate vicinity of the land. The comparison was premised on the factors of location, size and shape of lot, time element and bargaining allowance.

Revenue from investment properties amounted to nil both for 2020 and 2019 and ₱16.44 million in 2018 which was recognized in the consolidated statement of income, while related direct costs and expenses amounted to ₱0.01 million both for 2020 and 2019, and ₱15.68 million in 2018 which was included as part of Costs of purchased power under "Cost of sale of electricity" account in the consolidated statement of income.

13. Goodwill and Other Intangible Assets

Changes in goodwill and other intangible assets for the years ended December 31, 2020 and 2019 are as follows:

	2020				
	Goodwill	**Deferred Exploration Costs**	**Leasehold and Water Rights**	**Other Intangible Assets**	**Total**
Cost:					
Balance at beginning of year	**₱234,152**	**₱108,139**	**₱185,347**	**₱–**	**₱527,638**
Step acquisition of ISLASOL (Note 31)	**12,453**	–	–	–	**12,453**
Step acquisition of SACASOL (Note 31)	–	–	–	**2,191,814**	**2,191,814**
Reclassification	–	–	**(243)**	–	**(243)**
Additions/Cash calls	–	**13,836**	–	–	**13,836**
Balance at end of year	**246,605**	**121,975**	**185,104**	**2,191,814**	**2,745,498**

(Forward)

	2020				
	Goodwill	**Deferred Exploration Costs**	**Leasehold and Water Rights**	**Other Intangible Assets**	**Total**
Accumulated amortization:					
Balance at beginning of year	**₱–**	**₱–**	**₱24,463**	**₱–**	**₱24,463**
Amortization (Note 24)	**–**	**–**	**8,147**	**113,696**	**121,843**
Balance at end of year	**–**	**–**	**32,610**	**113,696**	**146,306**
Accumulated impairment:					
Balance at beginning and end of year	**–**	**62,098**	**–**	**–**	**62,098**
Net book value	**₱246,605**	**₱59,877**	**₱152,494**	**₱2,078,118**	**₱2,537,094**

	2019 (As restated)			
	Goodwill	Deferred Exploration Costs	Leasehold Rights	Total
Cost:				
Balance at beginning of year	₱234,152	₱136,976	₱99,839	₱470,967
Cash calls	–	19,426	–	19,426
Write-off	–	(48,263)	–	(48,263)
Acquisition through business combination (Note 32)	–	–	185,347	185,347
Reclassification to right-of-use assets (Note 14)	–	–	(99,839)	(99,839)
Balance at end of year	234,152	108,139	185,347	527,638
Accumulated amortization:				
Balance at beginning of year	–	–	74,880	74,880
Amortization (Note 24)	–	–	204	204
Acquisition through business combination (Note 32)			24,259	24,259
Reclassification to right-of-use assets (Note 14)	–	–	(74,880)	(74,880)
Balance at end of year	–	–	24,463	24,463
Accumulated impairment:				
Balance at beginning of year	–	75,868	–	75,868
Provisions for the year (Note 22)	–	34,493	–	34,493
Write-off	–	(48,263)	–	(48,263)
Balance at end of year	–	62,098	–	62,098
Net book value	₱234,152	₱46,041	₱160,844	₱441,077

Goodwill and Leasehold Rights

The leasehold rights and goodwill arose from Bulacan Power's acquisition of the entire outstanding shares of stocks of One Subic Power in 2014. One Subic Power and Subic Bay Metropolitan Authority ("SBMA") have an existing Facilities Lease Agreement (FLA) for a period of five (5) years up to July 19, 2020, as amended, with the option to extend subject to mutually acceptable terms and conditions.

On December 21, 2017, the SBMA Board approved and ratified the amendment of the Facilities Lease Agreement extending the lease term until July 19, 2030. As at January 1, 2019, the leasehold rights were reclassified as right-of-use assets (see Note 14).

Solienda, Inc. ("Solienda") holds a leasehold right on its contracts of lease with San Carlos Sun Power, Inc., San Carlos Biopower Inc. and SACASOL. As at December 31, 2020 and 2019, the carrying amount of the leasehold right amounted to ₱144.69 million and ₱152.34 million, respectively.

Goodwill recognized during the period came from the acquisition of ISLASOL amounting to ₱12.45 million (see Note 31).

Water Supply Contract
SCC holds a contract for the supply and distribution of water to San Carlos Biopower, Inc., while HDP holds a water supply contract with San Carlos Bioenergy, Inc. SCC and HDP's carrying amounts as at December 31, 2020 are nil and ₱7.81 million, respectively, and the carrying amounts as at December 31, 2019 amounted to ₱0.24 million and ₱8.30 million respectively (see Note 32).

Other Intangible Assets
Intangible assets amounting to ₱2,191.81 million arising from identifiable FIT contract was recognized from acquisition of SACASOL (see Note 31). The carrying amount as at December 31, 2020 is ₱2,078.12 million.

Impairment Testing of Goodwill
The Parent Company performs its impairment test annually and when circumstances indicate that the carrying value may be impaired. In light of the impact of COVID-19 and the ECQ restricting movements and construction activities, management reassessed recoverable amounts for the Parent Company's goodwill. Forecasts and the underlying assumptions from an earlier impairment testing date (those disclosed in the annual consolidated financial statements as at December 31, 2019), have been revised to reflect the economic conditions as at December 31, 2020 and updated the potential impact of COVID-19.

Key assumptions used to determine the recoverable amount for the different cash generating units were disclosed in Note 3 of consolidated financial statements. The recoverable amount of the CGU was determined using the value-in-use approach calculated using all cash flow projections related to CGU based on the financial budgets and forecasts approved by the BOD, to which management believes are reasonable and are management's best estimate of the ranges of economic conditions that will exist over the forecast period.

Based on management's assessment, recoverable amount exceeded the carrying amount of the CGU. No impairment loss was recognized on goodwill as at December 31, 2020 and 2019 despite the change in reportable segments and reduction in forecasted WESM prices (see Note 3).

Deferred Exploration Costs
Details of deferred exploration costs are as follows:

	2020	2019 (As restated)
Petroleum and gas:		
SC 55 (Southwest Palawan)	**₱36,639**	₱23,063
SC 6 (Northwest Palawan)		
Block A	**23,238**	22,978
Block B	**4,892**	4,892
SC 50 Northwest Palawan	**11,719**	11,719
SC 52 (Cagayan Province)	**10,994**	10,994
Geothermal - SC 8 (Mabini, Batangas)	**34,493**	34,493
	121,975	108,139
Allowance for impairment loss	**(62,098)**	(62,098)
Net book value	**₱59,877**	₱46,041

Below is the rollforward analysis of the deferred exploration costs:

	2020	2019 (As restated)
Cost:		
Balances at beginning of year	**₱108,139**	₱136,976
Additions - cash calls	**13,836**	19,426
Write-offs	–	(48,263)
Balance at end of period	**121,975**	108,139
Allowance for a probable loss:		
Balances at beginning of year	**62,098**	75,868
Provision for the year	–	34,493
Write-offs	–	(48,263)
Balance at end of period	**62,098**	62,098
Net book value	**₱59,877**	₱46,041

The foregoing deferred exploration costs represent the Group's share in the expenditures incurred under petroleum SCs with the DOE. The contracts provide for certain minimum work and expenditure obligations and the rights and benefits of the contractor. Operating agreements govern the relationship among co-contractors and the conduct of operations under an SC.

The following summarizes the status of the foregoing projects:

ACEN

a. SC 52 (Cagayan Province)

   In 2016, the Parent Company assessed and fully provided for probable losses for deferred exploration costs pertaining to SC 52 amounting to ₱10.99 million due to the expiration of its terms and subsequent denial of the DOE of the request for Force Majeure.

   In December 2016, Frontier Oil, as instructed by the DOE, submitted certain documents in support of its request for Force Majeure. As at March 8, 2021, the requests for Moratorium and appeal for contract reinstatement are still pending DOE's approval.

b. SC 8 (Batangas - Mabini Geothermal Service Contract)

   In 2018, the Consortium held continuing Information and Electronic Campaigns (IEC) together with the DOE and PHIVOLCS to obtain support from the local government units towards lifting of the Cease-and-Desist Order.

   On July 3, 2018, the Parent Company formally notified Basic Energy, the Operator, of its withdrawal from the service contract and Joint Operating Agreement (JOA) for the block.

   In August 2018, Basic Energy proposed to conduct the forward drilling program on its own, "Operation by Fewer than all the Parties: under the JOA" and carry the Parent Company's share of attendant costs. The Parent Company expressed its willingness to consider the said proposal and requested Basic Energy's key terms for the Parent Company's consideration.

   In June 2019, the Parent Company decided to push through with the withdrawal from the SC and JOA. As at December 31, 2020, the Parent Company has recognized full provision for probable loss on SC 8 amounting to ₱34.49 million.

ACEX

c. SC 6 (Northwest Palawan)

Block A

On January 8, 2018, the consortium submitted to the DOE its proposed 2018 work program composed of seismic interpretation and mapping and integration of quantitative inversion results that would serve as input to preliminary well design and cost estimates. The Consortium completed its 2018 work program and said undertaking has improved the resource evaluation of the mapped leads and prospects in the area.

On December 18, 2018, the partners have approved and the operator, Philodrill Corporation (Philodrill), submitted to the DOE the proposed 2019 SC 6A Work Program and Budget amounting to US$314,116 composed of geological and geophysical evaluation and engineering projects. The same was approved by the DOE on January 23, 2019.

The Partners submitted to the DOE the proposed 2019 work program composed of geological and geophysical evaluation and engineering study. The DOE approved the said program in January 2019.

ACEX holds 7.78% and 14.063% participating interests in Block A and Block B, respectively. SC 6 is valid until February 28, 2024 subject to fulfillment of work commitments for each of the three 5-year terms comprising the 15-year extension period of SC 6 in respect of Block A and B and payment of training assistance, development assistance and scholarship funds to the DOE.

As at December 31, 2020, farm-in negotiations are ongoing for the development of the Octon oil discovery and technical studies over the northern part of the block progressed.

On January 27, 2021, the Executive Committee approved the ACEX's withdrawal from the SC 6 Block A consortium. SC 6 does not have any commercial operations (see Note 40).

No provision for probable loss was recognized for SC 6A as at December 31, 2020 as the withdrawal from the SC 6 consortium was proposed and approved subsequent to December 31, 2020 and no indicator of impairment nor withdrawal was determined as at December 31, 2020.

Block B

On February 20, 2017, ACEX gave notice to the consortium of relinquishment of its 14.063% participating interest in SC 6 Block B (SC 6B) and the Operating Agreement but said relinquishment shall not include its 2.475% carried interest. The retained carried interest would entitle the Group to a share in the gross proceeds from any production in the block, once all exploration costs have been recovered. The carried interest will be revalued should the project obtain commercial viability.

In 2017, the ACEX recognized full provision for probable losses on deferred exploration costs pertaining to SC 6B amounting to ₱4.89 million due to ACEX's relinquishment of its participating interest, but not the carried interest to its partners.

SC 6 will expire in February 2024.

d. SC 50 (Northwest Palawan)

In 2013, ACEX negotiated with Frontier Energy Limited (“Frontier Energy”), the Operator, regarding a Farm-in Agreement that would provide for the Group’s acquisition of 10% participating interest in SC 50.

Frontier Oil Corporation, the Operator, applied for a Force Majeure in view of the unilateral cancellation of its rig contract by the other partners in the consortium, which was subsequently denied by the DOE on October 5, 2015 and, consequently, ruled that the contract effectively expired in March 2015. On October 20, 2015, Frontier Oil contested DOE’s position and engaged the DOE in discussions aimed at a mutually acceptable resolution of the issue.

In 2016, the Group recognized full provision for probable loss on SC 50 amounting to ₱11.72 million due to the expiration of the SC’s term and denial by the DOE of the request for Force Majeure. The project is no longer valid and active with the DOE.

e. SC 51/GSEC 93 (East Visayas)

On May 15, 2018, ACEX notified the DOE of its withdrawal from SC 51. On July 4, 2018, the SC 51 Consortium notified the DOE of their decision to relinquish SC 51 block.

In 2018, ACEX recognized a full provision for probable loss on deferred exploration costs pertaining to SC 51 amounting to ₱32.66 million due to deemed expiration of the exploration period.

On July 1, 2019, ACEX received the DOE’s approval of the relinquishment of SC 51. During the year, the deferred exploration costs and related allowance for probable losses of SC 51 amounting to ₱32.66 million were written off.

f. SC 69 (Camotes Sea)

On June 4, 2018, the SC 69 Consortium notified the DOE of its relinquishment of SC 69 block in view of the strong oppositions to the Project from various stakeholders, including several Local Government Units and Non-Government Organizations, making the conduct of petroleum exploration business in the area very challenging, if not impossible.

In 2018, the Group recognized a full provision for probable loss on deferred exploration costs pertaining to SC 69 amounting to ₱15.60 million due to vigorous opposition of stakeholders and recent issuances of concerned LGUs declaring the Visayan Sea as a protected area and marine reserve.

On July 29, 2019, the Group received DOE’s approval of the relinquishment of SC 69. During the year, the deferred exploration costs and related allowance for probable losses of SC 69 amounting to ₱15.60 million were written off.

In 2020 and 2019, the Group neither incurred nor capitalized share in various expenses to deferred exploration costs due to its operatorship in SC69.

Palawan55

g. SC 55 (Southwest Palawan)

On June 14, 2016, the DOE extended the term of SC 55 until December 23, 2017.

On November 21, 2016, Otto Energy and Otto Energy Philippines notified the DOE of their withdrawal from SC 55.

On November 22, 2017, Palawan55 notified the DOE of its willingness to assume its pro-rata, post- adjustment share (37.50%) amounting to US$64,613 of Otto Energy's outstanding training fund obligation of US$172,300 in conjunction with the DOE's approval of the assignment of interests and favorable consideration for a reasonable extension of the moratorium period that would allow execution of the committed technical studies.

On March 26, 2018, the DOE approved the transfer of participating interests from Otto Energy to its partners, Palawan55, Century Red and Pryce Gases, Inc. Palawan55's 6.82% participating interest in SC 55 was adjusted to 37.50% upon the DOE's approval of the withdrawal of Otto Energy. The Moratorium Period until April 26, 2019 was also approved with a budget of US$478,750 for 3D seismic reprocessing and Quantitative Inversion Study.

On November 19, 2018, Palawan55 requested for an extension of the SC 55 Moratorium Period up to December 31, 2019 since the Quantitative Interpretation Study and Resource Assessment will only be completed after April 2019. The said request was approved by the DOE on April 22, 2019.

In December 2018, a third-party Partner in the consortium advanced its payment for its share in the 2019 work program amounting to US$69,669 or ₱3.66 million. This shall be applied to the third party's share in the subsequent expenditure of SC 55. Palawan55 also accrued its share in the training obligations for SC55 payable to the DOE amounting to ₱3.49 million.

On August 9, 2019, the SC 55 Consortium formally notified the DOE that is directly proceeding into the Appraisal Period effective August 26, 2019. The Consortium committed to drill one (1) deepwater well within the first two years of the Appraisal period and re-interpretation of legacy seismic data over the rest of the block which may lead to the conduct of new 3D seismic campaign to mature other identified prospects to drillable status.

On September 26, 2019, Palawan55 informed the DOE of Century Red Pte. Ltd.'s ("Century Red") withdrawal from SC 55 and accordingly requested for the approval of the transfer of Century Red's entire 37.50% participating interest to Palawan55.

On February 13, 2020, Palawan55 received DOE's approval on the transfer of the 37.50% participating interest of Century Red in SC 55. After careful review and evaluation of DOE, Palawan55 is found to be technically, financially and legally qualified to assume the participating interests of Century Red. Palawan55's participating interest in SC 55 is adjusted from 37.50% to 75.00%.

On April 15, 2020, Palawan55 received a letter from the DOE confirming the entry of SC 55 into the Appraisal Period effective April 26, 2020. In the said letter, the DOE stated that after the review and evaluation of the Hawkeye discovery report, "we hereby confirm that the 'Hawkeye-1 well' did encounter a significant volume of movable natural gas and is deemed to be a Non-Associated Gas Discovery under Section 13.02 of SC 55."

On July 2, 2020, SC 55 Consortium submitted to the DOE its 5-year Work Program and Budget for the Appraisal Period. Said program is divided into firm (CY 1 & 2) and contingent (CY 3-5). The firm commitment consists of Geological and Geophysical studies and drilling of a well within the next two years.

On August 28, 2020, Palawan55 received a letter from the DOE approving SC 55's Appraisal Period Work Program and Budget with the firm amount of US$1,702,020.00. Further, the DOE stated that it expects the submission of the proposed budget for the drilling of one (1) well after the drilling proposal has been approved by the DOE.

On September 23, 2020, the Consortium requested for the declaration of a one-year Force Majeure in view of the far-reaching adverse effects of the COVID-19 pandemic and the induced low oil price, on the global upstream petroleum industry. The request is currently being evaluated by the Department of Energy.

Palawan55 interpreted reprocessed seismic data to mature two prospects to drillable status. Resource Assessment of these prospects has been completed. Well Planning and Drilling preparations are ongoing.

As at December 31, 2020 and 2019, Palawan 55 holds 75.00% and 37.50% participating interests in SC55, respectively, and has no pending violation with the DOE.

No impairment was recognized for SC 55 as at December 31, 2020 and December 31, 2019 as there are no indicators for impairment.

14. Right-of-Use Assets and Lease Liabilities

The rollforward analysis of these accounts follows:

	2020						
	Right-of-Use Assets						
	Land and Easement Rights	Land and Power plants	Office Space and Parking Slots	Land and Office Building	Leasehold Rights	Total	Lease Liabilities
As at January 1, 2020	₱376,269	₱522,786	₱31,742	₱12,184	₱8,769	₱951,750	₱981,538
Acquired from SACASOL (Note 31)	–	588,380	–	–	–	588,380	523,006
Acquired from ISLASOL (Note 31)	–	407,721	–	–	–	407,721	367,798
New lease agreements	191	658,495	46,441	8,530	–	713,657	251,478
Amortization expense (Note 24)	(18,887)	(121,264)	(22,386)	(997)	(8,769)	(172,303)	–
Transfers to Property, Plant, and Equipment (Note 9)	–	(12,142)	(12,685)	–	–	(24,827)	–
Lease termination	–	(4,864)	–	–	–	(4,864)	–
Remeasurement due to lease modification		(116,110)	–	–	–	(116,110)	(116,110)
Interest expense (Note 25)	–	–	–	–	–	–	171,097
Payments	–	–	–	–	–	–	(239,767)
Foreign exchange adjustments	–	–	–	–	–	–	(22,411)
As at December 31, 2020	₱357,573	₱1,923,002	₱43,112	₱19,717	₱–	₱2,343,404	₱1,916,629

	December 31, 2019 (As restated)						
	Right-of-Use Assets						
	Land and Easement Rights	Land and Power plants	Office Space and Parking Slots	Lease of Land and Office Building	Leasehold Rights	Total	Lease Liabilities
As at January 1, 2019	₱167,399	₱356,091	₱–	₱–	₱24,959	₱548,449	₱572,304
New lease agreements	–	–	30,075	–	–	30,075	27,323
Acquired from SLTEC	–	–	12,032	–	–	12,032	13,520
Acquired from MSEI	–	189,680	–	–	–	189,680	200,467
Acquired from NorthWind	–	12,952	–	–	–	12,952	10,431
Acquired from Solarace1	215,846	–	–	–	–	215,846	215,846
Acquired from HDP	–	–	–	12,438	–	12,438	8,499
Amortization expense	(11,356)	(35,937)	(10,365)	(254)	(16,190)	(74,102)	–
Interest expense	–	–	–	–	–	–	69,284
Payments	–	–	–	–	–	–	(118,806)
Remeasurement due to termination of lease contract	–	–	–	–	–	–	(2,604)
Other adjustments	4,380	–	–	–	–	4,380	–
Foreign exchange adjustments	–	–	–	–	–	–	(14,726)
As at December 31, 2019	₱376,269	₱522,786	₱31,742	₱12,184	₱8,769	₱951,750	₱981,538

The Group's Right-of-Use Assets arise from the lease agreements of the following entities:

- ACEN - rental of office space in 22nd Floor of Ayala Tower together with 8 parking slots.
- One Subic Power - facilities and lease agreement with SBMA for the Land in Subic including the 116 MW Diesel Powerplant.
- Guimaras Wind - lease commitments from various landowners in Guimaras for land, easement rights and right of way use to connect to the grid.
- SLTEC - rental of office space in 8 Rockwell, Plaza Dr. Makati City.
- SACASOL - lease of land for its solar power facility and office building.
- MSEI - lease of land for its solar power facility.
- NorthWind - lease of land for its wind power facility and rental of office space with parking slots.
- Solarace1 - lease of land for the construction and operation of its solar power facility.
- MCV - lease of land as site for its water supply system.
- LCC – lease of land as site for its water supply system.
- ISLASOL - lease of land for its solar power facility.
- BCHC - lease of land for its solar power facility
- Ingrid - lease of equipment for its powerplant facility.

In 2019, The Group elected to use the modified retrospective method to account for the transition provisions of PFRS 16. The assessment led to computing the PV unpaid cashflows as at January 1, 2019 up to the end of the lease term and then accounted any balance of prepaid rent or accrued rent to be closed out as an addition to or deduction from to the Right-of-Use Asset account respectively.

There were no land or lease improvements noted. Each entity did not exercise or avail any renewal, extension, or termination option. No practical expedient was elected such as short-term lease or lease of low-value assets except for Guimaras Wind which used the short-term lease practical expedient which impact amounted to ₱0.25 million.

In 2020, SACASOL and ISLASOL were consolidated to the Group. SACASOL entered into an amendatory agreement with its lessor, San Julio Realty, Inc., to adjust the annual rental payments based on the average of the available and published inflation rates of the CPI for the immediately preceding 12-month period. The Lease modification amounted to a reduction of ₱116.11 million to both the Right-of-Use asset and Lease Liability.

Mobilization fee for the leased equipment amounting to ₱378.49 million was paid by Ingrid.

The Group recognized rent expense from short-term leases amounting to nil and ₱0.13 million for the year ended December 31, 2020 and 2019, respectively.

There was no indication of impairment on the Right-of-Use Asset of the Group for the years ended December 31, 2020 and 2019.

15. **Other Noncurrent Assets**

	2020	2019 (As restated)
Trade receivables - net of allowance for credit losses (Note 20)	**₱1,916,726**	₱1,123,511
Advances to suppliers	**850,384**	305,913
Receivables from third parties (Note 5)	**349,673**	436,269
Development costs	**309,395**	233,509
Deposits	**105,337**	109,419
Derivative assets	**35,046**	–
Others	**3,599**	192,992
Balance at end of the period	**₱3,570,160**	₱2,401,613

Noncurrent trade receivables represent refundable amount from the Philippine Electricity Market Corporation (PEMC) arising from recalculation of November and December 2013 spot prices as directed by the ERC. In 2014, the Group, PEMC, and other WESM participants signed a Multilateral Agreement pending the resolution of cases filed by WESM participants in the Supreme Court. On various dates in 2014 to 2016, ACEN recorded collections in relation to the Multilateral Agreement amounting to ₱1,123.51 million. In June 2016, the 24-month period of repayment prescribed; hence, the Group provided an allowance for doubtful accounts related to Multilateral Agreement amounting to ₱13.75 million. Collections are presented as “Trade payables” under “Other noncurrent liabilities” (see Note 18). Noncurrent trade receivables also include FIT system adjustments that are expected to be realized beyond 12 months after end of reporting period (see Notes 5 and 20).

Advances to suppliers consist of advance payments for capital expenditures which will be capitalized to property, plant and equipment once fully rendered by the suppliers.

Receivables from third parties are non-interest-bearing receivables from NGCP arising from the sale of transmission assets, which are collectible annually within 3 years, discounted using the PHP BVAL Reference rates on transaction date ranging from 2.14% - 4.56%.

Development costs include expenditures related to the development phase of power plant project which are stated at cost less any accumulated impairment losses. These include direct expenses that will eventually be capitalized as part of property, plant and equipment upon start of construction of the project. These costs are not depreciated or amortized until such time as the relevant assets are completed and available for use.

Deposits includes noncurrent portion of deposits to distribution utilities and noncurrent portion of the refundable security deposit with SBMA.

16. **Accounts Payable and Other Current Liabilities**

	2020	2019 (As restated)
Nontrade (Note 18)	**₱2,728,641**	₱1,763,621
Trade	**1,183,743**	1,131,160
Output VAT - net	**946,529**	427,752
Accrued expenses	**610,361**	139,853
Due to related parties (Note 29)	**588,007**	190,062
Accrued interest expenses	**260,796**	159,090
Redemption payable	**95,000**	195,000
Retention payables	**74,974**	2,377
Accrued directors’ and annual incentives (Note 29)	**30,574**	50
Contract liabilities	**4,132**	–
Derivative liability (Notes 34 and 35)	**3,300**	21,060
Others	**13,170**	169,551
	₱6,539,227	₱4,199,576

Accounts payable and other current liabilities are noninterest-bearing and are normally settled on thirty (30) to sixty (60)-day terms.

Nontrade payables include liabilities for various purchases such as additions to property, plant and equipment and spare parts. It also includes the payable for the purchase of additional 20% interest in SLTEC through the assignment of ACEIC to ACEN of the share purchase agreement executed by ACEIC and APHPC amounting to ₱1.89 billion. The amount is payable on September 30, 2021.

Trade payables refer to liabilities to suppliers of electricity and fuel oil purchased by the Group.

Accrued expenses include insurance, sick and vacation leave accruals, station use and One Subic Power’s variable rent for lease with SBMA and accruals for incentive pay and operating expense such as security fee, plant repairs and maintenance.

Redemption payable pertain to subscription redemption of ACE International from Gigasol 2.

Retention payables pertain to amounts retained from liabilities to suppliers and contractors.

Derivative liability pertains to coal and fuel oil swaps contracts with Macquarie Bank Ltd., used to hedge the risks associated with changes in coal and fuel oil prices (see Note 34).

The Group is a party to certain claims and assessments in the ordinary conduct of business. The information usually required by PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, is not disclosed on the ground that it can be expected to prejudice the outcome or the Group’s position with respect to these matters recorded under accrued expenses.

17. **Loans**

Long-term loans
This account consists of:

	2020	2019 (As restated)
SLTEC long-term loans	**₱10,587,500**	₱10,862,500
ACEN long-term loans	**8,128,347**	8,634,812
NorthWind loan	**2,233,530**	2,145,042
Guimaras Wind term-loan facility	**1,410,268**	1,531,734
BWPC long-term loans	**271,934**	279,183
	22,631,579	23,453,271
Add premium on long-term loans (embedded derivative)	**–**	2,429
Less unamortized debt issue costs	**240,873**	257,071
	22,390,706	23,198,629
Less current portion of long-term loans (net of unamortized debt issue costs)	**707,782**	905,931
Noncurrent portion	**₱21,682,924**	₱22,292,698

Movements in derivatives and debt issue costs related to the long-term loans follow:

	Derivatives	Debt Issue Costs
As at December 31, 2018	₱4,247	₱40,927
Acquired from SLTEC	–	178,132
Acquired from NPDC	–	13,023
Additions	–	43,003
Amortization/accretion for the year* (Note 25)	(1,818)	(18,014)
As at December 31, 2019	2,429	257,071
Additions	–	28,500
Amortization/accretion for the year* (Note 25)	(2,429)	(44,698)
As at December 31, 2020	₱–	₱240,873

**Included under "Interest and other financial charges" in the consolidated statements of income.*

ACEN
The relevant terms of the long-term loans of the Parent Company are as follows:

Description	Interest Rate (per annum)	Terms	2020	2019
₱5.00 billion loan with Banco De Oro Unibank, Inc. (BDO)	5.0505% per annum for the first 5 years; repricing for the succeeding 5 years is the average of the 5-year BVAL, three (3) days prior to Repricing Date, plus a margin of ninety basis points per annum (0.90%), with the sum divided by 0.95	Availed on November 15, 2019, payable in semi-annual installment within 10 years with final repayment on November 14, 2029; contains negative pledge	**₱4,901,881**	₱4,957,717

Description	Interest Rate (per annum)	Terms	2020	2019
₱7.00 billion loan with China Banking Corporation (CBC)	Fixed at a rate of 5.00% per annum which shall be payable at the end of the interest period of six months	Availed on July 10,2020. First and second drawdown amounting to ₱500 million and ₱1,000 million have a term of one hundred twenty (120) months from and after the initial drawdown date. The payments shall be made in semi-annual principal installments commencing on the eighteenth (18th) month from the initial drawdown date; contains negative pledge.	**₱1,489,118**	₱–
₱1.18 billion loan with SBC	Fixed at a rate of 6.50% per annum which shall be payable at the end of the interest period of six months	Availed on January 11, 2017 payable in semi-annual installments within 12.5 years to commence 6 months after the Drawdown Date and every 6 months thereafter with final repayment on July 11, 2029; contains negative pledge	**837,640**	904,018
₱1.18 billion loan with DBP	Fixed at a rate of 6.00% for the first 7 years; repricing for the last 5.5 years, the higher of 5-year PDST-R2 plus a spread of 1.625% or 6.25%	Availed on January 10, 2017 payable in semi-annual installments within 12.5 years to commence 6 months after the Drawdown Date and every 6 months thereafter with final repayment on July 10, 2029; contains negative pledge	**837,680**	904,004
₱1.50 billion loan with CBC	The higher of 7-year PDST-F at interest rate setting date which is one (1) banking day prior to issue date plus a spread of 1.625% or 5.675% for the first 7 years; repricing for the last 3 years, the higher of 3-year PDST-F plus a spread of 1.625% or initial interest rate.	Availed on April 14, 2014, payable in quarterly installment within 10 years to commence 1 year after the first interest payment date with final repayment on April 30, 2024; contains negative pledge	–	1,358,727
₱0.50 billion loan with BDO	The higher of 7Y PDST-F at interest rate setting date which is one (1) banking day prior to issue date plus a spread of 1.625% or 5.8146% for the first 7 years; repricing for the last 3 years), the higher of 3-year PDST-F plus a spread of 1.625% or initial interest rate	Availed on July 30, 2014, payable in quarterly installments within 10 years to commence 1 year after the first interest payment date with final repayment on April 30, 2024; contains negative pledge	–	452,083
Carrying value (net of unamortized debt issue costs and embedded derivatives of ₱62.03 million and ₱58.26 million as of December 31, 2020 and 2019, respectively)			**₱8,066,319**	₱8,576,549

In 2020 and 2019, principal repayments made relative to Group's loans amounted to ₱2,006.47 million and ₱1,094.06 million, respectively. ACEN paid ₱11.25 million and ₱43.00 million debt issue costs for the additional loans availed in 2020 and 2019, respectively.

In accordance with the terms of the Fixed Rate Corporate Notes Facility Agreement, ACEN prepaid in full its ₱500 million corporate note with BDO on October 30, 2020 and its ₱1,500 million corporate note with CBC on December 14, 2020. ACEN was able to get consent from both lenders to allow prepayment before the 7th anniversary of each respective corporate note without premium or penalty. In 2019, ACEN prepaid ₱930 million of its long-term debt accordance with the terms of the Agreement with SBC.

ACEN's Loan Agreement with China Banking Corporation ("CBC")
On July 10, 2020, the Parent Company entered into a new loan agreement with CBC for a maximum principal amount of ₱7.00 billion. The ₱7.00 billion shall be released in a maximum of seven (7) advances.

First drawdown was made on July 15, 2020 amounting to ₱500.00 million and the second drawdown was on August 24, 2020 amounting to ₱1,000.00 million. Both loans have a term of one hundred twenty (120) months from and after the initial drawdown date. The payments shall be made in semi-annual principal installments commencing on the eighteenth (18^{th}) month from the initial drawdown date. Each principal installment shall be payable on the principal repayment date which shall coincide with an interest payment date.

The loan facility contains a prepayment provision which allows the Parent Company to make an optional prepayment, wholly or partially, starting the fifth (5^{th}) anniversary of the initial drawdown date and on every interest payment date thereafter. The amount payable to CBC shall consist of the principal amount of the loans being prepaid, accrued interest on such principal amount up to the voluntary prepayment date, any increase in applicable gross receipts tax ("GRT") as a result of such prepayment, and any applicable prepayment premium as indicated in the loan agreement. The prepayment option was assessed as closely related to the loan and, thus, was not bifurcated.

Loan covenants. ACEN closely monitors its debt covenants and maintains a capital expenditure program and dividend declaration policy that keeps the compliance of these covenants into consideration.

In 2019, ACEN signed and availed of a ₱5.0 billion term loan facility with BDO. In 2020, ACEN signed a ₱7.0 billion facility with CBC where it drew ₱1.50 billion as at end 2020. Both loans are payable in semi-annual installments for 10 years. As compliance with the debt covenant, ACEN's Net Debt to Equity ratio should be no more than 3 times.

In 2020, ACEN was able to obtain waivers of compliance for the Debt Service Coverage Ratio, Debt-to-Equity ratio and Current ratio covenants on its legacy loans with SBC (₱1.18 billion) and DBP (₱1.18 billion) as required by the terms of each respective Lender's loan agreement. The waivers granted on the covenants for ACEN are valid until the next succeeding testing date. These ratios are computed based on the annual consolidated audited financial statements of ACEN, and the next testing date will be sometime during the first quarter of 2022, based on the 2021 consolidated audited financial statements. ACEN classified the loans amounting to ₱1.68 billion as noncurrent as at December 31, 2020.

<u>Guimaras Wind</u>
On December 18, 2013, Guimaras Wind entered into a ₱4.30 billion Term Loan Facility with Security Bank Corporation ("SBC") and Development Bank of the Philippines ("DBP"). The proceeds were used to partially finance the 54 MW San Lorenzo Wind Farm composed of 272 MW wind turbine generators and related roads, jetty, substations, transmission line facilities and submarine cable to connect to the grid. The loan facility is divided into two tranches amounting to ₱2.15 billion each - DBP as the Tranche A lender and SBC as the Tranche B lender.

Both tranches have a term of 15 years with semi-annual interest payments starting on the date on which the loan is made. The Tranche A's interest is to be fixed at the higher of 10-year PDS Treasury Fixing ("PDST-F") plus a spread of 1.625% or a minimum interest rate of 6.25% for the first 10 years, to be repriced at higher of existing rate or 5-year PDST-F plus a spread of 1.25% for the last 5 years. The Tranche B will be fixed at higher of interpolated 15-year PDST-F plus a spread of 1.625% or a minimum interest rate of 6.5%. The interest rate floor on the loan is an embedded derivative that is required to be bifurcated. In 2013, the Group did not recognize any derivative liability arising from the bifurcated interest floor rate since the fair value is not significant.

On April 1, 2015, the publication of PDST-F rates ceased pursuant to the memo of the Bankers Association of the Philippines ("BAP") dated January 8, 2015. Subsequently, the parties agreed to adopt PDST-R2 and BVAL rates as benchmark rate in lieu of PDST-F rates. BVAL rates were adopted starting October 29, 2018 when the Bankers Association of the Philippines (BAP) launched its new set of reference rates to replace the current set of PDST Reference Rates, PDST-R1 and PDST-R2.

The loan facility also contains a prepayment provision which allows Guimaras Wind to make optional prepayment for both Tranche A and Tranche B in the amount calculated by the facility agent as accrued interest and other charges on the loan up to the prepayment date plus, the higher of (a) the principal amount of the loan being prepaid, or (b) the amount calculated as the present value of the remaining principal amortizations and interest payments on the loan being prepaid, discounted at the comparable benchmark tenor as shown in the Philippine Dealing and Exchange Corporation ("PDEx") Market Page, Reuters and the PDS website (www.pds.com.ph) at approximately 11:16 am on the business day immediately preceding the prepayment date. In addition, Guimaras Wind is allowed to prepay the Tranche A loan, without penalty or breakfunding cost, on the interest re-pricing date. The prepayment option was assessed as closely related to the loan and, thus, was not bifurcated.

On April 28, 2016, Guimaras Wind prepaid ₱150.50 million of its long-term debt in accordance with the terms of the Agreement as follows:

- Guimaras Wind shall effect a mandatory prepayment of the loan, without premium or penalty, within three (3) business days from receipt by Guimaras Wind of any transmission line proceeds;
- Prepay the loan to the extent of seventy percent (70%) of the transmission line proceeds;
- The remaining thirty percent (30%) shall be transferred directly into Guimaras Wind controlled distribution account for further distribution to the Project Sponsor.

On December 20, 2016, the BOD resolved to amend the Omnibus Loan and Security Agreement (OLSA) to allow Guimaras Wind to prepay a portion of the long-term debt to SBC and DBP without penalties. On January 11, 2017, PHINMA Renewable prepaid ₱2,350.00 million of its long-term debt.

Under the terms of the Agreement, ACEN, as the Project Sponsor, shall:

- Provide equity contributions equivalent to 30% of the project cost;
- Fund any cost overruns on the project and the required debt service reserve amount DSRA in the event of delays in obtaining FIT eligibility or Renewable Energy Payment Agreement; and,
- Redeem the loan in the event that Guimaras Wind defaults on the loan and titles to the project properties have not been issued to Guimaras Wind or notwithstanding such titles, lenders fail to acquire title to the project properties due to lack of annotation or third party claims.

The loan agreement provides loan disbursement schedule for the drawdown of the loan. Guimaras Wind made the following drawdowns during the years 2015 and 2014 with the corresponding carrying values as at December 31, 2020:

	Tranche A (DBP)		Tranche B (SBC)	
Drawdown date	Gross Amount[a]	Carrying Value[b]	Gross Amount[a]	Carrying Value[b]
February 14, 2014	₱101,670	₱103,036	₱101,670	₱101,142
May 27, 2014	180,383	181,145	180,383	179,601
August 5, 2014	180,383	183,367	180,383	179,650
September 2, 2014	163,985	165,488	163,985	163,370
July 30, 2015	78,713	75,974	78,713	75,930
	₱705,134	₱709,010	₱705,134	₱699,693

[a]*Net of prepayments made in 2016 and 2017*
[b]*Net of unamortized debt issue costs.*

In 2020, 2019 and 2018, Guimaras Wind made the following payments with their corresponding carrying values:

	Tranche A (DBP)		Tranche B (SBC)	
Payment date	Gross Amount	Carrying value	Gross Amount	Carrying value
February 14, 2018	₱16,735	₱15,047	₱16,735	₱15,786
August 14, 2018	27,172	25,491	27,172	26,231
February 14, 2019	27,173	25,466	27,173	26,225
August 14, 2019	29,332	27,784	29,332	28,479
February 14,2020	29,332	27,635	29,332	27,660
August 14,2020	31,401	30,497	31,401	30,498
	₱161,145	₱151,920	₱161,145	₱154,879

The loan's principal repayment is variable amount payable semi-annually; amount of principal repayment to be determined during the due diligence stage based on the required debt service coverage ratio ("DSCR") and financial projections using the Financial Model validated by an independent financial model auditor. Any incremental revenue resulting from a subsequent increase in the applicable FIT rate shall be applied to principal repayment of the loan in the inverse order of maturity. Incremental revenue is the difference in the revenue based on existing FIT rate of ₱7.40/kwh and a new base rate as defined by the relevant government agency excluding annual adjustments to account for inflation and foreign exchange movements.

Under the loan facility agreement, Guimaras Wind must maintain a debt service account into which will be paid the maximum interest forecasted to be due and payable for the next two following payment dates that will fall within the construction period and the amount of debt service after the construction period. The funds in the debt service reserves can be used by Guimaras Wind provided that thirty (30) days prior to payment, the fund is replenished. Debt service reserves are included in the consolidated statement of financial position under "Cash and cash equivalents" (see Note 4).

The loan facility is secured by Guimaras Wind's wind farm, included in "Machinery and equipment" account under "Property, plant and equipment" with carrying values amounting to ₱3,909.77 million and ₱4,106.00 million as at December 31, 2020 and 2019, respectively (see Note 9). In addition, as a security for the timely payment, discharge, observance and performance of the obligations, ACEN entered into a Pledge Agreement covering the subscriptions of stocks of ACEN and its nominees.

Loan Covenants. Guimaras Wind was in compliance with the loan covenants as at December 31, 2020 and 2019. The compliance with the debt covenants is assessed annually by the lenders. The Company shall maintain a minimum DSCR of 1.2x, a maximum Debt to equity ratio of 70:30. Guimaras Wind continues to take necessary measures to ensure compliance with loan covenants.

<u>SLTEC</u>

On April 29, 2019, SLTEC entered into an Omnibus Loan and Security Agreement (the "New Omnibus Agreement") with the following:

a) BDO, SBC and Rizal Commercial Banking Corporation ("RCBC") as the Lenders;
b) AC Energy, ACEN, and APHC as the Sponsors;
c) BDO Capital & Investment Corporation as the Mandated Lead Arranger and Sole Bookrunner;
d) RCBC Capital Corporation and SB Capital Investment Corporation as the Lead Arrangers; and,
e) Banco de Oro Unibank, Inc. - Trust and Investments Group as the Facility Agent, Security Trustee and Paying Agent

The New Omnibus Agreement covering a ₱11,000.00 million syndicated loan facility was entered into for the purpose of re-leveraging and optimizing the capital structure of SLTEC as permitted by law and other agreements to which SLTEC is a party and to fund its general corporate requirements. Tenor of the loan in 12 years from initial drawdown date.

SLTEC incurred deferred financing costs amounting to ₱188.70 million in connection with the credit facility obtained from creditor banks.

On May 7, 2019, SLTEC paid-off the outstanding loans payable from the old Omnibus Agreement amounting to ₱10,950.00 million using the proceeds from the New Omnibus Agreement with principal amount of ₱11,000.00 million received on the same date. SLTEC accounted the transaction as extinguishment of financial liability. The difference between the carrying amount of the old loan and the total consideration paid amounting to ₱78.10 million was charged to interest expense.

Consequently, SLTEC also paid prepayment penalties amounting to ₱25.36 million which was charged as other financing charge. Furthermore, SLTEC paid additional gross receipts tax due to the pre-termination of the old loan of ₱161.18 million charged as other financing charge.

Details of the loan are as follows:

a) Interest

   SLTEC shall pay the interest at the applicable interest rate on the unpaid principal amount of each advance on each interest payment date for the interest period then ending. Such interest shall accrue from and including the first day of each interest period and excluding the last day of such interest period. Interest rates range from 4.44% to 7.11% for the New Omnibus Agreement and 4.49% to 6.60% for the old Omnibus Agreement.

b) Repayment

   The principal amount shall be paid in consecutive semi-annual installments on each of the repayment dates as specified in the New Omnibus Agreement, adjusted to coincide with the relevant interest payment date occurring in the same month (each, a "Repayment Date") with a final repayment date falling on the last day of the initial term. Provided it is not in default in the payment of any sum due, SLTEC may, at its option, prepay the loan in part or in full on any

Interest Payment Date together with accrued interest thereon up to and including the date immediately preceding the date of prepayment, subject to prepayment penalties ranging from nil to 1.25%.

Under the terms and conditions of the loan, the security trust indentures are the following: a) real estate mortgage and chattel mortgage on project assets; b) pledge on 66.67% of the voting shares of SLTEC; c) assignment of receivables; d) assignment of all material contracts, guarantees, insurance and; e) assignment of cash flow waterfall accounts.

Loan Covenants. SLTEC has complied with its contractual agreements and is compliant with the loan covenants as at reporting dates. As compliance with the debt covenants, SLTEC should maintain a minimum DSCR of 1.1 times, and a maximum Net debt to Equity ratio of 3 times.

NPDC

Bank of the Philippines Islands (BPI)
On May 29, 2020, NorthWind entered into an Omnibus Loan and Security Agreement with BPI for a long-term loan facility amounting to ₱2.30 billion. The proceeds of the loan were used to fully repay its senior loans. The loan shall be repaid in twenty-four (24) sculpted semi-annual amortizations as set forth in the agreement. The interest rate is fixed for the initial period of ten (10) years to be repriced after the 10th anniversary at a rate equivalent to (a) the 2-year base fixed rate plus a spread of 1.115%, or (b) 5.125% per annum, whichever is higher.

The details of the contractual maturity of the principal and the interest rate of the loans follow:

	Principal Balance		Interest	Terms of	Start of	End of
Creditor	**2020**	2019	Rate	Payment	Repayment	Repayment
BPI	**₱2,233,530**	₱–	5.13%	Semi-annual	11/29/2020	5/29/2032
BPI	–	778,376	5.00%	Semi-annual	10/31/2015	4/30/2025
BPI	–	450,000	5.00%	Semi-annual	10/31/2012	10/31/2024
BPI	–	916,666	6.89%	Semi-annual	4/27/2019	4/27/2028
	₱2,233,530	₱2,145,042				

The loan facility contains a prepayment provision which allows NorthWind to make optional prepayment, wholly or partially, any time during the term of the loan. The amount payable to BPI shall be the principal amount of the loans being prepaid, accrued interest on such principal amount up to the voluntary prepayment date, any additional taxes, including additional gross receipts tax ("GRT") as a result of such prepayment, and prepayment penalty as indicated in the loan agreement. The prepayment option was assessed as closely related to the loan and, thus, was not bifurcated.

The loan facility is secured by NorthWind's Land, Wind Turbine Generator, Building and Machinery and Equipment account under "Property, plant and equipment" with a carrying amount of ₱2,279.57 million as at December 31, 2020 (see Note 9).

Debt issuance costs are incidental costs incurred in obtaining the loan, which include documentary stamp tax ("DST"), transfer tax, chattel mortgage and real estate mortgage registration, professional fees and other out of the pocket expenses. As of December 31, 2020 and 2019, ₱15.78 million and ₱11.52 million, respectively, are presented as deduction to the loans payable account and will be amortized over the life of the loan using EIR method.

NorthWind closely monitors its debt covenants and maintains a capital expenditure program and dividend declaration policy that keeps the compliance of these covenants into consideration.

NorthWind is required to maintain a minimum historical DSCR of1.05 times. As at December 31, 2020 and 2019, NorthWind is compliant with its loan covenants.

SLTEC, as the relevant Sponsor under the New Omnibus Agreement, had assigned, conveyed and transferred unto the Security Trustee, for the benefit of the Lenders and the Security Trustee, all of its respective rights, title and interest in, to and under the following:
(i) all monies standing in the cash flow waterfall accounts, with respect to SLTEC;
(ii) all project receivables, with respect to SLTEC;
(iii) the proceeds of any asset and business continuity insurance obtained by SLTEC;
(iv) any advances or subordinated loans, if any, granted by any of ACEIC, ACEN and APHPC to SLTEC; and
(v) the proceeds, products and fruits of those provided under items (i) to (iv) hereof.

SLTEC, as continuing security for the timely payment and discharge of the secured obligations, has also assigned, conveyed and transferred to the Security Trustee all of its rights, title and interests in and to the Project Agreements to which it is a party. Project agreements include:

(i) power purchase agreements;
(ii) all fuel purchase agreements, together with corresponding performance guarantees and bonds having a total amount of at least 25.00 million per agreement;
(iii) all operations and maintenance agreements, together with corresponding performance guarantees and bonds, for the operation and maintenance of the power plant;
(iv) all asset and business continuity insurance obtained in relation to the power plant and its operation;
(v) government approvals obtained by SLTEC in relation to the ownership, operation and maintenance of the power plant, except governmental approvals covered by excluded assets; and
(vi) any and all other material contracts as may be agreed upon by SLTEC and the Lenders.

BWPC

The outstanding loan balance to UPC Holdco amounting to ₱135.43 million and ₱135.21 million as at December 31, 2020 and 2019, respectively, was used for the funding of the Balaoi and Cauanayan Wind Energy Project. BWPC availed loans from UPC Holdco amounting to ₱7.61 million and ₱18.09 million in 2020 and 2019, respectively. These loans are unsecured, due in 5 years and bears interest at an annual rate of 8.00%. Interest is accrued daily and compounded annually and payable together with the principal amount. Accrued interest expense arising from the loans payable amounted to ₱15.31 million and ₱11.94 million in 2020 and 2019 respectively. The outstanding interest payable amounted 61.89 million and 46.03 million as of December 31, 2020 and 2019 respectively.

The outstanding loan balance to Presage Corp. (PC) amounting to ₱136.55 million and ₱143.98 million as at December 31, 2020 and 2019, respectively, was used as additional funding of the Balaoi and Cauanayan Wind Energy Project. BWPC availed loans from PC amounting to nil and ₱28.46 million in 2020 and 2019, respectively. These loans are unsecured, due in 5 years and bears interest at an annual rate of 8.00%. Interest is accrued daily and compounded annually and payable together with the principal amount. Accrued interest expense arising from the loans payable amounted to ₱12.83 million and ₱11.07 million in 2020 and 2019 respectively. The outstanding interest payable amounted 24.61 million and 11.42 million as of December 31, 2020 and 2019 respectively.

Total interest expense recognized on ACEN's, Guimaras Wind's, SLTEC's, NorthWind's and BWPC's long-term loans amounted to ₱1,456.38 million, ₱867.43 million and ₱396.90 million for the years ended December 31, 2020, 2019 and 2018, respectively (see Note 25).

Principal payments made relative to the Group's long-term loans amounted to ₱4,602.92 million and ₱1,494.90 million in 2020 and 2019. ACEN paid ₱28.50 million and ₱43.00 million debt issue costs for the relevant loans availed in for the current period 2020 and in 2019.

Short-term loans
This account consists of:

	2020	2019 (As restated)
Beginning balance	**₱3,556**	₱400,000
Availments	**10,506,500**	–
Loans assumed through business combination	**395,388**	–
Reclassification	**–**	3,556
Payments	**(1,148,944)**	(400,000)
Foreign exchange adjustments	**(317,900)**	–
Ending balance	**₱9,438,600**	₱3,556

As at December 31, 2018, the Parent Company has outstanding short-term loan amounting to ₱400.00 million which was obtained thru a promissory note to BDO Unibank Inc. on August 14, 2018 with a maturity date of February 8, 2019. Interest on principal amount is 5.25% per annum fixed for 31 days to be repriced every 30 to 180 days as agreed by the parties. This was subsequently extended on February 8, 2019 for six (6) months. As at December 31, 2019, the Parent Company has paid out its short-term loan.

On March 20, 2020, the Parent Company made an availment of a short-term loan from AC Renewables International Pte. Ltd. (ACRI), an entity under the common control of ACEIC, amounting to $100 million or ₱5,121.50 million. This is in accordance with the Facility Agreement signed by both parties on March 19, 2020. Under the terms of the Facility Agreement, ACEN may draw under the facility provided that a promissory note payable to the order of ACRI and dated on the actual drawing date was delivered to the latter. The principal sum shall be subject to interest while outstanding at the rate of 1.702% p.a. and shall be payable on maturity on September 16, 2020. The loan was extended from September 16, 2020 to October 16, 2020 at a rate of 0.90%, and further extended from October 16, 2020 to March 20, 2021 at a rate 1.01%.

The carrying amount of the loan as at December 31, 2020 amounted to ₱4,803.60 million.

The Parent Company has outstanding new short-term loans availed on various dates in September, October and December of 2020 from BDO, SBC, RCBC and CBC amounting to ₱2,000.00 million, ₱800.00 million, ₱500.00 million and ₱1,335.00 million, respectively.

Below are the pertinent details of the loans from BDO, SBC, RCBC and CBC.

Bank	Date of Availment	Amount	Interest	Maturity
BDO	September 18, 2020	₱1,000,000,000	4.000%	March 17, 2021
SBC	September 18, 2020	₱800,000,000	3.750%	March 17, 2021
RCBC	October 8, 2020	₱500,000,000	3.750%	April 6, 2021
BDO	October 23, 2020	₱550,000,000	4.000%	March 31, 2021
BDO	October 28, 2020	₱450,000,000	4.000%	March 31, 2021
CBC	December 14, 2020	₱1,335,000,000	4.210%	March 12, 2021

In addition, the Parent Company also availed short-term loans from Hongkong and Shanghai Banking Corporation (HSBC) amounting to ₱750.00 million during the period but were all subsequently paid in 2020.

Total interest expense recognized on ACEN's short-term loans amounted to ₱122.88 million, ₱11.20 million and ₱8.12 million for the years ended December 31, 2020, 2019 and 2018, respectively (see Note 25).

Loans assumed through business combination.
Under a Deed of Assignment dated September 14, 2015, SACASOL assigned all its rights over its notes receivable from ISLASOL arising from the sale of Phases 2A and 2B solar power plant projects located in La Carlota City, Negros Occidental in the amount of ₱665.41 million to TLCTI Asia which was used to settle a portion of the liability of SACASOL.

On the same date, ISLASOL made various promissory notes with a total amount of ₱1,475.33 million payable to TLCTI Asia. ISLASOL may prepay the notes, in whole or in part, upon written notice to TLCTI Asia at least three (3) banking days prior to the date of payment. The promissory notes are noninterest-bearing and are payable subject to the terms of the Framework Agreement entered between PINAI and TLCTI Asia dated September 2, 2015.

On May 19, 2020, ISLASOL and TLCTI Asia signed a loan payment agreement where ISLASOL will pay its ₱2,140.73 million loan. TLCTI Asia shall use this payment to pay its subscription of ₱2,780.24 million. The excess over the amount shall be paid in full by TLCTI Asia. The application for increase in authorized capital stocks is still pending as at December 31, 2020. ISLASOL tendered full payment of the loan amount in 2020. Outstanding balance of the loan was nil and ₱2,140.73 million, as at December 31, 2020 and December 31, 2019, respectively.

18. Other Noncurrent Liabilities

	2020	2019 (As restated)
Trade payable (Note 15)	**₱1,123,511**	₱1,123,511
Deposit payable	**167,593**	169,773
Contract liabilities	**161,125**	107,627
Asset retirement obligation	**137,407**	26,559
Nontrade payable	**15,048**	1,849,625
Accrued expenses	–	12,807
Others	**4,439**	–
	₱1,609,123	₱3,289,902

Trade payable pertains to collections in relation to multilateral agreement (see Note 15).

Deposit payables consist of security deposits from RES customers refundable at the end of the contract.

Contract liabilities consists of the deferred connection fee related to ISLASOL and the deferred rental income from ISLASOL, SACASOL, MSPDC and Solienda.

Asset retirement obligation are from the acquisitions of ISLASOL, SACASOL and MSEI.

Nontrade payable are payables from over remittance of business interruption claims and environmental laws compliance.

19. Equity

Capital Stock

Following are the details of the Parent Company's capital stock:

	Number of Shares	
	2020	2019 (As restated)
Authorized capital stock - ₱1 par value	**24,400,000,000**	8,400,000,000
Issued shares:		
Balance at beginning of period	**7,521,774,922**	4,889,774,922
Issuance of new shares during the period	**6,185,182,288**	2,632,000,000
Balance at end of period	**13,706,957,210**	7,521,774,922

The issued and outstanding shares as at December 31, 2020 and 2019 are held by 3,182 and 3,192 equity holders, respectively.

The following table presents the track record of registration of capital stock:

Year Approval	No. of shares Registered	No. of shares Issued	Par Value	Issue/ Offer Price
Prior to 2005*	1,000,000,000	**840,601,987	₱0.01/1.00	₱0.01/1.00
2005	1,000,000,000	264,454,741	1.00	1.00
2007	–	552,528,364	1.00	1.00
2008	–	4,713,558	1.00	1.00
2009	–	304,419	1.00	1.00
2010	–	2,022,535	1.00	1.00
2011	2,200,000,000	1,165,237,923	1.00	1.00
2012	4,200,000,000	2,027,395,343	1.00	1.00
2013	–	6,603,887	1.00	1.00
2014	–	1,283,332	1.00	1.00
2016	–	20,751,819	1.00	1.00
2017	–	3,877,014	1.00	1.00
2019	–	2,632,000,000	1.00	1.00
2020	16,000,000,000	6,185,182,288	1.00	1.00

**On April 7, 1997, par value was increased from ₱0.01 to ₱1.00.*
***Equivalent number of shares at ₱1.00 par.*

Retained Earnings
Retained earnings represent the Group's accumulated earnings, net of dividends declared. The balance includes accumulated earnings of subsidiaries, joint venture and associates, which are not available for dividend declaration. Retained earnings not available for dividend declaration included in the Group's retained earnings to the extent of (a) the cost of treasury shares amounted to ₱40.93 million and ₱27.70 million as at December 31, 2020 and December 31, 2019, respectively, and (b) undistributed earnings of subsidiaries, associates and joint ventures included in the Group's retained earnings amounted to ₱2,197.50 million and ₱1,449.03 million as at December 31, 2020 and December 31, 2019, respectively.

Dividends
ACEN
On August 19, 2020, the BOD approved the declaration of cash dividends of four centavos (₱0.04) per share on the 13,692,457,210 issued and outstanding shares of the Parent Company, or a total dividend amount of ₱547,698,288, paid on September 17, 2020 to the shareholders on record as at September 3, 2020. ₱546,751,517 of the amounts declared was paid to the equity holders of the Parent Company.

There were no dividends declared in 2019 while on February 28, 2018, the BOD approved the declaration of cash dividends of four centavos (₱0.04) per share to the shareholders on record as at March 14, 2018.

Stock Options and Grants
On April 2, 2007, ACEN's BOD and Stockholders approved 100 million shares to be taken from unsubscribed portion of the Parent Company's authorized shares as (a) stock grants to officers and managers of ACEN; and (b) stock options for directors, officers, and employees of the Group and affiliates, under terms and conditions as may be determined by the Executive Committee of the Board. The Executive Stock Grants Plan and Stock Option Plan was approved by the SEC on January 8, 2008.

The executive stock grants are given to officers and managers of ACEN computed at a predetermined percentage of their variable compensation pay based on certain performance criteria. The last stock grant resulted in the issuance of 3,877,014 shares in 2016. No stock grants were issued for 2017, 2018, 2019 and 2020.

On July 22, 2013, ACEN awarded stock options under the same plan with an exercise price of ₱2.29 per share. The stock options expired on July 21, 2016. As at March 8, 2021, there are no outstanding stock options.

The remaining number of shares available for stock grants and stock options is 60,301,331 out of the 100,000,000 shares for both years ended December 31, 2020 and 2019.

Treasury Shares
As a result of Bulacan Power becoming a wholly owned subsidiary of the ACEN effective January 1, 2013, the Parent Company's shares of stock held by Bulacan Power amounting to ₱28.79 million were considered as treasury shares. Bulacan Power sold 16.70 million, nil and 1.15 million shares of the Parent Company in 2020, 2019 and 2018, respectively.

On March 18, 2020, the BOD of the Parent Company approved a share buy-back program to support its share prices through the repurchase in the open market of up to ₱1.00 billion worth of common shares beginning March 24, 2020. As at December 31, 2020, the cumulative number of shares repurchased is at 14.50 million for an aggregate repurchase price of ₱28.66 million.

Other Equity Reserves

	2020	2019 (As restated)
Effect of common control business combinations (a)	**(₱5,199,120)**	₱7,708,583
Effect of purchase of SLTEC's 20% share (b)	**(2,229,587)**	(2,229,587)
Effect of purchase of ACEX shares	**(130,854)**	(130,854)
Other equity reserves from joint venture	**17,231**	17,231
Effect of distribution of property dividends - ACEX shares	**1,107**	1,107
	(₱7,541,223)	₱5,366,480

(a) This represents the impact of the share swap transaction with ACEIC to acquire the latter's ownership interest in various entities in exchange for ACEN's issuance of additional primary shares via a tax-free exchange (see Note 32).

Thru the share swap transaction, the Parent Company gains control of the 35% NCI in SLTEC (see Note 32).

(b) This represents the impact of the step business acquisition where ACEIC assigned to ACEN the purchase of the 20% interest in SLTEC thereby increasing ACEN's ownership in SLTEC to 65% (see Note 32).

20. Revenue from Sale of Electricity

The table presents the Group's revenue from different revenue streams:

	2020	2019 (As restated)	2018
Revenue from power supply contracts	**₱13,612,505**	₱13,217,501	₱13,079,769
Revenue from power generation and trading	**6,670,798**	2,879,048	2,033,832
	₱20,283,303	₱16,096,549	₱15,113,601

Meralco Baseload PSA

On October 22, 2019, MERALCO and ACEN filed with the ERC a joint application for approval of its baseload Power Supply Agreement ("PSA"). Under the PSA, ACEN will supply, at a fixed rate, 200 MW baseload capacity to MERALCO for ten (10) years from the issuance by the ERC of a provisional approval. Hearings were conducted on January 14, 21, and 28, 2020.

On January 31, 2020, ACEN received a copy of the Order from the ERC, provisionally approving the baseload PSA between MERALCO and ACEN (the "PA Order"). Under the PA Order, the ERC granted a rate of ₱4.2366/kWh regardless of the plant capacity factor and not subject to any escalation rate.

On February 7, 2020, ACEN filed a Motion for Reconsideration and Urgent Re-evaluation of the Provisionally Approved Rates, arguing among others, for the implementation of the bid parameters of MERALCO, including the inclusion of the plant capacity factor in determining the rate, application of the proposed escalation rate, and retroactive application of the rates.

On May 13, 2020, ACEN received a copy of the Order of the ERC granting ACEN's Motion for Reconsideration ("Order Granting the MR"). The ERC, in its Order Granting the MR, approved a rate of ₱4.2366/kWh at 100% plant capacity factor, allowed 60% of the approved rate to escalate in accordance with ACEN's escalation schedule, and allowed a retroactive recovery of approved rate from December 26, 2019, among others. The Parties have already agreed on the amortization schedule and/or payment schedule for the collection of the retroactive differential adjustment amounting to ₱618.27 million (see Note 5).

Meralco Mid-Merit PSA
On October 22, 2019, MERALCO and ACEN filed with the ERC a joint application for approval of the mid-merit PSA. Under the PSA, ACEN will supply, at a fixed rate, 110 MW mid-merit capacity to MERALCO for five (5) years from the issuance by the ERC of a provisional approval. Hearings were conducted on December 3, 2019, January 14, 21, and 28, 2020.

On January 31, 2020, ACEN received a copy of the Order from the ERC, provisionally approving the mid-merit PSA between MERALCO and ACEN. Under the PA Order, the ERC granted a rate of ₱4.2366/kWh regardless of the plant capacity factor.

On February 07, 2020, ACEN filed a Motion for Reconsideration and Urgent Re-evaluation of the Provisionally Approved Rates, arguing among others, for the implementation of the bid parameters of MERALCO, including the inclusion of the plant capacity factor in determining the rate and retroactive application of the rates.

On June 1, 2020, ACEN received a copy of the Order of the ERC granting ACEN's Motion for Reconsideration. The ERC, in its Order Granting the MR, approved a rate of ₱4.8763/kWh at 60% plant capacity factor, and allowed a retroactive recovery of approved rate from January 30, 2020, among others. The Parties are finalizing the agreement for the amortization schedule and/or payment schedule for the collection of the retroactive differential adjustment amounting to ₱158.50 million (see Note 5).

Tariff Adjustment
On May 26, 2020, ERC approved the adjustments to the FIT of renewable energy producers through Resolution No.06, series of 2020. FIT adjustments used 2014 as the base period calendar year for the Consumer Price Index (CPI) and foreign exchange variations through Discounted Cash Flows (DCF) Model per Renewable Energy technology, covering for the years 2016, 2017, 2018, 2019 and 2020. The resolution was published in a newspaper of general circulation in the country on November 17, 2020.

The payment schedule which started in December 2020, follows a one billing month adjustment per payment date and billed sequentially starting for the January 2016 generation of 2015 entrants and onwards.

Renewable energy subsidiaries under the FIT system which include Guimaras Wind, MSEI, SACASOL, and NorthWind, accrued the retroactive net revenue adjustment amounting to ₱791.48 million. This will be recovered for a period of five (5) years.

NLR, a renewable energy producer and a joint venture through PhilWind, also accrued the retroactive net revenue adjustment amounting to ₱635.51 million.

Pre-termination fees
Revenues from power supply contract for the year ended December 31, 2020 include customer pre-termination fees of ₱289.08 million.

21. Costs of Sale of Electricity

	2020	2019 (As restated)	2018
Costs of purchased power	**₱6,344,612**	₱10,338,147	₱13,327,756
Fuel (Note 6)	**2,820,116**	2,568,330	766,480
Depreciation and amortization (Notes 9, 14 and 24)	**1,737,840**	981,824	379,901
Repairs and maintenance	**671,619**	538,944	185,872
Taxes and licenses	**458,701**	218,014	72,633
Salaries and directors' fees (Note 23)	**439,024**	171,918	96,682
Stations used	**301,288**	87,077	13,901
Insurance	**446,728**	192,775	71,749
Transmission costs	**38,879**	63,317	66,855
Rent	**23,334**	13,611	79,461
Filing fees	**17,398**	1,337	2,627
Pension and other employee benefits (Note 28)	**12,567**	48,984	25,498
Transportation and travel	**7,036**	18	–
Others	**101,397**	78,234	20,076
	₱13,420,539	₱15,302,530	₱15,109,491

22. General and Administrative Expenses

	2020	2019 (As restated)	2018
Salaries and directors' fees (Note 23)	**₱640,025**	₱181,828	₱149,127
Management and professional fees	**498,733**	144,146	103,240
Taxes and licenses	**441,698**	155,100	139,233
Provision for impairment of property, plant and equipment (Note 9)	**382,038**	–	2,066
Provision for impairment of investment in an associate (Note 10)	**186,513**	–	–
Incidental expenses	**105,479**	–	–
Depreciation and amortization (Note 24)	**72,867**	55,901	25,934
Provision for impairment of advances to contractors (Note 7)	**49,884**	–	–
Building maintenance and repairs	**33,554**	13,641	20,314
Corporate social responsibilities	**33,216**	2,300	640
Pension and other employee benefits (Note 23)	**23,145**	26,136	22,618
Insurance, dues and subscriptions	**20,639**	25,046	10,759
Rent	**14,443**	954	–
Contractor's fee	**14,201**	6,379	6,674
Transportation and travel	**13,665**	8,639	13,786
Advertisements	**4,932**	2,756	1,721
Communication	**4,614**	5,143	4,365
Office supplies	**4,369**	8,197	4,322
Meeting and conferences	**2,703**	4,082	2,979
Donation and contribution	–	2,652	592
Entertainment, amusement and recreation	–	777	180
Provision for inventory obsolescence (Note 6)	–	5,554	159
Provisions for claims and professional fees	–	5,000	600

(Forward)

	2020	2019 (As restated)	2018
Provision for probable losses on deferred exploration costs (Note 13)	**₱–**	₱34,493	₱48,263
Bank charges	**–**	57,922	11,874
Provision for credit losses (Note 5)	**–**	12,059	14,548
Plug and abandonment	**–**	318	38,776
Others	**38,572**	8,817	31,747
	₱2,585,290	₱767,840	₱654,517

23. Personnel Expenses

	2020	2019 (As restated)	2018
Salaries and directors' fees included under:			
Cost of sale of electricity (see Note 21)	**₱439,024**	₱171,918	₱96,682
General and administrative (see Note 22)	**640,025**	181,828	149,127
Pension and other employee benefits included under:			
Cost of sale of electricity (see Note 21)	**12,567**	48,984	25,498
General and administrative (see Note 22)	**23,145**	26,136	22,618
	₱1,114,761	₱428,866	₱293,925

24. Depreciation and Amortization

	2020	2019 (As restated)	2018
Property, plant and equipment (Note 9)	**₱1,516,561**	₱963,419	₱384,371
Right-of-use assets (Note 14)	**172,303**	74,102	–
Intangible assets (Note 13)	**121,843**	204	16,190
Investment property (Note 12)	**–**	–	5,274
	₱1,810,707	₱1,037,725	₱405,835
Cost of sale of electricity (Note 21)	**₱1,737,840**	₱981,824	₱379,901
General and administrative expenses (Note 22)	**72,867**	55,901	25,934
	₱1,810,707	₱1,037,725	₱405,835

25. Interest and other finance Charges

	2020	2019 (As restated)	2018
Interest expense on:			
Long-term loans* (Note 17)	**₱1,456,380**	₱867,429	₱396,901
Lease obligations (Note 14)	**171,097**	57,215	16,635
Short-term loans (Note 17)	**122,884**	11,196	8,115
Discount in accounts payable	**68,591**	–	–
Amortization of debt issue cost (Note 17)	**44,698**	18,014	11,530
Others	–	–	35
Asset retirement obligation	–	–	372
Other finance charges	**16,218**	22,175	61
	₱1,879,868	₱976,029	₱433,649

**Net of accretion of interest expense of ₱2.43 million, ₱1.82 million, ₱1.76 million for the years ended December 31, 2020, 2019 and 2018, respectively, as an effect of amortization of embedded derivatives (see Note 17)*

Discount in accounts payable pertains to the interest expense of ACEN's accounts payable to APHPC in relation to the 20% acquisition of SLTEC (see Notes 16 and 18).

26. Other Income - Net

	2020	2019 (As restated)	2018
Foreign exchange gain - net	**₱328,643**	₱13,793	₱29,329
Claims on business interruptions	**260,385**	236,306	10,167
Fees for advisory services	**121,685**	–	–
Interest and other financial income	**121,512**	116,569	96,851
Gain on bargain purchase (Note 31)	**49,970**	–	–
Discount on long-term receivable (Note 15)	**(18,611)**	–	–
Gain on sale of by-product	**15,354**	13,226	–
Gain (loss) on sale of property and equipment	**(4,280)**	294,725	254
Loss on derivatives - net	**(3,414)**	(6,850)	(15,056)
Reversal of allowance for impairment of property, plant and equipment (Note 9)	**933**	–	–
Reversal of allowance for credit losses (Note 5)	**32**	–	–
Gain on sale of asset held for sale (Note 8)	–	14,289	–
Gain on sale of investment	–	1,375	5,834
Loss on sale of inventory	–	(461)	–
Recovery of costs from third party	–	–	28,626
Provision for unrecoverable input tax	–	–	(43,712)
Others	**35,819**	53,277	7,959
	₱908,028	₱736,249	₱120,252

Claims on business interruptions pertain to insurance claimed by SLTEC due to the temporary shutdown of its power plant.

Fees for advisory services pertain to Macquarie's payment to the Parent Company when it availed a services agreement that facilitated the PINAI investment with ISLASOL, SACASOL, and PhilWind acquisitions.

Gain on sale of by-product includes the gain on sale of fly-ash which is a by-product from coal of SLTEC. It also includes the gain on sale of scrap from the Parent Company and One Subic Power.

Interest and Other Financial Income

The details of interest and other financial income are as follows:

	2020	2019 (As restated)	2018
Interest income on:			
Cash in banks and Short-term deposits (see Note 4)	**₱57,563**	₱70,793	₱34,041
Receivables and others*	**63,949**	14,934	37,983
Net gains on financial assets at FVTPL	–	30,842	24,827
	₱121,512	₱116,569	₱96,851

**Includes amortization of security deposit amounting to ₱0.32 million in 2018. The security deposit has been reclassed to Right of Use Asset*

27. **Income taxes**

a. Current income tax pertains to the following:

	2020	2019 (As restated)	2018
RCIT	**₱113,489**	₱98,913	₱20,496
MCIT	**84,177**	337	203
	₱197,666	₱99,250	₱20,699

b. The components of the Group's net deferred income tax assets (liabilities) as at December 31 are as follows:

Net deferred tax assets

	2020	2019 (As restated)
Deferred income tax assets:		
Lease liability	**₱579,598**	₱161,201
Accrued expenses	**72,845**	67,369
Allowance for impairment on property and equipment	**69,458**	7,022
NOLCO	**63,170**	459,737
Allowance for doubtful accounts and credit losses	**36,356**	35,952
Deferred revenue	**31,400**	13,799
Asset retirement obligation	**20,764**	5,920
Pension and other employee benefits	**20,046**	13,556
Allowance for probable losses on deferred exploration costs	**13,646**	13,646
MCIT	**13,102**	–
Unamortized past service cost	**6,273**	772
Unamortized discount on long-term receivable	**991**	2,251
Impairment of Input VAT	**536**	–
Unrealized forex loss	**157**	1,303
Allowance for inventory obsolescence	**146**	404
Derivative liabilities on long-term loans	**–**	729
Others	**97**	–
	928,585	783,661
Deferred income tax liabilities:		
Right-of-use assets	**352,842**	8,975
Unrealized foreign exchange gain	**97,799**	133
Unamortized interest cost on payable to APHPC	**21,822**	50,773
Unamortized debt issue costs	**18,608**	14,557
Accrual of bonus	**–**	848
Accrual of trading revenues	**848**	63,584
Unrealized fair value gains on FVTPL	**18**	303
Asset retirement obligation-asset	**–**	274
Others	**–**	10
	491,937	139,457
	436,648	644,204

(Forward)

	2020	2019 (As restated)
Presented in other comprehensive income		
Deferred tax asset:		
Remeasurement loss on defined benefit obligation	**₱3,242**	₱3,244
Derivative liability on forward contracts	**990**	–
Unrealized fair value losses on financial assets at FVOCI	**77**	187
Derivative liability on hedging	**–**	6,319
	4,309	9,750
Deferred tax liabilities:		
Derivative asset on hedging	**24,604**	–
Unrealized fair value gains on financial assets at FVOCI	**–**	31
	24,604	31
Total deferred income tax assets - net	**₱416,353**	₱653,923

Net deferred tax liabilities

	2020	2019 (As restated)
Deferred income tax assets:		
Fair value adjustments	**₱92,025**	₱–
Lease liability	**30,889**	–
Allowance for credit losses	**8,872**	–
Accrued expenses	**2,440**	–
Excess of cost over fair value of power plant	**2,421**	2,421
Pension and other employee benefits	**723**	–
Unrealized forex loss	**449**	–
Inventory obsolescence	**258**	–
Others	**631**	–
	138,708	2,421
Deferred income tax liabilities:		
Right-of-use asset	**133,690**	174,064
Excess of fair value over cost of power plant	**67,748**	76,902
Unamortized capitalized borrowing costs	**12,242**	12,148
Unearned revenues	**1,387**	–
Unrealized forex gain	**3,234**	400
Unrealized fair value gains on FVTPL	**–**	88,616
Others	**616**	778
	218,917	352,908
Presented in OCI		
Unrealized fair value gains on FVOCI	**47,484**	–
Total deferred income tax liabilities - net	**₱127,693**	₱350,487

The Group's temporary differences and unused NOLCO for which no deferred income tax assets were recognized in the consolidated statement of financial position are as follows:

	2020	2019
NOLCO	**₱664,145**	₱1,464,950
Accrued expenses	**138,568**	138,568
Allowance for impairment loss on property and equipment	**3,969,107**	165,573
Allowance for probable losses	**18,469**	64,874
Allowance for credit losses	**20,000**	20,000
Excess MCIT	**3,180**	9,936
Forex loss	**3,281**	916
Asset retirement cost	**(70,222)**	(4,726)
PFRS 16 adoption	**(73,198)**	(27,199)

During the period, aside from the recognition of ₱337.38 million deferred tax asset (DTA) from NOLCO, DTAs on various elected deductible temporary differences and unused NOLCO have not been recognized as management believes it is not probable that sufficient future taxable income will be available against which the related deferred income tax assets can be used.

Temporary differences on asset retirement cost and PFRS 16 adoption are expected to reverse during the income tax holiday period of ISLASOL, SACASOL, and MONTESOL.

As at December 31, 2020 and 2019, NOLCO totaling ₱664.15 million and ₱3,103.86 million, respectively, can be claimed as deduction from regular taxable income and MCIT amounting to ₱3.18 million and ₱9.94 million, respectively, can be credited against future RCIT. The movement in NOLCO and MCIT is shown in the tables below:

Year			NOLCO			Expiry
Incurred	Beginning	Additions	Application	Expiration	Ending	Date
2016[a]	₱129,030	₱116,549	(₱17,644)	(₱51,259)	₱176,676	2023
2017	176,676	470,941	–	(48,077)	599,540	2020
2018	599,540	1,449,379	–	(16,177)	2,032,742	2021
2019	2,032,742	1,080,806	–	(9,691)	3,103,857	2022
2020[b]	3,103,857	620,811	(2,589,582)	(470,941)	664,145	2025

(a)NOLCO from renewable entities which can be carried over for the next 7 consecutive taxable years per RE Act of 2008
(b)RR-15-20 Bayanihan Act 2: NOLCO incurred for the taxable years 2020 and 2021 can be carried over as a deduction from gross income for the next five(5) consecutive years

Year			MCIT			Expiry
Incurred	Beginning	Additions	Application	Expiration	Ending	Date
2018	₱9,559	₱–	(₱20)	₱–	₱9,539	2021
2019	9,539	748	–	(351)	9,936	2022
2020	9,936	2,648	(8,325)	(1,079)	3,180	2023

The reconciliation between the effective income tax rates and the statutory income tax rates follows:

	2020	2019 (As restated)	2018
Applicable statutory income tax rates	**30.00%**	30.00%	(30.00%)
Increase (decrease) in tax rate resulting from:			
Nondeductible expenses	**1.06**	61.00	(1.83)
Movement in temporary differences, NOLCO and MCIT for which no deferred income tax assets were recognized and others	**(14.43)**	(47.96)	115.11
Equity in net loss (income) of associates and joint ventures	**(3.97)**	(552.46)	(37.89)
Net loss (income) under tax holiday	**(0.78)**	(237.52)	(3.89)
Financial income subject to final tax	**(0.62)**	(295.89)	(3.80)
Dividend income exempt from tax	**–**	(39.35)	(0.65)
Effective income tax rates	**11.26%**	(1,082.18%)	(40.71%)

c. R.A. No. 10963 or the Tax Reform for Acceleration and Inclusion Act (TRAIN) was signed into law on December 19, 2017 and took effect January 1, 2018, making the new tax law enacted.

   The TRAIN changes the existing tax law and includes several provisions that generally affected businesses on a prospective basis. In particular, management assessed that amendment of Section 148 - Excise tax on manufactured oil and other fuels - which increases the excise tax rates of lubricating oil, diesel fuel oil and bunker fuel oil, among others that are used for the power plants, may have material impact to the operations of the Group. Management has considered the impact of TRAIN in managing the operation hours of its power plants.

d. On April 8, 2019, SLTEC submitted to the Board of Investments (BOI) an Application for Extension of Income Tax Holiday of Unit 1. The period applied for extension is from April 24, 2019 to April 23, 2020. SLTEC used the cost of indigenous raw (local coal) criterion wherein the ratio of indigenous raw materials to total raw materials used should not be lower than fifty percent (50%).

   On August 13, 2019, the BOI approved the extension, subject to the following conditions:

   1. At the time of the actual availment of the ITH bonus year incentive, the derived ratio of the cost of indigenous raw materials shall be at least 50% of the raw materials cost wherein SLTEC complied with a ratio of 75:25; and

   2. SLTEC undertake Corporate Social Responsibilities (CSR) activities which shall be completed on the actual availment of the bonus year. The CSR activity shall be aligned with the priority programs/projects of the National Anti-Poverty Commission and/or other special laws such as R.A. 7942 or the Mining ACT and DOE Energy Regulation 1-94. Failure to complete the CSR activity shall mean forfeiture of the approved ITH bonus year. SLTEC undertook the required CSR activities in 2019.

e. Guimaras Wind is a duly registered renewable energy developer under Renewable Energy (RE) Act of 2008, Guimaras Wind is entitled to income tax holiday (ITH) for the first seven years of its commercial operations on all its registered activities starting 2015. Under the RE Act, PREC can avail a corporate tax rate of 10% after the ITH period. Since Guimaras Wind will avail the 10% after the ITH, the deferred tax asset expected to be reversed after the ITH period were set up at 10%.

f. ISLASOL is duly registered with the provisions of the Omnibus Investments Code of 1987 last March 29, 2017 which entitled the ISLASOL the incentive to avail ITH for seven years from March 2016, date of actual commercial operation under the administration of BOI. After 7 years of ITH, ISLASOL shall pay a corporate tax of ten percent (10%) on its net taxable income.

g. SACASOL is duly registered in accordance with the provisions of the Omnibus Investments Code of 1987 last April 7, 2016 which entitled the SACASOL the incentive to avail ITH for seven years from May 2014, date of actual commercial operations under administration of BOI. After 7 years of ITH, SACASOL shall pay a corporate tax of ten percent (10%) on its net taxable income.

h. MONTESOL is duly registered in accordance with the provisions of the Omnibus Investments Code of 1987 last October 15, 2015 which entitled the MONTESOL the incentive to avail ITH for seven years from March 2016, date of actual commercial operations under administration of BOI. After 7 years of ITH, SACASOL shall pay a corporate tax of ten percent (10%) on its net taxable income.

28. Pension and Other Employee Benefits

The Group has a funded, noncontributory defined benefit retirement plan covering all of its regular and full time employees. The fund is administered by a trustee bank under the supervision of the Retirement Committee of the plan. The Retirement Committee is responsible for investment strategy of the plan. The Retirement Plan meets the minimum retirement benefit specified under Republic Act 7641.

Pension and other employee benefits consist of:

	2020	2019 (As restated)
Pension liability	**₱38,587**	₱55,204
Vacation and sick leave accrual	**14,183**	22,734
	52,770	77,938
Less: current portion of vacation and sick leave accrual*	**1,841**	6,904
	₱50,929	₱71,034

**Included in "Accrued expenses" under "Accounts payable and other current liabilities".*

Pension and vacation and sick leave accrual included as part of pension and other employee benefits under "Cost of sale of electricity" and "General and administrative expenses" accounts in the consolidated statement of income, consist of the following:

	2020	2019 (As restated)	2018
Pension expense	**₱21,360**	₱19,160	₱14,571
Vacation and sick leave accrual (reversal)	**1,809**	(7,393)	(5,488)
	₱23,169	₱11,767	₱9,083

Net Defined Benefit Liability

Changes in net defined benefit liability of funded plan in 2020 are as follows:

	Present Value of Defined Benefit Obligation	**Fair Value of Plan Assets**	**Net Defined Benefit Liability**
At January 1, 2020	**₱161,226**	**₱106,022**	**₱55,204**
Net acquired/(transferred) obligation	**3,677**	**–**	**3,677**
Effect of business combination	–	–	–
Pension expense in consolidated statement of income:			
Current service cost	**18,947**	**–**	**18,947**
Net interest	**2,340**	**3,260**	**(920)**
Past service cost	**–**	**–**	**–**
Settlement gain (loss)	**3,333**	**–**	**3,333**
Effect of curtailment	**–**	**–**	**–**
	24,620	**3,260**	**21,360**
Remeasurements in OCI:			
Experience adjustments	**2,373**	**–**	**2,373**
Changes in demographic assumption	**(617)**	**–**	**(617)**
Actuarial changes arising from changes in financial assumptions	**(11,125)**	**–**	**(11,125)**
Return on plan assets (excluding amount included in net interest)	**–**	**(9,419)**	**9,419**
	(9,369)	**(9,419)**	**50**
Benefits paid	**(39,649)**	**(18,886)**	**(20,763)**
Contributions	**–**	**17,264**	**(17,264)**
At December 31, 2020	**₱136,828**	**₱98,241**	**₱38,587**

**Includes the current service cost of new hires amounting to ₱403,965, ₱77,572, and ₱52,403 from Bulacan Power, One Subic Power, and CIPP, respectively, as at December 31, 2020.*

Changes in net defined benefit liability of funded plan in 2019, as restated are as follows:

	Present Value of Defined Benefit Obligation	Fair Value of Plan Assets	Net Defined Benefit Liability
At January 1, 2019	₱166,279	₱142,498	₱23,781
Effect of business combination	31,138	26,140	4,998
Pension expense in consolidated statement of income:			
Current service cost	22,592	–	22,592
Net interest	11,796	10,394	1,402

(Forward)

	Present Value of Defined Benefit Obligation	Fair Value of Plan Assets	Net Defined Benefit Liability
Past service cost	₱8,759	₱–	₱8,759
Effect of curtailment	(2,994)	–	(2,994)
Net acquired/(transferred) obligation	(5,302)	(4,303)	(999)
	34,851	6,091	28,760
Remeasurements in OCI:			
Return on plan assets (excluding amount included in net interest)	–	(2,461)	2,461
Experience adjustments	(13,577)	–	(13,577)
Changes in demographic assumption	7,179	–	7,179
Actuarial changes arising from changes in financial assumptions	14,751	–	14,751
	8,353	(2,461)	10,814
Benefits paid	(79,395)	(76,980)	(2,415)
Contributions	–	10,734	(10,734)
At December 31, 2019	₱161,226	₱106,022	₱55,204

The fair value of plan assets by each class as at December 31 follows:

	2020	2019 (As restated)	2018
Investments in:			
Government securities	**₱51,126**	₱5,000	₱4,461
UITFs	**47,194**	50,888	48,607
Equity instruments	**–**	47,248	89,409
Cash and cash equivalents	**81**	3,151	226
Liabilities	**(160)**	(265)	(205)
	₱98,241	₱106,022	₱142,498

Investments in government securities, mutual funds and UITFs can be readily sold or redeemed.

The plan assets include shares of stock of the Parent Company with fair value of nil as at December 31, 2020 and 2019, respectively. The shares were acquired at a cost of ₱0.03 million in 2018. There are no restrictions or limitations on the shares and there was no material gain or loss on the shares for the years ended December 31, 2020 and 2019. The voting rights over the shares are exercised through the trustee by the retirement committee, the members of which are directors or officers of the Parent Company.

The plan assets have diverse investments and do not have any concentration risk.

The cost of defined benefit pension plans and other post-employment benefits as well as the present value of the pension obligation are determined using actuarial valuations. The actuarial valuation involves making various assumptions.

The principal assumptions used in determining pension and post-employment benefit obligations for the defined benefit plans are shown below:

	2020	2019 (As restated)
Discount rate	**4.63%**	4.96%
Salary increase rate	**5.14%**	5.14%

There were no changes from the previous period in the methods and assumptions used in preparing sensitivity analysis.

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as at the end of the reporting period, assuming all other assumptions were held constant:

		2020		2019, as restated	
		Increase (Decrease) in Pension Liability		Increase (Decrease) in Pension Liability	
Discount rate	(Actual + 1.00%)	**5.63%**	**(₱16,158)**	5.96%	(₱11,613)
	(Actual – 1.00%)	**3.63%**	**19,401**	3.96%	13,806
Salary increase rate	(Actual + 1.00%)	**6.14%**	**₱19,664**	6.14%	₱14,335
	(Actual – 1.00%)	**4.14%**	**(16,712)**	4.14%	(12,291)

Management performs an Asset-Liability Matching Study (ALM) annually. The overall investment policy and strategy of the Group's defined benefit plans is guided by the objective of achieving an investment return which, together with contributions, ensures that there will be sufficient assets to pay pension benefits as they fall due while also mitigating the various risk of the plans. The Group's current strategic investment strategy consists of 54% of equity instruments, 43% fixed income instruments and 3% cash and cash equivalents.

The Group expects to contribute ₱25.14 million to the defined benefit pension plan in 2021.

There are no minimum funding standards in the Philippines.

The following table sets forth the expected future settlements by Plan of maturing defined benefit obligation as at December 31:

	2020	2019 (As restated)
Less than one year	**₱15,578**	₱38,774
More than one year to five years	**63,575**	61,935
More than five years to 10 years	**64,341**	87,052
More than 10 years to 15 years	**96,482**	93,852
More than 15 years to 20 years	**127,815**	112,052
More than 20 years	**442,407**	553,334

As at December 31, 2020 and 2019, the average duration of the expected benefit payments at the end of the reporting period ranges from 16.30 to 25.08 years and 9.53 to 23.25 years, respectively.

Vacation and Sick Leave
The following tables summarize the components of vacation and sick leave expense (income) recognized in the consolidated statement of income and the amounts recognized in the consolidated statement of financial position.

	2020	2019	2018
Current service costs	**₱4,114**	₱4,445	₱2,041
Interest costs	**485**	1,696	1,937
Actuarial loss (gain)	**(2,790)**	(13,534)	1,510
	₱1,809	(₱7,393)	₱5,488

Changes in present value of the vacation and sick leave obligation are as follows:

	2020	2019
Balance at the beginning of year	**₱22,734**	₱30,370
Current service cost	**4,114**	4,445
Net interest	**485**	1,696
Actuarial gain	**(2,790)**	(13,534)
Benefits paid	**(2,368)**	(243)
Balance at the end of year	**₱22,175**	₱22,734

29. Related Party Transactions

Parties are related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence which include affiliates. Related parties may be individual or corporate entities.

Outstanding balances at period-end are unsecured and are to be settled in cash throughout the financial year. There have been no guarantees provided or received for any related party receivables or payables. Provision for credit losses recognized for receivables from related parties amounted to nil in 2020 and 2019 and ₱10.26 million in 2018. The assessment of collectability of receivables from related parties is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

In the ordinary course of business, the Group transacts with associates, affiliates, jointly controlled entities and other related parties on advances, loans, reimbursement of expenses, office space rentals, management service agreements and electricity supply.

The transactions and balances of accounts as at and for the years ended December 31 with related parties are as follows:

	As at and for the Year Ended December 31, 2020					
	Amount/		Outstanding Balance			
Company	Volume	Nature	Receivable	Payable	Terms	Conditions
Parent						
AC Energy and Infrastructure Corporation						
Due from related parties/Management fees income	**₱387,138**	Management fees	**₱34,018**	**₱–**	30-day, non-interest bearing	Unsecured; no impairment
Due to related parties / General and administrative expenses	**462,602**	Management fees	–	**(305,350)**	30-day, non-interest bearing	Unsecured
Due to related parties	**50,767**	Lease assignment	–	**(50,666)**	30-day, non-interest bearing	Unsecured
Due to related parties / General and administrative expenses	**8,744**	SAP IT Support Services	–	**(7,530)**	30-day, non-interest bearing	Unsecured
Due to related parties / General and administrative expenses	**6,809**	Various expenses	–	**(6,809)**	30-day, non-interest bearing	Unsecured;
Associates and Joint Venture						
MGI						
Due to related parties / Cost of sale of electricity	**116,378**	Purchase of electricity	–	**(128,447)**	30-day, non-interest bearing	Unsecured;
Asia Coal						
Due to related parties	–	Advances	–	**(254)**	Non-interest bearing	Unsecured
Entities Under Common Control of Ultimate Parent Company						
Various Entities under ACEI						
Due from related parties	**3,980**	Management fees	**3,155**	–	30-day, non-interest bearing	Unsecured; no impairment
Due from related parties	**810**	Rental income	**563**	–	Subsequently on demand	Unsecured; no impairment
North Luzon Renewable Energy Corp.						
Due from related parties	**31,310**	Management fees	**11,344**	–	30-day, non-interest bearing	Unsecured; no impairment
Due to related parties	–	Due to related Parties	–	**(1,286)**	30-day, non-interest bearing	Unsecured
ACE Renewables Philippines, Inc. (Moorland)						
Due from related parties	–	Dividend Income	**11,521**	–	Due and demandable	Unsecured; no impairment
Viage Corporation						
Due from related parties	–	Advances	**110,373**	–	Due and demandable	Unsecured; no impairment
AC Renewables International Pte. Ltd.						
Short-term loans	**4,803,600**	Short-term loan	–	**(4,803,600)**	180-day, interest bearing	Unsecured
Short-term loans	**58,838**	Interest on short-term loan	–	**(58,838)**	30 days	Unsecured
Presage Corporation						
Loans Payable	**136,551**	Long-term loan	–	**(136,551)**	5 years	Unsecured
Due to related parties	**24,612**	Interest on long-term loan	–	**(24,612)**	30 days	Unsecured
Due to related parties	**1,712**	Due to related Parties	–	**(1,712)**	30-day, non-interest bearing	Unsecured
Due from related Parties	**48,991**	Due from related Parties	**48,991**	–	30-day, non-interest bearing	Unsecured; no impairment

Company	Amount/ Volume	Nature	Outstanding Balance Receivable	Outstanding Balance Payable	Terms	Conditions
		As at and for the Year Ended December 31, 2020				
Bank of the Philippine Islands						
Long-term loans	**₱2,145,042**	Long-term loan	**₱–**	**(₱2,233,530)**	12 years	Unsecured
Long-term loans	**–**	Interest on long-term loan	**–**	**(146,196)**	30 days	Unsecured
Long-term loans	**15,784**	Due from related Parties	**–**	**(15,784)**	12 years	Unsecured
UPC Holdco II						
Long-term loans	**135,383**	Long-term loan	**–**	**(135,383)**	5 years	Unsecured
Due to related parties	**15,308**	Interest on long-term loan	**–**	**(61,341)**	30 days	Unsecured
<u>Other related parties</u>						
Directors						
General and administrative expenses	**30,574**	Directors' fee and annual incentives		**(30,574)**	On demand	Unsecured
Stockholders						
Due to stockholders	**₱18,272**	Cash Dividends		**(₱18,272)**	On demand	Unsecured
Due from related parties (see Note 5)			**₱219,965**	**₱–**		
Due to related parties (see Note 16)			**–**	**(588,007)**		
Short-term loans (see Notes 17)				**(4,862,438)**		
Long-term loans (see Note 17)				**(2,667,444)**		
Accrued director's and annual incentives (see Note 16)			**–**	**(30,574)**		
Due to stockholders (see Note 34)			**–**	**(18,272)**		

Company	Amount/ Volume	Nature	Outstanding Balance Receivable	Outstanding Balance Payable	Terms	Conditions
		As at and for the Year Ended December 31, 2019 (As restated)				
<u>Parent</u>						
AC Energy and Infrastructure Corporation						
Due from related parties / General and administrative expenses	₱9	Transportation and travel expense	₱9	₱–	30-day, non-interest bearing	Unsecured; not impaired
Due to related parties / General and administrative expenses	38,664	Management fee and bonus	–	(31,489)	30-day, non-interest bearing	Unsecured
Due to related parties / General and administrative expenses	638	Miscellaneous guarantee fee	–	(354)	30-day, non-interest bearing	Unsecured
Due to related parties / Acquisition of a subsidiary under a common control	340,000	Reimbursement of down payment to Axia	–	–	Non-interest bearing	Unsecured
<u>Associate</u>						
MGI						
Due to related parties /Cost of sale of electricity	758,974	Purchase of electricity	–	(157,965)	30-day, non-interest bearing	Unsecured
Asia Coal						
Due to related parties	–	Advances	–	(254)	Non-interest bearing	Unsecured
<u>Entities Under Common Control of Ultimate Parent Company</u>						
Direct Power Services, Inc.						
Revenue from sale of electricity	193,644	Sale of electricity	–	–	30-day, non-interest bearing	Unsecured;
<u>Other Related Parties</u>						
Directors						
Accrued director's and annual incentives /General and administrative expenses	8,993	Directors' fee and annual incentives	–	(50)	On demand	Unsecured

	As at and for the Year Ended December 31, 2019 (As restated)					
	Amount/		Outstanding Balance			
Company	Volume	Nature	Receivable	Payable	Terms	Conditions
Stockholders						
Due to stockholders	₱89,718	Cash Dividends	₱–	(₱16,594)	On demand	Unsecured
Due from related parties (see Note 5)			₱9	₱–		
Due to related parties (see Note 16)			–	(190,062)		
Accrued director's and annual incentives (see Note 16)			–	(50)		
Due to stockholders (see Note 34)			–	(16,594)		

ACEIC
The Parent Company and its subsidiaries Bulacan Power, CIPP and Guimaras Wind have management contracts with PHINMA, Inc. These Management Contracts were assigned to ACEIC on June 25, 2019 through the executed Deed of Assignment.

MGI
The Parent Company purchases the entire net electricity output of MGI.

ACE International
The Parent Company paid income taxes on behalf of ACE International. These are recorded as advances which are intended to be settled within the year.

Identification, Review and Approval of Related Party Transactions
All (1) SEC-defined material related party transactions, i.e., related party transaction/s, either individually or in aggregate over a twelve (12)-month period of the Group with the same related party, amounting to ten percent (10%) or higher of the Group's total consolidated assets based on its latest audited consolidated financial statements; and (2) any related party transaction/s that meet the threshold values approved by the Risk Management and Related Party Transactions Committee (the Committee), i.e., ₱50.00 million or five percent (5%) of the Group's total consolidated assets, whichever is lower, shall be reviewed by the Committee and approved by the BOD before its commencement, except transactions that are explicitly excluded/exempted by the SEC and transactions delegated to management.

For SEC-defined material related party transactions, the approval shall be by at least 2/3 vote of the BOD, with at least a majority vote of the independent directors. In case that the vote of a majority of the independent directors is not secured, the material related party transactions may be ratified by the vote of the stockholders representing at least 2/3 of the outstanding capital stock.

Compensation of Key Management Personnel
Compensation of key management personnel of the Group are as follows:

	2020	2019 (As restated)	2018
Short-term employee benefits	**₱46,195**	₱47,943	₱57,702
Post-employment benefits	**2,532**	4,405	4,643
	₱48,727	₱52,348	₱62,345

30. **Earnings (Loss) Per Share**

Basic and diluted EPS are computed as follows:

	2020	2019 (As restated)	2018
	(In Thousands, Except for Number of Shares and Per Share Amounts)		
(a) Net income (loss) attributable to equity holders of Parent Company	**₱3,753,813**	₱57,654	(₱560,496)
Common shares outstanding at beginning of period (Note 19)	**7,521,774,922**	4,889,774,922	4,889,774,922
Weighted average number of:			
Shares issued during the period	**3,244,685,790**	1,316,000,000	–
Shares buyback during the period	**(10,428,664)**	–	–
(b) Weighted average common shares outstanding	**10,756,032,048**	6,205,774,922	4,889,774,922
Basic/Diluted earnings (loss) per share (a/b)	**₱0.35**	₱0.01	(₱0.11)

On June 22, 2020, upon the SEC's approval of increase in capital stock, 6,185,182,288 shares of ACEN were issued to ACEIC through the share swap transaction (see Notes 19 and 32).

On June 25, 2019, ACEIC subscribed to 2,632,000,000 shares at par value of ₱1.00 per share on closing date.

In 2020, 2019 and 2018, the Parent Company does not have any potential common shares or other instruments that may entitle the holder to common shares. Consequently, diluted earnings (loss) per share is the same as basic earnings (loss) per share in 2020, 2019 and 2018.

Further to the approval of the SRO by the BOD of ACEN (see Note 2), the Rights Offer will compensate current shareholders for the future dilution of their existing share's value. The Offering will also rally for the incoming investment of GIC Private Limited (GIC) (see Note 33).

31. **Business Combinations and Asset Acquisitions**

2020 Acquisitions

Step acquisition of SACASOL
On December 2, 2019, ACEN signed a share purchase agreement with the PINAI Investors, for the acquisition of PINAI's ownership interest in SACASOL.

On February 13, 2020, the PCC ruled that ACEN's acquisition of the PINAI Investors' ownership interest in SACASOL "will not likely result in substantial lessening of competition" and resolved "to take no further action with respect to the proposed Transaction..."

On March 23, 2020, the acquisition of the PINAI Investors' ownership interest in SACASOL and payment of the purchase price in the amount of ₱2,981.86 million by Giga Ace 2, Inc. ("Giga Ace 2") were completed. Giga Ace 2 is ACEN's wholly-owned subsidiary and the entity designated by ACEN to purchase the PINAI Investors' shares in SACASOL.

Subsequently, the purchase price was adjusted to ₱3,088.11 million based on the provisions of the share purchase agreement. ACEN now owns 100% of equity interest in SACASOL.

The transaction was accounted for using the acquisition method under PFRS 3. The fair values of the identifiable feed-in-tariff ("FIT") contract as intangible asset and property, plant and equipment were determined using the income approach. The fair value measurements are classified as level 3 for both with observable indirect level of inputs. The application of a different set of assumptions or technique could have a significant effect on the resulting fair value estimates.

ACEN remeasured its previously held interest in SACASOL based on its acquisition date fair value which resulted in a remeasurement loss of ₱69.71 million.

SACASOL runs a 45-MW solar farm which is under the government's FIT regime. The Group's acquisition is in line with its strategy to expand its business operations in renewable energy ("RE") platform.

Following are the fair values of the identifiable assets and liabilities as at acquisition date:

Assets	
Cash and cash equivalents	₱232,560
Receivables [(a)]	113,812
Input value added tax	46,793
Other current assets	34,077
Property, plant and equipment (Note 9)	618,938
Right-of-use assets (Note 14)	588,380
Intangible assets (Note 13)	2,191,814
Deferred income tax assets - net	41,417
Other noncurrent assets	5,757
	3,873,548
Liabilities	
Accounts payable and other current liabilities	43,259
Current portion of lease liability	85,730
Income and withholding taxes payable	1,000
Lease liabilities - net of current portion	437,276
Other noncurrent liabilities	65,374
	632,639
Total identifiable net assets	3,240,909
Less: Cost of acquisition	3,088,109
Fair value of previously held interest	102,830
Gain on bargain purchase	₱49,970

[(a)] *Gross contractual accounts receivable*

The fair value of the receivables approximates their carrying amounts. None of the receivables have been impaired and it is expected that the full contractual amounts can be collected.

The acquisition resulted in a gain on bargain purchase which is recognized under "Other income" account in the consolidated statement of income (see Note 26). SACASOL was sold at a discount since PINAI investors are keen to divest its investment in Solar Renewable Entities.

Consideration transferred was paid in cash on transaction date.

Net cash outflow on acquisition is as follows:

Cash consideration	₱3,088,109
Less cash acquired with the subsidiary[(a)]	232,560
Net cash outflow	₱2,855,549

[(a)]Cash acquired with the subsidiary is included in cash flows from investing activities.

If the acquisition had taken place at the beginning of 2020, revenue contribution for the year ended December 31, 2020 would have been ₱842.07 million. Since this is a step acquisition, the incremental contribution to the net income attributable to ACEN for the nine-month period ended December 31, 2020 amounted to ₱365.07 million from the date of acquisition. Moreover, had the transaction taken place at the beginning of 2020, the incremental contribution to the net income attributable to ACEN would have amounted to ₱450.63 million.

Step acquisition of ISLASOL
On December 2, 2019, the following significant transactions were executed:

- ACEN and TLCTI Asia entered into Investment Agreement with the intention for them to own 66% and 34% voting interest, and 60% and 40% economic interest, respectively, in ISLASOL. The investment agreement details the series of undertakings, to wit:
  - acquisition by ACEN or its designee, as the case may be, of ISLASOL, in accordance with the terms and conditions of the share purchase agreement between the PINAI Investors and ACEN
  - creation by ISLASOL of a new class of shares ("Class E Redeemable Preferred Shares") by increasing its authorized capital stock from ₱6,917 million to ₱8,000 million. Class E Redeemable Preferred Shares shall have the same features as the other redeemable preferred shares of ISLASOL (that are not Class D redeemable preferred shares) and shall have voting rights.
  - subscription by TLCTI Asia to ISLASOL's Class E Redeemable Preferred Shares for a total subscription amount of ₱2,780 million, which includes a premium over par value amounting to ₱1,745 million. As at December 31, 2019, ISLASOL has outstanding notes payable to TLCTI Asia amounting to ₱2,140 million. This was settled in 2020.
- ACEN signed a share purchase agreement with the PINAI Investors for the acquisition of PINAI's 98% ownership interest in ISLASOL.

TLCTI Asia and ISLASOL amended the original loan agreement entered into on September 14, 2015 under which TLCTI Asia agreed to provide ISLASOL financing of up to ₱2.140 billion. Under the amended loan agreement, the residual amount of ₱1.745 billion shall be payable by ISLASOL to TLCTI Asia only in the event that ISLASOL is able to raise additional equity funding through primary issuance of shares.

On February 26, 2020, the PCC approved ACEN's acquisition of the PINAI Investors' ownership interest in ISLASOL.

On March 23, 2020, the acquisition of the PINAI Investors' ownership interest in ISLASOL and payment of the purchase price in the amount of ₱1,629.97 million by Giga Ace 3, Inc. ("Giga Ace 3") were completed. Giga Ace 3 is ACEN's wholly-owned subsidiary and the entity designated by ACEN to purchase the PINAI Investors' shares in ISLASOL. Subsequently, the purchase price was adjusted to ₱1,632.32 million, pursuant to the provisions of the share purchase agreement.

On March 30, 2020, a resolution to increase the authorized capital stock of ISLASOL was approved by its BOD and ratified by the stockholders.

On May 22, 2020, a subscription agreement was signed between TLCTI Asia and ISLASOL which finalizes the subscription of TLCTI Asia to the increase in ISLASOL's authorized capital stock. On the same date, GigaAce 3, TLCTI Asia and ISLASOL entered into a Shareholders' Agreement which sets out the provisions of their ownership interest in ISLASOL.

On October 30, 2020, ISLASOL, VRC and TLCTI Asia entered into letter agreement on the extension of payment for the balance of subscription payable by TLCTI Asia in favor of ISLASOL in the amount of ₱405.97 million with an interest rate of 8% for any portion paid on or before February 28, 2021; and 10% for any portion paid after February 28, 2021. TLCTI Asia has until December 31, 2021 to pay the balance of the subscription price.

As discussed in Note 3, the abovementioned series of transactions provided ACEN an economic interest of 60%, on fully diluted basis, post subscription of TLCTI Asia. The Parent Company assessed that although executed subsequent to the acquisition date (March 23, 2020), the subscription agreement between TLCTI Asia and ISLASOL dated May 22, 2020 was executed in contemplation of the Investment Agreement, with an overall economic objective for the Parent Company and TLCTI Asia to have 60% and 40% economic interest, respectively.

The transaction was accounted for using the acquisition method under PFRS 3. The fair value of the property, plant and equipment was determined using the income approach. The fair value measurement is classified as level 3, with observable indirect level of inputs. The application of a different set of assumptions or technique could have a significant effect on the resulting fair value estimates.

ACEN remeasured its previously held interest in ISLASOL based on its acquisition date fair value which resulted in a remeasurement loss ₱26.06 million.

ISLASOL owns and operates an 80-MW solar farm in Negros Occidental. The Group's acquisition is in line with its strategy to expand its business operations in RE platform.

Following are the fair values of the identifiable assets and liabilities as at acquisition date:

Assets	
Cash and cash equivalents	₱461,012
Receivables [(a)]	1,106,301
Fuel and spare parts	10,558
Input value added tax	44,339
Other current assets	33,023
Property, plant and equipment (Note 9)	1,500,858
Right-of-use assets (Note 14)	407,721
Deferred income tax assets – net	117,512
Other noncurrent assets	2,627
	₱3,683,951

(Forward)

Liabilities	
Accounts payable and other current liabilities	₱50,868
Income and withholding taxes payable	21
Short-term loans	395,388
Current portion of lease liability	19,325
Lease liabilities - net of current portion	348,473
Other noncurrent liabilities	121,516
	935,591
Total identifiable net assets	2,748,360
Less: Cost of acquisition	1,632,324
Fair value of previously held interest	29,145
Non-controlling interest	1,099,344
Goodwill arising on acquisition (Note 13)	₱12,453

[a] *Gross contractual accounts receivable*

The non-controlling interest was measured at the proportionate share in ISLASOL's net assets measured as at acquisition date. Goodwill comprises the fair value of expected synergies arising from the acquisition. This is presented under Goodwill and other intangible assets in the consolidated statements of the financial position. None of the goodwill recognized is expected to be deductible for income tax purposes.

Consideration transferred was paid in cash on transaction date.

Net cash outflow on acquisition is as follows:

Cash consideration	₱1,632,324
Less cash acquired with the subsidiary[a]	461,012
Net cash outflow	₱1,171,312

[a] *Cash acquired with the subsidiary is included in cash flows from investing activities.*

If the acquisition had taken place at the beginning of 2020, revenue contribution for the year ended December 31, 2020 would have been ₱280.38 million. Since this is a step acquisition, the decremental contribution to the net income attributable to ACEN for the nine-month period ended December 31, 2020 amounted to ₱87.24 million from the date of acquisition. Moreover, had the transaction taken place at the beginning of 2020, the decremental contribution to the net income attributable to ACEN would have amounted to ₱92.83 million.

2019 Acquisitions

Acquisition of BCHC
ACEN acquired BCHC through the execution of a subscription agreement on December 12, 2019 to subscribe to the increase of BCHC's authorized capital stock, as follows: i) 325,000,000 common shares with a par value of ₱0.10 per share, or for a total subscription price of ₱32.50 million; and ii) 2,925,000 redeemable preferred shares B with a par value of ₱100.00 per share, or for a total subscription price of ₱292.50 million. BCHC was incorporated and registered with the SEC on May 10, 2019. BCHC is engaged in the activities of a holding company and is still non-operating. BCHC has an existing land located in the province of Zambales amounting to ₱273.50 million The registered office address of BCHC is Room 412 Executive Building Center, Makati Avenue cor. Gil Puyat Avenue, Bel-air, Makati City.

As discussed in Note 3, the transaction was concluded as a purchase of asset since BCHC does not currently have any substantive process that, together with its inputs, significantly contribute to the ability to create outputs.

The carrying values of the identifiable assets and assumed liabilities arising as at December 12, 2019, the date the business combination was accounted for, follow:

Assets	
Cash and cash equivalents	₱168
Other current assets	88,116
Land (Note 9)	138,427
	226,711
Liabilities	
Accounts payable and other current liabilities	224,252
Total identifiable net assets	2,459
Cost of acquisition	₱2,500

32. Business Combinations of Entities under Common Control

Acquisition of ACEIC's subsidiaries through share swap

On October 9, 2019, the Parent Company and ACEIC executed a Deed of Assignment whereby ACEIC agreed to transfer and convey to the Parent Company all its rights and interest in the Onshore Companies for and in consideration for the issuance by the Parent Company of 6,185,182,288 common shares at ₱2.37 per common share or a total transfer value of ₱14,658.88 million in favor of ACEIC.

On November 13, 2019, the Parent Company and ACEIC executed an Amended and Restated Deed of Assignment amending the Deed of Assignment dated October 9, 2019, to reflect the correct number of common shares of ACEIC in SLTEC, ACTA Power, and MSPDC.

On November 22, 2019, ACEN filed with the SEC its application to increase its capital stock from ₱8.40 billion, consisting of 8.4 billion common shares, to ₱24.40 billion, consisting of 24.4 billion common shares.

On December 26, 2019, a Supplement to the Deed of Assignment was executed to incorporate specific regulatory requirements for the application for tax free exchange ruling and confirm the percentage of ownership in MSEI.

On May 14, 2020, ACEN and ACEIC agreed to further amend and restate the Amended Agreement to update Schedule 1 thereof, with the effectivity of said amendment to retract to the execution of the Original Deed on October 9, 2019 following the approval of the SEC of increases in the capital stocks of ACE Endevor and ACE Renewables Philippines, Inc. (formerly Moorland Philippines Holdings, Inc) and to further integrate the provisions of the Supplement.

On June 22, 2020, the application for the increase in the capital stock of ACEN was approved by the SEC.

Effective July 1, 2019 (date when ACEN and the Onshore Companies became related parties under the common control of ACEIC), ACEN acquired the entities listed below through the share swap transaction with ACEIC. Shares involve common, founders and preferred shares. As the transaction is outside the scope of PFRS 3 (see Note 2), the acquisition was accounted for using the pooling-of-interests method. In applying the pooling-of-interests method, the assets and liabilities of acquired entities are taken into the merged business at their carrying values with restatement of comparative 2019 figures. Likewise, no goodwill was recognized in the business combination.

The transfer was via a tax-free exchange under Section 40(C)(2) of the 1997 National Internal Revenue Code, as amended ("NIRC"), for which a request for ruling was filed with the BIR on November 22, 2019. On October 30, 2020, the BIR issued a ruling confirming that the share swap transaction qualifies as a tax-free exchange. The Parent Company has also obtained the Certificates Authorizing Registration ("CARs") covering the shares of the assets transferred. The Parent Company submitted to the SEC the corresponding stock certificates as proof of transfer following the issuance by the BIR of the CARs covering such shares, in compliance with SEC Memorandum Circular No. 14-2013. In compliance with the standard post-transaction submission of proof that the transfer values of the shares have been attained, the Parent Company also submitted a special audit report to the SEC.

The following are details of the entities transferred to the Parent Company through share swap:

Name of Entities Transferred	Ownership of ACEIC Direct	Ownership of ACEIC Indirect	ACEN's existing interest before share swap	ACEN's interest after share swap
Monte Solar Energy, Inc.	96.00	4.00	–	100.00
ACE Endevor, Inc.	94.00	6.00	–	100.00
Visayas Renewables Corp.	–	100.00	–	100.00
San Julio Land Development Corporation	–	100.00	–	100.00
LCC Bulk Water Supply, Inc.	–	100.00	–	100.00
MCV Bulk Water Supply Inc.	–	100.00	–	100.00
SCC Bulk Water Supply Inc.	–	100.00	–	100.00
HDP Bulk Water Supply Inc.	–	100.00	–	100.00
Ingrid2 Power Corp.	–	100.00	–	100.00
Ingrid3 Power Corp.	–	100.00	–	100.00
Solienda Inc.	–	100.00	–	100.00
Gigasol 2, Inc.	–	100.00	–	100.00
Gigasol 1, Inc.	–	100.00	–	100.00
Gigasol 3, Inc.	–	100.00	–	100.00
Gigawind1 Inc.	–	100.00	–	100.00
Gigawind2 Inc.	–	100.00	–	100.00
Solarace1 Energy Corp.	–	100.00	–	100.00
Solarace2 Energy Corp.	–	100.00	–	100.00
Solarace3 Energy Corp.	–	100.00	–	100.00
Solarace4 Energy Corp.	–	100.00	–	100.00
AC Subic Solar, Inc.	–	100.00	–	100.00
AC Laguna Solar, Inc.	–	100.00	–	100.00
AC La Mesa Solar, Inc.	–	100.00	–	100.00
Bataan Solar Energy, Inc.	–	100.00	–	100.00
Santa Cruz Solar Energy, Inc.	–	100.00	–	100.00
Pagudpud Wind Power Corporation	–	100.00	–	100.00
Bayog Wind Power Corp.	–	60.00	–	60.00
Negros Island Biomass Holdings, Inc.[(a)]	–	45.12	–	45.12
San Carlos Biopower, Inc.	–	4.51	–	4.51
South Negros Biopower, Inc.	–	4.51	–	4.51
North Negros Biopower, Inc.	–	3.95	–	3.95
ACE Renewables Philippines, Inc.	100.00	–	–	100.00
Manapla Sun Power Development Corporation	36.37	29.63	–	66.00
NorthWind Power Development Corporation	19.52	48.27	–	67.79

Name of Entities Transferred	Ownership of ACEIC Direct	Ownership of ACEIC Indirect	ACEN's existing interest before share swap	ACEN's interest after share swap
Viage Corporation	100.00	–	–	100.00
Ingrid Power Holdings, Inc.	100.00	–	–	100.00
South Luzon Thermal Energy Corporation	35.00	–	65.00	100.00
ACTA Power Corporation[b]	50.00	–	50.00	100.00
Philippine Wind Holdings Corporation[c]	42.74	–	–	42.74
Ilocos Wind Energy Holding Co. Inc.	–	100.00	–	100.00
North Luzon Renewable Energy Corp.	–	66.70	–	66.70

[a] *NIBHI is accounted for as an investment in an associate*
[b] *ACTA is consolidated as a subsidiary*
[c] *PhilWind is accounted for as an investment in a joint venture*

Details of ACEN's consolidated balances and the balances of Onshore Companies' assets and liabilities as at December 31, 2019 which were consolidated to the Group are as follows:

	ACEN consolidated balances as at December 31, 2019 (As previously reported)	Effect of the Onshore Companies' balances as at December 31, 2019	ACEN consolidated balances as at December 31, 2019 (As restated)
ASSETS			
Current Assets			
Cash and cash equivalents	₱8,581,663	₱1,011,585	₱9,593,248
Short-term investments	100,000	–	100,000
Receivables	2,728,419	393,967	3,122,386
Fuel and spare parts	855,275	83,184	938,459
Current portion of:			
Input VAT	148,318	38,019	186,337
Creditable withholding taxes	123,700	55,307	179,007
Other current assets	139,915	72,904	212,819
	12,677,290	1,654,966	14,332,256
Assets held for sale	3,546	–	3,546
Total Current Assets	12,680,836	1,654,966	14,335,802
Noncurrent Assets			
Property, plant and equipment	21,564,260	3,874,669	25,438,929
Investments in associates and joint venture	723,165	1,810,937	2,534,102
Financial assets at fair value through other comprehensive income	1,251	531,886	533,137
Investment properties	13,085	–	13,085
Goodwill and other intangible assets	280,193	160,884	441,077
Right-of-use assets	524,936	426,814	951,750
Deferred income tax assets - net	612,546	41,377	653,923
Net of current portion:			
Input VAT	335,759	37,158	372,917
Creditable withholding taxes	860,026	1,182	861,208
Other noncurrent assets	2,124,748	276,865	2,401,613
Total Noncurrent Assets	27,039,969	7,161,772	34,201,741
TOTAL ASSETS	₱39,720,805	₱8,816,738	₱48,537,543

(Forward)

	ACEN consolidated balances as at December 31, 2019 (As previously reported)	Effect of the Onshore Companies' balances as at December 31, 2019	ACEN consolidated balances as at December 31, 2019 (As restated)
LIABILITIES AND EQUITY			
Current Liabilities			
Accounts payable and other current liabilities	₱3,787,713	₱411,863	₱4,199,576
Short-term loans	–	3,556	3,556
Current portion of long-term loans	593,847	312,084	905,931
Current portion of lease liability	33,542	95,254	128,796
Income and withholding taxes payable	41,208	–	41,208
Due to stockholders	16,594	–	16,594
	4,472,904	822,757	5,295,661
Noncurrent Liabilities			
Long-term loans - net of current portion	20,192,081	2,100,617	22,292,698
Lease liability - net of current portion	526,029	326,713	852,742
Pension and other employee benefits	60,503	10,531	71,034
Deferred income tax liabilities - net	187,624	162,863	350,487
Other noncurrent liabilities	3,176,846	113,056	3,289,902
Total Noncurrent Liabilities	24,143,083	2,713,780	26,856,863
Total Liabilities	28,615,987	3,536,537	32,152,524
Equity			
Capital stock	7,521,775	–	7,521,775
Additional paid-in capital	83,768	–	83,768
Other equity reserves	(2,342,103)	7,708,583	5,366,480
Unrealized fair value losses on equity instruments at FVOCI	(8,129)	(88,455)	(96,584)
Unrealized fair value losses on derivative instrument designated under hedge accounting	(14,742)	–	(14,742)
Remeasurement gains (losses) on defined benefit plan	(7,034)	16,288	9,254
Accumulated share in other comprehensive loss of a joint venture and associates	(2,107)	–	(2,107)
Retained earnings	2,922,514	373,781	3,296,295
Treasury shares	(27,704)	–	(27,704)
Total equity attributable to equity holders of the Parent Company	8,126,238	8,010,197	16,136,435
Non-controlling interests	2,978,580	(2,729,996)	248,584
Total Equity	11,104,818	5,280,201	16,385,019
TOTAL LIABILITIES AND EQUITY	₱39,720,805	₱8,816,738	₱48,537,543

Below is the consolidated statement of income for the year ended December 31, 2019, after considering the retroactive impact of the share swap transaction with ACEIC.

	Year Ended December 31, 2019	
	(As previously reported)	(As restated)
REVENUES		
Revenue from sale of electricity	₱15,297,719	₱16,096,549
Dividend income	7,585	14,741
Rental income	1,359	3,115
	15,306,663	16,114,405

(Forward)

	Year Ended December 31, 2019 (As previously reported)	(As restated)
COSTS AND EXPENSES		
Costs of sale of electricity	₱15,014,799	₱15,302,530
General and administrative expenses	667,215	767,840
	15,682,014	16,070,370
INTEREST AND OTHER FINANCE CHARGES	(881,963)	(976,029)
EQUITY IN NET INCOME (LOSS) OF ASSOCIATES AND A JOINT VENTURE	(24,461)	206,985
OTHER INCOME – NET	716,053	736,249
INCOME (LOSS) BEFORE INCOME TAX	(565,722)	11,240
PROVISION FOR (BENEFIT FROM) INCOME TAX		
Current	68,673	99,250
Deferred	(217,492)	(220,883)
	(148,819)	(121,633)
NET INCOME (LOSS)	(₱416,903)	₱132,873
Net Income (Loss) Attributable To:		
Equity holders of the Parent Company	(₱331,011)	₱57,654
Non-controlling interests	(85,892)	75,219
	(₱416,903)	₱132,873

The share swap transaction provides that ACEN shall issue its own shares equivalent to 6,185,182,288 common shares at ₱2.37 per share as consideration in exchange for ACEIC's interest in the aforementioned entities as at July 1, 2019, giving rise to additional paid-in capital presented in the equity of the Parent Company as follows:

Equity instruments issued	6,185,182,288
Par value per share	₱1
Total value of common shares issued	₱6,185,182,288
Transfer value at ₱2.37 per share	14,658,882,023
Gross additional paid-in capital	8,473,699,735
Transaction costs	(94,782,260)
Additional paid-in capital	₱8,378,917,475

Transaction costs include documentary stamp taxes and SEC fees paid relevant to share issuance amounting to ₱94.78 million were charged to additional paid-in capital account.

As a result of the issuance of ACEN's shares, recognition of additional paid-in capital and updating of the transferred entities' assets and liabilities carrying values in June 2020, the other equity reserve initially recognized of ₱7,708.58 million credit decreased by ₱12,907.70 million resulting in ₱5,199.12 million debit (see Note 19).

The Deed of Assignment also gave ACEN the right to receive any dividends accruing to ACEI from the date of the assignment and are treated as price adjustment to the share swap transaction. In 2020, ACEN received cash amounting to ₱145.01 million and ₱13.46 million representing ACEI's dividend income from PhilWind and NorthWind, respectively. These were accounted for as increase in additional paid-in capital of ACEN.

The Parent Company acquired SLTEC's remaining NCI as it gained control of the 35% interest from the share swap transaction with ACEIC. This transaction has the following impact on the respective accounts: decrease in equity attributable to noncontrolling interest amounting to ₱2,962.80 million as at December 31, 2019 and contributed to net loss amounting to ₱79.00 million from July 1 to December 31, 2019. As at December 31, 2020, the other equity reserves attributable to the transfer of 35% interest in SLTEC amounted to ₱2,106.61 million.

Acquisition of SLTEC
As discussed in Note 1, the Parent Company gained control of SLTEC through purchase of APHPC's 20% interest in SLTEC. Pooling of interests was adopted for business combination involving entities under common control.

The carrying values of the identifiable assets and assumed liabilities arising as at July 1, 2019 (earliest period when the parties were under common control), the date the business combination was accounted for, follow:

Assets	
Cash and cash equivalents	₱1,967,463
Receivables - current portion	254,907
Inventories	611,090
Other current assets	526,920
Property, plant and equipment (Note 9)	15,839,996
Receivables - net of current portion	91,453
Other noncurrent assets	304,977
	19,596,806
Liabilities	
Accounts payable and other current liabilities	798,933
Loans payable - current portion (Note 17)	254,047
Loans payable - net of current portion (Note 17)	10,560,408
Other noncurrent liabilities	635,424
	12,248,812
Total identifiable net assets	7,347,994
Less non-controlling interests	3,041,805
Net assets acquired	4,306,189
Cost of acquisition	(6,535,776)
Other equity reserves (Note 19)	(₱2,229,587)

From July 1 to December 31, 2019, SLTEC's contribution to revenue and net loss amounted to ₱2,420.99 million and ₱225.72 million, respectively, where the revenue is fully eliminated since the sale was made solely to the Parent Company. If the business combination had taken place at the beginning of 2019, SLTEC's contribution to revenue and net loss would have been ₱4,735.04 million and ₱458.24 million, respectively.

As discussed above, the Parent Company acquired SLTEC's remaining NCI as it gained control of the 35% interest from the share swap transaction with ACEIC in June 2020. SLTEC became a wholly-owned subsidiary of ACEN.

33. **Significant Laws, Commitments and Contracts**

Electric Power Industry Reform Act (“EPIRA”)
R.A. No. 9136, the EPIRA, and the covering Implementing Rules and Regulations (IRR) provide for significant changes in the power sector which include, among others, the following:

(1) The unbundling of the generation, transmission, distribution and supply, and other disposable assets of the Group, including its contracts with independent power producers, and electricity rates;
(2) Creation of the WESM;
(3) Open and non-discriminatory access to transmission and distribution systems;
(4) Public listing of generation and distribution companies; and,
(5) Cross-ownership restrictions and concentrations of ownership.

The Group has assessed that it is in compliance with the applicable provisions of the EPIRA and its IRR.

Retail Competition and Open Access (“RCOA”)
Upon meeting all conditions set forth in the EPIRA, the ERC promulgated the Transitory Rules for the RCOA, by virtue of ERC Resolution No. 16 Series of 2012.

Through RCOA, licensed Electricity Suppliers, such as the Group, are empowered to directly contract with Contestable Customers (bulk electricity users with an average demand of at least 1 MW). This major development in the Power Industry enabled the Group to grow.

Secondary Price Cap
Significant events in November and December 2013 resulted in a surge of electricity prices that affected the end-consumers, which led the ERC to impose a supplemental regulatory cap under the ERC Resolution 20, Series of 2014. The said resolution established a preemptive mitigating measure in the WESM meant to limit significant increases in the WESM prices.

This regulatory cap was made permanent and requires all trading participants in the WESM to comply. ACEN and its subsidiaries that sell to the WESM are subject to this cap.

Power Purchase Agreement / Contract to Purchase Generated Electricity
ACEN entered into contracts with MGI and third parties where the Parent Company will purchase the entire or a portion of the net electricity output of the power plants for a period ranging from three (3) to twenty (20) years at an agreed price, subject to certain adjustments.

Administration and Management Agreement (“AMA”)
ACEN entered into contract with SLTEC where the Parent Company will purchase the entire net electricity output of SLTEC from April 24, 2015 to April 23, 2040 for Unit 1 and from February 21, 2016 to February 20, 2041 for Unit 2. The contract was amended effective August 26, 2019 to include the supply of the necessary coal to generate electricity at an agreed price, subject to certain adjustments.

Wind Energy Service Contracts
Guimaras Wind was awarded 12 wind service contract areas with an aggregate capacity estimated at 400 MW. This includes the 54 MW San Lorenzo Wind Project (“SLWP”) which started delivering power to the grid on October 7, 2014 and declared commercial operations on December 27, 2014. Guimaras Wind sells its generated electricity to the WESM under the FIT System.

Power Administration and Management Agreement (“PAMA”)
ACEN entered into PAMAs with its subsidiaries Bulacan Power, CIPP and One Subic Power. Under the terms of the PAMA, ACEN will administer and manage the entire generation output of the foregoing entities’ power plants and will pay for all electricity delivered by the power plant based on a formula as set forth in the PAMA and shall be payable monthly. The PAMAs with Bulacan Power and CIPP are valid for ten (10) years and are subject to regular review, while the PAMA with One Subic Power is valid throughout the life of the related Facilities Lease Agreement with SBMA (see Note 1).

On January 12, 2018, the PAMAs of the Group with CIPP and Bulacan Power were amended, providing for certain capacity rates based on nominated capacity and billing of fuel recovery and utilization fee. The new PAMAs became effective starting March 26, 2018 and are valid for ten (10) years subject to regular review.

Ancillary Services Procurement Agreements (“ASPA”) with NGCP
ACEN and certain subsidiaries executed ASPAs with the NGCP. Under the ASPA, the power plants will provide contingency and dispatchable reserves to NGCP to ensure reliability in the operation of the transmission system and the electricity supply in the Luzon Grid for five (5) years upon the effectivity of the provisional approval or final approval issued by the ERC. Pending ERC's issuance of a final approval, the provisional approval is extended every year.

Power Supply Agreement with MERALCO

Baseload Demand
On September 9, 2019, the bid submitted by ACEN was declared as one of the best bids of MERALCO’s 1200 MW competitive selection process (“CSP”). The Parent Company will supply MERALCO a baseload demand of 200MW from December 26, 2019 until December 25, 2029 subject to the approval of the ERC. The Parent Company received a copy of the provisional ERC approval for the contract on January 31, 2020 and the final approval on May 13, 2020 for the baseload.

Mid-merit Supply
On September 11, 2019, the bid submitted by ACEN was declared as one of the best bids of MERALCO’s 500 MW CSP. Under the contract, the Parent Company will supply MERALCO a baseload demand of 110MW from December 26, 2019 until December 25, 2024 subject to the approval of the ERC. The Parent Company received copies of the provisional and final ERC approvals for the contract on January 31, 2020 and June 1, 2020, respectively.

Other ESAs / CSEs with customers
ACEN signed contracts to supply the energy requirements of various bilateral and RES contestable customers with a duration ranging from one (1) to fifteen (15) years.

Feed-in-Tariff (“FIT”)

San Lorenzo Wind
On June 10, 2015, the San Lorenzo Wind project under Guimaras Wind was issued a Certificate of Endorsement (‘COE”) for FIT Eligibility by the DOE.

On December 1, 2015, Guimaras Wind received its COC from the ERC which entitles Guimaras Wind to recognize its FIT at an approved rate of ₱7.40, with a retroactive period beginning December 27, 2014, for a guaranteed period of twenty (20) years until December 26, 2034.

Outstanding receivable under the FIT system amounted to ₱336.63 million and ₱190.89 million as at December 31, 2020 and 2019, respectively.

On July 6, 2020, the ERC issued Resolution No. 06, Series of 2020 increasing the FIT of eligible RE plants. The resolution provides for retroactive increase starting January 2016 up to December 2020. Based on the resolution, the SLWP's FIT Rate starting 2020 shall be ₱8.59/kWh.

MSEI
On June 13, 2016, the DOE, through its issuance of the COE, certified the MSEI's Solar Farm Project as an eligible project under the FIT system.

On December 28, 2016, MSEI received another provisional authority to operate by the ERC dated December 8, 2016 but this time, as a RE generation company, which allows MSEI to be entitled to a FIT rate of ₱8.69 for a period of twenty (20) years from March 11, 2016.

On February 6, 2017, MSEI received the COC from ERC and accordingly, measured its revenue from energy sales using FIT rate.

On May 26, 2020, ERC approved the adjustments to the FIT of renewable energy producers through Resolution No.06, series of 2020. FIT adjustments used 2014 as the base period calendar year for the Consumer Price Index (CPI) and foreign exchange variations through Discounted Cash Flows (DCF) Model per Renewable Energy technology, covering for the years 2016, 2017, 2018, 2019 and 2020. The Company accrued the retroactive net revenue adjustment based on the adjusted FIT rates for the years 2016 (₱8.69/kWh), 2017 (₱8.71/kWh), 2018 (₱9.04/kWh), 2019 (₱9.41/kWh) and 2020 (₱9.82/kWh).

ISLASOL
On October 3, 2014, the Board of Investments ("BOI") approved ISLASOL's registration as an RE developer of an 18 MW solar power plant (Phase2A) under Republic Act No. 9513, *An Act Promoting the Development, Utilization and Commercialization of Renewable Energy Resources and for Other Purposes*, otherwise known as the Renewable Energy Act of 2008 (the "RE Act").

On November 4, 2015, the BOI approved ISLASOL's registration as an RE developer of a 14MW solar power plant (Phase2B) and a 48MW solar power plant (Phase3) under the Act.

The 14MW and 48MW solar power plants have been completed in 2016 and started commercial operations in March 2016.

SACASOL
On January 7, 2014, the BOI approved the SACASOL's registration as an RE developer of 22 Megawatt (MW) solar power plants (Phases 1A & 1B) under the Renewable Energy Act of 2008 (the Act).

On December 20, 2014, the BOI approved SACASOL's registration as an RE developer of 23MW solar power plants (Phases 1C & 1D) under the Act.

Pursuant to Section 7 of the RE Act and Section 5 of its IRR, the ERC adopts and promulgates the FIT Rules. All RE plants shall be deemed eligible upon issuance by the ERC of a COC authorizing them to operate as FIT-eligible RE plants. Eligible RE plants shall be entitled to the appropriate FITs as established.

On June 4, 2014, the DOE issued the COE for FIT eligibility to endorse the 13MW Phase 1A solar power plant of SACASOL as an eligible project under the FIT system pursuant to the provisions of the RE Act.

On October 7, 2014, the DOE issued the COE for FIT eligibility to endorse the 9MW Phase 1B solar power plant of ISLASOL as an eligible project under the FIT system pursuant to the provisions of the RE Act.

On February 9, 2015, the ERC granted the COC to Phase 1A solar power plant with a capacity of 13MW, which entitles SACASOL to the FIT rate of ₱9.68/kWh from May 15, 2014 until May 14, 2034. On the same date, ERC granted the COC to Phase 1B solar power plant with a capacity of 9MW, which entitles SACASOL to the FIT rate of ₱9.68/kWh from August 16, 2014 to August 15, 2034.

On September 11, 2015, the DOE issued the COE for FIT eligibility to endorse the 23MW Phases 1C and 1D solar power plants of SACASOL as an eligible project under the FIT system pursuant to the provisions of the Act.

On May 4, 2016, ERC granted the COC to Phases 1C and 1D solar power plants with a capacity of 23MW, which entitles SACASOL to the FIT rate of ₱8.69/kWh from September 6, 2015 to September 5, 2035.

On May 26, 2020, the ERC issued Resolution No. 06, Series of 2020 increasing the FIT of eligible RE plants. The resolution provides for retroactive increase starting January 2016 up to December 2020. Based on the resolution, the SACASOL's FIT Rate starting 2020 shall be ₱11.28/kWh for Phase 1A and 1B and ₱10.12/kWh for Phase 1C and 1D solar power plants.

NLR
On December 11, 2014, the DOE, through its issuance of the COE, certified the NLR's wind farm project as an eligible project under the FIT system. On April 13, 2015, the ERC issued a COC, which entitles NLR to the FIT rate of ₱8.53 per kWh, as approved by the ERC from November 11, 2014 to November 10, 2034.

NorthWind
On July 31, 2007, NorthWind and the DOE entered into a Negotiated Commercial Contract ("NCC") covering the contract area located in Bangui, Ilocos Norte. As a holder of a valid and existing NCC, NorthWind is deemed provisionally registered as a RE Developer under RA 9513. The provisional authority shall subsist until the issuance by the DOE of a Certificate of Registration.

On February 26, 2013, the DOE granted NorthWind a Certificate of Registration under Wind Energy Service Contract No. 2012-07-058. The Certificate of Registration served as the basis for its application with the BOI for the grant of incentives under RA 9513. The approval grants an income tax holiday ("ITH") incentive of seven (7) years starting September 2014.

On October 10, 2014, the DOE granted NorthWind a COE for FIT Eligibility (COE-FIT No. 2014-10-001) for its Phase III expansion project. The endorsement was the basis for the ERC to issue a FIT COC on April 13, 2015.

The tariff on the generation of the original twenty (20) turbines (Phases I & II) is a FIT rate specific to the NorthWind of ₱5.76/kWh, as approved by the ERC in its decision dated June 30, 2014. In an Order dated November 7, 2017, the ERC granted NorthWind an increase of ₱0.20/kWh, in connection with a Motion for Partial Reconsideration of the Decision dated June 30, 2014, in ERC

Case No. 2011-060RC filed by NorthWind on December 5, 2014, thereby increasing the FIT rate specific to Phases I & II from ₱5.76/kWh to ₱5.96/kWh.

The FIT rate specific to NorthWind is lower than the national FIT rate and is valid for twenty (20) years, less the actual years of operation as provided for under the FIT Rules.

The tariff on the six (6) turbines (Phase III) is at ₱8.53/kWh, subject to adjustments as may be approved by the ERC under the FIT rules. The FIT period on the six turbines shall be from October 10, 2014 to October 8, 2034.

On July 6, 2020, the ERC issued Resolution No. 06, Series of 2020 increasing the FIT of eligible RE plants. The resolution provides for retroactive increase starting January 2016 up to December 2020. Based on the resolution, the NPDC's rate starting 2020 shall be ₱6.52/kWh and ₱8.90/kWh for Phase I & 11 and Phase III, respectively.

<u>The RE Act and FIT rules</u>

On January 30, 2009, the RE Act became effective.

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

(a) ITH - For the first seven (7) years of its commercial operations, the duly registered RE developer shall be exempt from income taxes levied by the national government;
(b) Duty-free importation of RE Machinery, Equipment and Materials - Within the first ten (10) years from issuance of a certification of an RE developer, the importation of machinery and equipment, and materials and parts thereof, including control and communication equipment, shall not be subject to tariff duties;
(c) Special Realty Tax Rates on Equipment and Machinery - Any law to the contrary notwithstanding, realty and other taxes on civil works, equipment, machinery, and other improvements of a registered RE developer actually and exclusively used for RE facilities shall not exceed one and a half percent (1.5%) of their original cost less accumulated normal depreciation or net book value;
(d) Net Operating Loss Carry Over (NOLCO) - the NOLCO of the RE developer incurred during the first three (3) years from the start of commercial operation which had not been previously offset as deduction from gross income shall be carried over as deduction from gross income for the next seven (7) consecutive taxable years immediately following the year of such loss;
(e) Corporate Tax Rate - After seven (7) years of ITH, all RE developers shall pay a corporate tax of ten percent (10%) on its net taxable income as defined in the NIRC, as amended by Republic Act No. 9337;
(f) Accelerated Depreciation - If, and only if, an RE project fails to receive an ITH before full operation, it may apply for accelerated depreciation in its tax books and be taxed based on such;
(g) Zero Percent Value-Added Tax ("VAT") Rate - The sale of fuel or power generated from renewable sources of energy shall be subject to zero percent (0%) VAT;
(h) Cash Incentive of RE Developers for Missionary Electrification - An RE developer, established after the effectivity of the RE Act, shall be entitled to a cash generation-based incentive per kWh rate generated, equivalent to fifty percent (50%) of the universal charge for power needed to service missionary areas where it operates the same;

(i) Tax Exemption of Carbon Credits - All proceeds from the sale of carbon emission credits shall be exempt from any and all taxes; and
(j) Tax Credit on Domestic Capital Equipment and Services - A tax credit equivalent to one hundred percent (100%) of the value of the VAT and customs duties that would have been paid on the RE machinery, equipment, materials and parts had these items been imported shall be given to an RE operating contract holder who purchases machinery, equipment, materials, and parts from a domestic manufacturer for purposes set forth in the RE Act.

In addition, to accelerate the development of emerging RE resources, a FIT system for electricity produced from wind, solar, ocean, run-of-river hydropower and biomass will be promulgated which shall include, but not limited to, the following:
(a) Priority connections to the grid for electricity generated from emerging RE resources;
(b) The priority purchase and transmission of, and payment for, such electricity by the grid system operators; and
(c) The determination of the fixed tariff to be paid to electricity produced from each type of emerging RE resources and the mandated number of years for the application of these rates, which shall not be less than twelve (12) years.

The FIT to be set shall be applied to the emerging RE resource to be used in compliance with the renewable portfolio standard as provided for in the RE Act and in accordance with the rules to be promulgated by ERC in consultation with the National Renewable Energy Board.

RE developers and local manufacturers, fabricators and suppliers of locally-produced RE equipment shall register with the DOE, through the Renewable Energy Management Bureau (REMB). All certifications required to qualify RE developers to avail of the incentives provided for under the RE Act shall be issued by the DOE through the REMB upon registration.

On July 12, 2010, the ERC approved and issued the FIT Rules which provides for the rules and regulations for the determination of the FIT for emerging RE technologies such as biomass, solar, run-of-river hydropower, ocean and wind energy.

On December 16, 2013, the ERC approved Resolution No. 24 of 2013, A Resolution Adopting the Guidelines on the Collection of the Feed-In Tariff Allowance (FIT-All) and Disbursement of the FIT-All Fund.

Renewable Portfolio Standards

On December 22, 2017, the DOE issued a Department Circular Promulgating the Rules and Guidelines Governing the Establishment of the Renewable Portfolio Standards for On-Grid Areas (the "RPS Rules"), which mandates electric power industry participants to source or produce a specified portion of their electricity requirements from eligible Renewable Energy ("RE") resources in order to develop indigenous and environmentally friendly energy sources, and establish a minimum annual RPS requirement. Under the RPS Rules, the mandated participants include:
a) Distribution Utilities for the captive customers;
b) Retail Electricity Suppliers for contestable customers;
c) Generating Companies to the extent of the demand of their directly-connected customers;
d) Other entities as may be recommended by the National Renewable Energy Board ("NREB") and approved by the DOE.

The RPS Rules include the establishment of a minimum annual RPS requirement which entails that the RE share of electricity coming from RE resources in the energy mix shall be based on an aspirational target of 35% in the generation mix expressed in MWh by 2030, subject to regular review and assessment by the DOE. The RPS Rules also include a minimum annual incremental RE percentage required to be sourced from eligible RE resources shall be no less than 1% of its annual energy demand over the next 10 years.

For the purpose of compliance with the RPS Rules for On-Grid Areas, the eligible RE facilities utilizing the following technologies and resources, provided that these were commissioned after the effectivity of the RE Act in 2008, shall be allowed to attribute the Renewable Energy Certificates ("REC")'s for the energy generated by the RE plant:

a) Biomass;
b) Waste-to-energy technology;
c) Wind energy;
d) Solar energy;
e) Run-of-river hydroelectric power systems;
f) Impounding hydroelectric power systems;
g) Ocean energy;
h) Hybrid systems as defined in the RE Act with respect to the RE component;
i) Geothermal energy;
j) Other RE technologies that may be later identified by the DOE.

The RPS Rules enable the creation of a RE Market where mandated participants comply with the minimum annual RPS requirement through the allocation, generation, purchase, or acquisition, generation from net metering arrangements, of REC's, where one certificate represents one MWh of generation produced from a registered eligible RE facility.

Solar Energy Service Contract of MSEI
On October 9, 2013, MSEI entered into Solar Energy Service Contract with DOE. Under the RE Act, the exclusive right to explore and develop a particular renewable energy area thereunder shall be through a Renewable Energy Service Contract. MSEI was appointed and constituted by DOE as the party having the exclusive right to explore, develop, and utilize the solar energy resources within the contract area. MSEI may pursue any additional investment or new investment within the contract area and shall be solely responsible for providing the necessary services, technology, equipment and financing for twenty-five (25) years.

Lease Commitments

One Subic Power's Facilities Lease Agreement ("FLA") with SBMA
One Subic Power has a lease contract with SBMA for a parcel of land and electric generating plant and facilities. The lease was originally entered on July 20, 2010 and was valid for five years. The agreement was amended on October 24, 2012 to extend the term of the lease to July 19, 2020 with an option to renew for another five years. On December 21, 2017, SBMA informed One Subic Power that its BOD has approved the amendments of the FLA extending the lease term until July 19, 2030. On April 3, 2018, the third amendments were signed and approved.

For the year ended December 31, 2020 and 2019, One Subic Power recognized finance charges on the lease liabilities amounting to ₱34.47 million and ₱37.85, respectively. "Finance charges" are part of "Interest and Other Finance Charges" account. One Subic Power also recognized variable rent expense amounting to ₱16.82 million and ₱8.60 million for the year ended December 31, 2020 and 2019, respectively. "Rent expense" is under "Cost of sale electricity".

Guimaras Wind's Lease Agreement with Various Land Owners
Guimaras Wind has entered into various lease agreements with individual land owners where the present value of the minimum lease payments does not amount to at least substantially all of the fair value of the leased assets, which indicates that the risks and rewards relates to the asset are retained with the land owners. These leases are classified as operating leases and have terms of twenty (20) to twenty-five (25) years. Guimaras Wind has also entered into various easements and right of way agreements with the Guimaras Wind Farm to the grid. These agreements convey to Guimaras Wind the right to use the item control over the utility of the asset. Guimaras Wind's San Lorenzo Wind Power Project, with a carrying value of ₱3.91 billion and included under the "Machinery and equipment" account is mortgaged as security for its term loan as at December 31, 2020.

For the years ended December 31, 2020 and 2019, Guimaras Wind recognized finance charges on the lease liabilities amounting to ₱17.76 million and ₱30.83 million, respectively, included under "Interest and Other Finance Charges" account.

Easements and Right of Way Agreements
In 2014, Guimaras Wind also entered into various easements and right of way agreements with landowners in Guimaras for the erection of transmission lines that will connect the SLWP to the grid. One-off payments made by Guimaras Wind to various landowners to cover the 25-year easement and right of way agreements were recognized as prepaid rent in the consolidated statements of financial position and amortized over the term of the lease. The amortization of the lease during the construction period was capitalized as part of the cost of the wind farm.

Guimaras Wind recognized rent expense of nil and ₱0.25 million for the year ended December 31, 2020 and 2019 respectively, included in "Rent" account under "Cost of sale of electricity" (see Note 21).

The rent expense recognized for 2019 was from the short-term lease of Land Lot 1832-C-2 which expired on December 19, 2019.

ACEN's Agreement on Assignment of Contract of Lease
On November 20, 2019, the Parent Company, ACEIC, Ayala Land, Inc. (ALI) and Ayalaland Offices, Inc. entered an agreement on assignment of contract of lease. ACEIC assigned a portion of its office unit and parking slots effective September 1, 2019 to the Parent Company. The lease is until May 31, 2022. The lease is at a fixed monthly rate of ₱0.83 million and ₱0.01 million for the office unit and parking slots, respectively with an escalation rate of 5% every year, beginning on the second year. For the year ended December 31, 2020, ACEN recognized finance charges on the lease liabilities amounting to ₱1.27 million, included under "Interest and Other Finance Charges" account.

SLTEC's Contract of Lease for Office Space
On December 19, 2019, SLTEC notified the lessor of their intent to pre-terminate their office lease contract effective June 30, 2020. SLTEC remeasured the lease liability and ROU asset as a result of the termination of the contract (see Note 14).

SACASOL's Contract of Lease for Land Phases 1A & 1B
On March 7, 2014, SACASOL entered into a lease agreement with San Julio Realty, Inc. (SJRI) for the lease of 35 hectares of land located in Barangay Punao, San Carlos City, Negros Occidental as site for the construction and operations of the Phase 1A and Phase 1B solar power plant projects. Upon execution of the agreement, SACASOL shall hold the land area delineated for Phase 1A for a period of 25 years. The area delineated for Phase 1B shall be held for the remaining term of the agreement upon the receipt of notice by SACASOL.

On June 18, 2020, SACASOL had its lease modified with SJRI. The modification amends the timing of payment and the basis of the annual escalation rate, which is now every 10th day of January, and is based on the average of the available and published inflation rates of the CPI for the immediately preceding twelve-month period, respectively. The lease modification did not result in a separate lease.

SACASOL's Contract of Lease for Land - Phases 1C and 1D
On October 21, 2014, SACASOL entered into a lease agreement with SJRI for the lease of 32.4214 hectares of land located in Barangay Punao, San Carlos City, Negros Occidental as site for the construction and operations of Phases 1C and 1D solar power plant projects. Upon execution of the agreement, SACASOL shall hold the land area for a period of 25 years.

On June 18, 2020, SACASOL had its lease modified with SJRI. The modification amends the timing of payment and the basis of the annual escalation rate, which is now every 10th day of January, and is based on the average of the available and published inflation rates of the CPI for the immediately preceding twelve-month period. The lease modification did not result in a separate lease.

ISLASOL's Contract of Lease for Land - Phases 2A & 2B
As part of ISLASOL's acquisition of certain solar power plant projects from SACASOL is the lease agreement between SACASOL and Roberto J. Cuenca, Sr. (the Lessor) for the La Carlota A Project

The lease of 24.4258 hectares of land located at La Carlota City, Negros Occidental was executed on June 5, 2014 as site for the construction and operations of Phases 2A and 2B solar power plant projects of ISLASOL. Upon issuance of the NTP to the contractor, ISLASOL shall hold the land area delineated for a period of 25 years therefrom.

ISLASOL's Contract of Lease for Land - Phase 3
On September 1, 2015, ISLASOL entered into a lease agreement with MSPDC (the Lessor) for the lease of approximately 638,193 sq.m. of land located in Barangay Sta. Teresa, Municipality of Manapla, Negros Occidental. The term of the lease shall be for a period of 25 years upon written notice served upon the Lessor by ISLASOL not earlier than one 1 year but not later than 3 months before the expiration of the original period of lease. Lease extension shall be in writing executed by both parties 3 months before the expiration of the original period of lease. ISLASOL has the sole option to extend the term of the lease.

MSEI's Contract of Lease for Land
On September 2, 2015, MSEI entered into a lease agreement with Montenegro Brothers Agricultural Corporation for 21.45 hectares of land located in Barrio Alanginlanan, Bais, Negros Oriental as site for the construction and operation of its solar power facility. The term of the lease shall be for a period of 25 years, with a monthly rental payment of P7.00 per square meter, exclusive of VAT, and subject to annual adjustment based on actual inflation rate covering subject period as published/ pronounced by the National Economic Development Authority or an equivalent agency. The period of lease may be extended, under the same terms and conditions, at the sole discretion of MSEI for up to another 25 years.

Solarace1's Contract of Lease for Land
On September 30, 2019, Solarace1 Energy Corp. ("Solarace1") entered into a lease agreement with ALI, Crimson Field Enterprises Inc., and Red Creek Properties Inc., for 106.59 hectares of land located in Barangay San Andres, Alaminos, Laguna as site for the construction and operation of its solar power facility. The term of the lease shall be for a period of 21 years, with a monthly rental payment of ₱15.45 per square meter, exclusive of VAT. The rental fee shall be subject to annual adjustment of whichever is higher between 3% per annum and the rate of increase of real property tax

where the property is located. The period of lease may be extended, under the same terms and conditions, at the sole discretion of Solarace1 for up to another 21 years.

NorthWind's Contract of Lease for Rental of Office Space
In August 2017, NorthWind's Metro Manila Administrative Office transferred to Makati. A new contract of lease was signed on September 18, 2017 with 6750 Ayala Avenue Joint Venture (AAJV) for a period of 5 years by NLR, an affiliate of NorthWind.

An Agreement on the Assignment of Lease was signed between NLR and NorthWind on November 20, 2017. NLR assigned half of the lease premises of 123.8 sq. meters to NorthWind, with a monthly rental of ₱0.12 million subject to 5% annual escalation rate.

In January 2020, NorthWind assigned the contract of lease with 6750 AAJV to ACEN.

IPHI's Contract of Lease for Land
In July 23, 2020 a Sublease Agreement was signed between Ingrid Power Holdings, Inc and AC Energy Inc. to sublease a land with Tabangao Realty Inc (TRI) for an approximately 41,781.86 square meters of land located in in Brgy. Malaya, Pililla, Rizal as a site to develop, operate and maintain a 150MW modular diesel engine power plant primarily intended for the provision of ancillary services to the National Grid Corporation of the Philippines. The term of the sublease shall be for a period of 6 years, with a monthly rental payment of ₱25.00 per square meter, exclusive of VAT, subject to 3% annual escalation rate. The period of lease may be extended, under the same terms and conditions to another 5 years.

BCHC's Contract of Lease for Land
In April 22, 2020 BCHC entered into a lease agreement with ACD Incorporated Inc. for 13.95 hectares of land located in Batangas II, Mariveles, Bataan as a site for the construction and operation of the Power Generating Facilities and its allied purposes. The term of the sublease shall be for a period of 25 years, with a monthly rental payment of ₱2.00 per square meter, exclusive of VAT. The period of lease may be extended, under the same terms and conditions at the sole discretion of BCHC for up to another 25 years.

On September 2, 2020, the property was subleased by BCHC to BSEI to develop, operate and maintain a 5MW RE Laboratory facility. The term of the sublease shall be for a period of 7 years, with a monthly rental payment of ₱2.10 per square meter, exclusive of VAT. The period of lease may be extended, under the same terms and conditions at the sole discretion of BSEI for up to another 25 years.

On November 20, 2020, an Agreement on the Deed of Assignment of Lease was signed between BCHC and AC Energy Inc. ACEI agreed to assign its rights and obligations for the land leased with Tabangao Realty Inc (TRI) entered in March 23, 2018 for an approximately 177,774 square meters situated in Brgy. Malaya, Pililla, Rizal.

Investment Agreements

GIC Private Limited (GIC) to invest 20,000.00 million in ACEN
On November 11, 2020, ACEN's BOD approved the potential investment of Arran in ACEN, in a deal valued at approximately ₱20,000.00 million. Arran is a private limited company incorporated in Singapore that is affiliated with GIC, the private equity and infrastructure investment arm of the Singapore Government.

The BOD approved Arran's proposal to acquire a 17.5% ownership stake is on the basis that ACEN's SRO and follow-on-offering, and the infusion by ACEIC, of its international business into ACEN, have been completed.

The Investment, which will be implemented through a combination of subscription to four billion primary shares (via a private placement) and purchase of secondary shares from ACEIC, will be at a price of ₱2.97 per share on a post-SRO basis and is subject to agreed price adjustments. The price represents a 25% premium to the BOD-approved SRO price of ₱2.37 per share, which is subject to regulatory approval.

The completion of Arran's subscription to primary shares is subject to definitive documentation being signed by the parties and satisfaction of agreed conditions precedent, which includes among others, the completion by ACEN of the SRO, which is expected to occur in the first quarter of 2021, and applicable regulatory approvals. On the other hand, the completion Arran's purchase of secondary shares from the Parent Company is subject to definitive documentation being signed by the parties, the completion of the infusion by ACEIC of its international business into ACEN by way of a property for shares swap, which is expected to occur in the third quarter of 2021, and applicable regulatory approvals.

To implement the Investment, ACEN and ACEIC signed an Investment Agreement with Arran on December 30, 2020.

ACEN Stock Rights Offering
On November 11, 2020, the Board of ACEN approved the pricing for, and volume of, the shares that will be issued pursuant to ACEN's stock rights offering (the "Rights Offer" or the "SRO"). ACEN will issue 2,267,580,434 shares at ₱2.37 per share subject to the requisite approval by the SEC of the details of the offer, including the offer price.

ACEIC will not participate in the rights offer to provide maximum availability of rights shares to the minority stockholders, but ACEIC will have the option to participate in the institutional offer.

On December 16, 2020, the PSE approved ACEN's application for the listing of additional shares of up to 2,267,580,434 common shares subject of the Rights Offer to all stockholders as of the Record Date of January 13, 2021 (the "Record Date"), at ₱2.37 per share, comprised of two rounds and a domestic institutional offer, as follows:

1. The First Round of the Offer consisting of a total of 2,267,580,434 Offer Shares, offered on a pre-emptive rights basis to eligible shareholders of ACEN as of a determined Record Date where holders of Common Shares as of the Record Date who are eligible to participate in the Rights Offer are: (i) holders located inside the Philippines and (ii) holders located outside the Philippines where it is legal to participate in the Rights Offer under the securities laws of such jurisdiction without requiring registration or the need to obtain regulatory approvals under such laws ("Eligible Shareholder"), and where each Eligible Shareholder may subscribe to one (1) Share for every 1.11 Common Shares held, as of the Record Date.;
2. The Second Round of the Offer consisting of the unsubscribed Rights Shares from the First Round of the Rights Offer ("Additional Rights Shares"), which shall be offered to those shareholders that exercised their rights in the prior round and had simultaneously signified their intention to subscribe to any unsubscribed Rights Shares by tendering payment of the total Offer Price of all Rights Shares subscribed to, including all Rights Shares in excess of their entitlements.; and
3. The Domestic Institutional Offer, where the Joint Lead Underwriters BPI Capital Corporation and China Bank Capital Corporation will firmly underwrite the Rights Offer in accordance with an underwriting agreement to ensure that any Offer Shares that, after the mandatory Second Round of

the Rights Offer are either not taken up or subscribed to by Eligible Shareholders or not paid for by Eligible Shareholders will be fully subscribed, and that in case there are Rights Shares remaining after the mandatory Second Round of the Rights Offer, the remaining Rights Shares shall be sold by the Joint Lead Underwriters to qualified buyers, as defined in the 2015 Implementing Rules and Regulations of the Code ("SRC IRR") ("Institutional Investors"), at the same Offer Price as the Rights Shares (the "Institutional Offer"), and any shares herein not taken up by Institutional Investors shall be taken up by the Joint Lead Underwriters,

On December 11, 2020, ACEN received the confirmation letter from the SEC that the SRO is exempt from registration requirements under Section 8 of the Code pursuant to Section 10.1 thereof. On December 16, 2020, the PSE approved the application of the Parent Company for the listing of additional shares of up to 2,267,580,434 common shares covering its SRO to all stockholders as of the proposed record date of January 13, 2021, with an offer period of January 18 to 22, 2021.

34. Financial Risk Management Objectives and Policies

Objectives and Investment Policies

The funds of the entities are held directly by the Group and are managed by ACEIC's Risk, Corporate Finance, Investor Relations and Treasury Group (RCIT).

All cash investments of the Group are carried and governed by the following principles, stated in order of importance:

- Preservation of invested cash
- Liquidity of invested cash; and
- Yield on invested cash. Under no circumstance is yield to trump the absolute requirement that the principal amount of investment be preserved and placed in liquid instruments

RCIT manages the funds of the Group and invests them in highly liquid instruments such as short-term deposits, marketable instruments, corporate promissory notes and bonds, government bonds, and trust funds denominated in Philippine peso and U.S. dollar. It is responsible for the sound and prudent management of the Group's financial assets that finance the Group's operations and investments in enterprises.

RCIT focuses on the following major risks that may affect its transactions:

- Foreign exchange risk
- Credit or counterparty risk
- Liquidity risk
- Market risk
- Interest rate risk
- Equity price risk
- Commodity price Risk

Professional competence, prudence, clear and strong separation of office functions, due diligence and use of risk management tools are exercised at all times in the handling of the funds of the Group.

Risk Management Process

Foreign Exchange Risk
The Group defines foreign exchange risk as the risk of realizing reduced operating cash flows and/or increasing the volatility of future earnings from movements in foreign exchange. The risk is measured based on potential downside impact of market volatility to operating cash flows and target earnings.

Foreign exchange risk is generally managed in accordance with the Natural Hedge principle and further evaluated through:
- Continual monitoring of global and domestic political and economic environments that have impact on foreign exchange;
- Regular discussions with banks to get multiple perspectives on currency trends/forecasts; and
- Constant updating of the foreign currency holdings gains and losses to ensure prompt decisions if the need arises.

In the event that a Natural Hedge is not apparent, the Group endeavors to actively manage its open foreign currency exposures through:
- Trading either by spot conversions; and
- Entering into derivative forward transactions on a deliverable or non-deliverable basis to protect values

The Group's significant foreign currency-denominated financial assets and financial liabilities as at December 31, 2020 and 2019 are as follows:

	December 31, 2020			December 31, 2019 (As restated)		
	U.S. Dollar (US$)	**Euro (€)**	**Sing (S$)**	U.S. Dollar (US$)	Euro (€)	**Sing (S$)**
Financial Assets						
Cash and cash equivalents	**$10,593**	**€–**	**S$–**	$15,051	€–	S$–
Short-term investments	**–**	**–**	**–**	2,776	–	–
Other receivables	**–**	**–**	**–**	441	–	31
	$10,593	**€–**	**S$–**	$18,268	€–	S$31
Financial Liabilities						
Accounts payable and other current liabilities	**(4,860)**	**–**	**(24)**	(1,416)	(615)	(43)
Short-term loans	**(114,263)**	**–**	**–**	–	–	–
Long-term loans	**(5,662)**	**–**	**–**	(5,501)	–	–
	($124,785)	**€–**	**(S$24)**	($6,917)	(€615)	(S$43)
Net foreign currency-denominated assets (liabilities)	**($114,192)**	**€–**	**(S$24)**	$11,351	(€615)	(S$12)
Peso equivalent	**(₱5,485,784)**	**₱–**	**(₱867)**	₱575,950	(₱34,655)	(₱450)

In translating foreign currency-denominated financial assets and financial liabilities into Philippine Peso amounts, the exchange rates used were ₱48.04 to US$1.00, ₱58.69 to €1.00 and ₱36.12 to S$1.00 as at December 31, 2020 and ₱50.74 to US$1.00, ₱56.35 to €1.00 and ₱37.49 to S$1.00 as at December 31, 2019.

The following tables demonstrate the sensitivity to a reasonably possible change in the exchange rate, with all other variables held constant, of the Group's profit before tax (due to the changes in the fair value of monetary assets and liabilities) in 2020 and 2019. The possible changes are based on the survey conducted by management among its banks. There is no impact on the Group's equity other than those already affecting the profit or loss. The effect on profit before tax already includes the impact of derivatives.

Pertinent Period	Increase (Decrease) in Foreign Exchange Rate	US$	Euro (€)	Sing (S$)
2020	**(₱0.50)**	**₱57,512**	**₱–**	**₱11**
	(1.00)	**114,609**	–	**23**
	0.50	**(56,681)**	–	**(13)**
	1.00	**(113,777)**	–	**25**
2019	(₱0.50)	(₱5,676)	₱307	₱6
	(1.00)	(11,351)	614	12
	0.50	5,675	(308)	(6)
	1.00	11,351	(615)	(12)

Credit or Counterparty Risk
The Group defines Credit or Counterparty Risk as the risk of sustaining a loss resulting from a counterparty's default to a transaction entered with the Group.

Credit or counterparty risk is managed through the following:

- Investments are coursed through or transacted with duly accredited domestic and foreign banks subject to investment limits per counterparty as approved by the Board.
- Discussions are done on every major investment by RCIT before it is executed subject to the Group's Chief Financial Officer (CFO) approval. Exposure limits are tracked for every transaction and RCIT Finance Managers supervise major transaction executions.
- Market and portfolio reviews are done at least once a week and as often as necessary should market conditions require. Monthly reports are given to the CFO with updates in between these reports as needed.
- A custodian bank for Philippine peso instruments and foreign currency instruments has been appointed based on its track record on such service and the bank's financial competence.

With respect to credit risk arising from the receivables of the Group, its exposures arise from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

	December 31, 2020					
	Neither Past Due nor Impaired			Past Due but not Impaired	Past Due Individually Impaired	
	Class A	Class B	Class C			Total
Trade and other receivables						
Current:						
Trade receivables	₱3,896,805	₱–	₱–	₱685,056	₱80,991	₱4,662,852
Due from related parties	–	2,158	–	217,807	–	219,965
Others	42,111	146,875	235,454	868,752	85,985	1,379,177
Noncurrent						
Trade receivables	810,021	–	–	1,106,705	13,752	1,930,478
Receivables from third parties	349,673	–	–	–	–	349,673
	₱5,098,610	₱149,033	₱235,454	₱2,878,320	₱180,728	₱8,542,145

	December 31, 2019 (As restated)					
	Neither Past Due nor Impaired			Past Due but not	Past Due Individually	
	Class A	Class B	Class C	Impaired	Impaired	Total
Trade and other receivables						
Current:						
Trade receivables	₱1,944,167	₱–	₱411,139	₱208,592	₱81,023	₱2,644,921
Due from related parties	9	–	–	–	–	9
Others	–	96,641	27,598	434,240	85,984	644,463
Noncurrent						
Trade receivables	–	–	–	1,123,511	13,751	1,137,262
Receivables from third parties	–	423,705	12,564	–	–	436,269
	₱1,944,176	₱520,346	₱451,301	₱1,766,343	₱180,758	₱4,862,924

The Group uses the following criteria to rate credit risk as to class:

Class	Description
Class A	Customers with excellent paying habits
Class B	Customers with good paying habits
Class C	Unsecured accounts

With respect to credit risk arising from the other financial assets of the Group, which comprise cash and cash equivalents, short-term investments, financial assets at FVOCI and derivative instruments, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

The Group's assessments of the credit quality of its financial assets are as follows:
- Cash and cash equivalents, short-term investments and derivative assets were assessed as high grade since these are deposited in or transacted with reputable banks, which have low probability of insolvency.
- Listed and unlisted financial assets at FVOCI were assessed as high grade since these are investments in instruments that have a recognized foreign or local third-party rating or instruments which carry guaranty or collateral.

There are no significant concentrations of credit risk within the Group.

Maximum exposure to credit risk of financial assets not subject to impairment
The gross carrying amount of financial assets not subject to impairment also represents the Group's maximum exposure to credit risk which mainly pertains to financial assets at FVOCI amounting to ₱1.21 million and ₱533.14 million as at December 31, 2020 and 2019.

Maximum exposure to credit risk of financial assets subject to impairment
The gross carrying amount of financial assets subject to impairment are as follows:

	2020	2019 (As restated)
Financial Assets at Amortized Cost (Portfolio 1)		
Cash and cash equivalents	**₱5,133,784**	₱9,592,576
Short-term investments	–	100,000
Under "Receivables" account		
Trade receivables	**4,662,852**	2,644,921

(Forward)

	2020	2019 (As restated)
Due from related parties	**₱219,965**	₱9
Others	**1,379,177**	644,463
Under "Other Noncurrent Assets" account		
Trade receivables	**1,930,478**	1,123,511
Receivables from third parties	**349,673**	436,269
Deposits	**105,337**	109,419
	₱13,781,266	₱14,651,168

The Group's maximum exposure to credit risk are as follows:

	December 31, 2020				
		Lifetime ECL			
Grade	**12-month Stage 1**	**Stage 2**	**Stage 3**	**Simplified Approach**	**Total**
High	**₱5,133,784**	**₱–**	**₱–**	**₱6,593,330**	**₱11,727,114**
Standard	–	–	–	–	–
Substandard	–	–	–	–	–
Default	–	–	–	**13,752**	**13,752**
Gross carrying amount	**5,133,784**	–	–	**6,607,082**	**11,740,866**
Less loss allowance	–	–	–	**166,975**	**166,975**
Carrying amount	**₱5,133,784**	**₱–**	**₱–**	**₱6,440,107**	**₱11,573,891**

	December 31, 2019 (As restated)				
		Lifetime ECL			
Grade	12-month Stage 1	Stage 2	Stage 3	Simplified Approach	Total
High	₱8,219,484	₱–	₱–	₱3,094,449	₱11,313,933
Standard	–	–	–	–	–
Substandard	–	–	–	–	–
Default	–	–	–	120,262	120,262
Gross carrying amount	8,219,484	–	–	3,214,711	11,434,195
Less loss allowance	–	–	–	167,007	167,007
Carrying amount	₱8,219,484	₱–	₱–	₱3,047,704	₱11,267,188

Liquidity Risk
Liquidity risk is defined as the risk that the Group may not be able to settle or meet its obligations on time or at a reasonable price.

Liquidity risk is managed through:
- Asset and Liability Management principle. Short-term assets are used to fund short-term liabilities while major investments, capital expenditures and long-term assets are funded by long-term liabilities.
- Detailed cash flow forecasting and continuous monitoring of the weekly and monthly cash flows as well as frequent updates of the annual plans of the Group.
- Investment maturities being spread on a weekly, monthly, and annual basis as indicated in the Group's plans. Average duration of investments does not exceed one (1) year.
- Setting up working capital lines to address unforeseen cash requirements that may cause pressure to liquidity.

	December 31, 2020					
	On Demand	Less than 3 Months	3 to 12 Months	More than 1 Year to 5 Years	More than 5 Years	Total
Accounts payable and other current liabilities:						
Trade and nontrade accounts payable	**₱504,520**	**₱956,567**	**₱2,451,297**	**₱–**	**₱–**	**₱3,912,384**
Accrued expenses [a]	**20,441**	**287,762**	**302,158**	**–**	**–**	**610,361**
Accrued interest	**–**	**250,025**	**10,771**	**–**	**–**	**260,796**
Due to related parties	**–**	**131,265**	**458,207**	**–**	**–**	**589,472**
Retention payable	**–**	**–**	**74,974**	**–**	**–**	**74,974**
Derivative liability	**–**	**3,300**	**–**	**–**	**–**	**3,300**
Others	**–**	**800**	**10,905**	**–**	**–**	**11,705**
Short-term loans	**–**	**8,306,239**	**1,085,630**	**–**	**–**	**9,391,869**
Due to stockholders	**–**	**18,272**	**–**	**–**	**–**	**18,272**
Lease liabilities [b]	**–**	**62,605**	**174,583**	**903,641**	**3,154,948**	**4,295,777**
Long-term loans [c]	**–**	**266,765**	**1,720,907**	**8,811,500**	**80,163,617**	**90,962,789**
Other noncurrent liabilities[d]	**–**	**–**	**–**	**324,486**	**1,123,511**	**1,447,997**
	₱524,961	**₱10,283,600**	**₱6,289,432**	**₱10,039,627**	**₱84,442,076**	**₱111,579,696**

[a] Excluding current portion of vacation and sick leave accruals.
[b] Gross contractual payments.
[c] Including contractual interest payments.
d. Excluding contract liabilities.

	December 31, 2019 (As restated)					
	On Demand	Less than 3 Months	3 to 12 Months	More than 1 Year to 5 Years	More than 5 Years	Total
Accounts payable and other current liabilities:						
Trade and nontrade accounts payable	₱–	₱1,131,160	₱2,008,782	₱–	₱–	₱3,139,942
Retention payable	–	2,377	–	–	–	2,377
Accrued expenses [a]	23,942	35,912	83,587	–	–	143,441
Accrued interest	–	34,405	103,213	21,472	–	159,090
Due to related parties	–	142,546	47,516	–	–	190,062
Derivative liability	–	21,060	–	–	–	21,060
Accrued directors' and annual incentives	50	–	–	–	–	50
Others [b]	13,902	10,264	170,189	–	–	194,355
Short-term loans	–	–	3,556	–	–	3,556
Due to stockholders	16,594	–	–	–	–	16,594
Lease liabilities [c]	–	8,386	25,157	105,206	842,789	981,538
Long-term loans [d]	–	233,287	1,877,757	8,607,589	20,038,943	30,757,576
Other noncurrent liabilities [e]	–	–	–	2,263,287	918,988	3,182,275
	₱54,488	₱1,619,397	₱4,319,757	₱10,997,554	₱21,800,720	₱38,791,916

a Excluding current portion of vacation and sick leave accruals amounting to ₱6.94 million.
b Excluding payable to officers and employees amounting to ₱9.21 million.
c Gross contractual payments.
d Including contractual interest payments.
e. Excluding contract liabilities.

As at December 31, 2020 and 2019, the profile of financial assets used to manage the Group's liquidity risk is as follows:

	December 31, 2020				
	On Demand	Less than 3 Months	3 to 12 Months	Over 12 Months	Total
Loans and receivables:					
Current:					
Cash and cash equivalents	**₱5,135,474**	**₱–**	**₱–**	**₱–**	**₱5,135,474**
Receivables:					
Trade	**313**	**3,892,086**	**689,463**	**–**	**4,581,862**
Due from related parties	**–**	**2,158**	**217,807**	**–**	**219,965**
Others	**–**	**163,139**	**1,130,053**	**–**	**1,293,192**

(Forward)

	December 31, 2020				
	On Demand	**Less than 3 Months**	**3 to 12 Months**	**Over 12 Months**	**Total**
Noncurrent:					
Trade receivables	**₱–**	**₱–**	**₱–**	**₱1,916,726**	**₱1,916,726**
Receivable from third parties	**–**	**–**	**–**	**349,673**	**349,673**
Deposit receivables	**–**	**–**	**–**	**105,337**	**105,337**
Derivative assets	**–**	**46,968**	**–**	**–**	**46,968**
Financial assets at FVOCI:					
Quoted	**–**	**–**	**–**	**21**	**21**
Unquoted	**–**	**–**	**–**	**1,190**	**1,190**
	₱5,135,787	**₱4,104,351**	**₱2,037,323**	**₱2,372,947**	**₱13,650,408**

	December 31, 2019 (As restated)				
	On Demand	Less than 3 Months	3 to 12 Months	Over 12 Months	Total
Loans and receivables:					
Current:					
Cash and cash equivalents	₱9,593,248	₱–	₱–	₱–	₱9,593,248
Short-term investments	100,000	–	–	–	100,000
Receivables:					
Trade	1,944,166	289,616	411,139	–	2,644,921
Due from related parties	9	–	–	–	9
Others	96,641	520,223	27,599	–	644,463
Deposit receivables*	–	–	77,284	–	77,284
Noncurrent:					
Trade receivables	1,123,511	–	–	–	1,123,511
Receivable from third parties	–	12,564	–	423,705	436,269
Deposit receivables	–	–	–	109,419	109,419
Derivative assets	–	33	–	–	33
Financial assets at FVOCI:					
Quoted	–	–	–	21	21
Unquoted	–	–	–	533,116	533,116
	₱12,857,575	₱822,436	₱516,022	₱1,066,261	₱15,262,294

**Excluding nonrefundable deposits amounting to nil and ₱13.52 million as at December 31, 2019.*

Market Risk

Market risk is the risk that the value of an investment will decrease due to drastic adverse market movements that consist of interest rate fluctuations affecting bid values or fluctuations in stock market valuation due to gyrations in offshore equity markets or business and economic changes. Interest rate, foreign exchange rates and risk appetite are factors of a market risk as the summation of the three defines the value of an instrument or a financial asset.

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. As at December 31, 2020 and 2019, the Group has fixed rate financial instruments measured at fair value.

The Group's exposure to interest rate risk relates primarily to long-term debt obligations that bear floating interest rate. The Group generally mitigates risk of changes in market interest rates by constantly monitoring fluctuations of interest rates and maintaining a mix of fixed and floating interest-bearing loans. Specific interest rate risk policies are as follows:

<u>ACEN</u>

In 2019, the Parent Company availed a ₱5.00 billion loan with BDO with a term of ten (10) years payable in semi-annual installments. The loan has a fixed interest rate for the first five (5) years and is subject to be repriced for the succeeding five (5) years.

On July 10, 2020, the Parent Company entered into a term loan agreement with CBC amounting to ₱7.00 billion. The loan has a term of ten (10) years with an option to choose the pricing structure prior to each drawdown. As at December 31, 2020, the Parent Company has drawn ₱1.50 billion and is subject to a fixed interest rate of 5% for ten (10) years with no repricing. The undrawn portion of the term loan facility amounting to ₱5.50 billion is still subject to interest rate risk depending on the pricing structure to be selected once drawdown is made.

Guimaras Wind
Guimaras Wind entered into a ₱4.30 billion peso-denominated Term Loan Facility that will be used to partially finance the 54MW San Lorenzo Wind Farm. The loan facility is divided into two tranches amounting to ₱2.15 billion each - DBP as the Tranche A lender and SBC as the Tranche B lender.

Both tranches have a term of fifteen (15) years with semi-annual interest payments starting on the date on which the loan is made. The interest of Tranche A bears a fixed rate for the first ten (10) years and is subject to an interest rate repricing on the last five (5) years.

On April 28, 2016, the Group prepaid a portion of its long-term debt in accordance with the terms of the Agreement as follows:

- the Group shall effect a mandatory prepayment of the loan, without premium or penalty, within three (3) business days from receipt by the Group of any transmission line proceeds;
- prepay the loan to the extent of seventy percent (70%) of the transmission line proceeds;
- the remaining thirty percent (30%) shall be transferred directly into the Group controlled distribution account for further distribution to the Project Sponsor.

SLTEC
On April 29, 2019 SLTEC entered into an Omnibus Loan and Security Agreement (the "New Omnibus Agreement") with the following:

- Banco de Oro Unibank, Inc. (BDO), Security Bank Corporation (SBC) and Rizal Commercial Banking Corporation (RCBC) as the Lenders;
- ACEI, ACEN, and APHC as the Sponsors;
- BDO Capital & Investment Corporation as the Mandated Lead Arranger and Sole Bookrunner;
- RCBC Capital Corporation and SB Capital Investment Corporation as the Lead Arrangers; and,
- Banco de Oro Unibank, Inc. - Trust and Investments Group as the Facility Agent, Security Trustee and Paying Agent

The New Omnibus Agreement covering a ₱11,000.00 million syndicated loan facility was entered into for the purpose of re-leveraging and optimizing the capital structure of the Company as permitted by law and other agreements to which the Company is a party and to fund its general corporate requirements. Tenor of the loan is 12 years from initial drawdown date and is subject to interest rates ranging from 4.44% to 7.11%. The Company shall pay the interest at the applicable interest rate on the unpaid principal amount of each advance on each interest payment date for the interest period then ending. Such interest shall accrue from and including the first day of each interest period and excluding the last day of such interest period.

NPDC
On May 29, 2020, NorthWind entered into an Omnibus Loan and Security Agreement with BPI for a long-term loan facility amounting to ₱2.30 billion. The proceeds of the loan were used to fully repay its senior loans. The loan shall be repaid in twenty-four (24) sculpted semi-annual amortizations as set forth in the agreement. The interest rate is fixed for the initial period of ten (10) years to be repriced

after the 10th anniversary at a rate equivalent to (a) the 2-year base fixed rate plus a spread of 1.115%, or (b) 5.125% per annum, whichever is higher.

BWPC
The outstanding loan balance to UPC Holdco amounting to ₱135.43 million and ₱135.21 million as at December 31, 2020 and 2019, respectively, was used for the funding of the Balaoi and Cauanayan Wind Energy Project. BWPC availed loans from UPC Holdco amounting to ₱7.61 million and ₱18.09 million in 2020 and 2019, respectively. These loans are unsecured, due in 5 years and bears interest at an annual rate of 8.00%. Interest is accrued daily and compounded annually and payable together with the principal amount.

The outstanding loan balance to Presage Corp. (PC) amounting to ₱136.55 million and ₱143.98 million as at December 31, 2020 and 2019, respectively, was used as additional funding of the Balaoi and Cauanayan Wind Energy Project. BWPC availed loans from PC amounting to nil and ₱28.46 million in 2020 and 2019, respectively. These loans are unsecured, due in 5 years and bears interest at an annual rate of 8.00%. Interest is accrued daily and compounded annually and payable together with the principal amount.

The following table sets out the carrying amount, by maturity of the Group's financial assets that are exposed to interest rate risk:

				2020			
	Interest Rates	**Within 1 year**	**More than 1 year to 2 years**	**More than 2 years to 3 years**	**More than 3 years to 4 years**	**Beyond 4 years**	**Total**
Long-term loans							
ACEN							
CBC	**5.10%**	**₱25,347**	**₱31,272**	**₱30,968**	**₱30,731**	**₱623,657**	**₱741,975**
CBC	**5.10%**	**45,139**	**62,544**	**61,935**	**61,462**	**1,247,315**	**1,478,395**
BDO	**5.17%**	**301,828**	**299,170**	**296,512**	**294,517**	**5,903,715**	**7,095,742**
DBP	**6.09%**	**121,381**	**121,381**	**121,381**	**130,745**	**602,341**	**1,097,229**
SBC	**6.59%**	**125,142**	**125,130**	**124,812**	**133,782**	**609,353**	**1,118,219**
Guimaras Wind							
DBP	**6.25 - 8.36%**	**61,559**	**65,766**	**74,225**	**84,497**	**421,697**	**707,744**
SBC	**6.57 - 6.74%**	**63,112**	**67,333**	**75,802**	**82,874**	**409,895**	**699,016**
SLTEC							
BDO	**5.69 - 5.84%**	**543,125**	**565,278**	**682,175**	**663,774**	**6,861,682**	**9,316,034**
RCBC	**5.69 - 5.84%**	**271,487**	**282,563**	**341,055**	**331,849**	**3,431,838**	**4,658,792**
SBC	**6.98 - 7.24%**	**93,915**	**95,133**	**113,818**	**110,429**	**1,079,251**	**1,492,546**
NPDC							
Bank 1-Loan A	**5.13%**	**146,196**	**–**	**–**	**–**	**–**	**146,196**
BWPC							
UPC	**8%**	**906**	**2,810**	**10,321**	**10,177**	**23,812**	**48,026**
Presage	**8%**	**–**	**–**	**3,811**	**20,801**	**–**	**24,612**

	Interest Rates	Within 1 year	More than 1 year to 2 years	More than 2 years to 3 years	More than 3 years to 4 years	Beyond 4 years	Total
				2019			
Long-term loans							
Guimaras Wind							
DBP	6.25 - 8.36%	₱64,595	₱69,268	₱73,953	₱82,413	₱476,161	₱766,390
SBC	6.57 - 6.74%	58,904	63,112	67,333	75,802	493,468	758,619
ACEN							
BDO	5.81 - 6.55%	9,363	9,338	9,318	9,297	412,321	449,637
CBC	5.68 - 7.13%	29,949	28,550	27,958	27,906	1,243,933	1,358,296
DBP	6.00 - 6.09%	66,332	71,194	75,879	80,569	609,767	903,741
SBC	6.50 - 6.59%	66,385	71,122	75,875	80,634	609,740	903,756
BDO	4.98 - 5.05%	47,144	47,573	47,858	48,116	4,742,648	4,933,339
Special savings account (SSA) – Peso	0.50 – 4.25%	5,129,285	–	–	–	–	5,129,285
Special savings account (SSA) – Dollar	1.425 – 1.75%	13,550	–	–	–	–	13,550
Short-term investments	–	30	–	–	–	–	30

The other financial instruments of the Group that are not included in the preceding table are not subject to interest rate repricing and are therefore not subject to interest rate volatility.

Equity Price Risk

Equity price risk is the risk to earnings or capital arising from changes in stock exchange indices relating to its quoted equity securities. The Group's exposure to equity price risk relates primarily to its financial assets at FVOCI.

Cash flow hedges

Commodity Price Risk

The Group defines Commodity Price Risk as the risk of realizing reduced profit margins and/or increasing the volatility of future earnings that are affected by the pricing variability and uncertainty in coal and fuel supply and any associated foreign exchange risk. The risk is measured based on potential downside impact of market volatility to target earnings.

To manage Commodity Price Risk, the Group develops a Coal and Fuel Hedging Strategy aimed to:

- Manage the risk associated with unexpected increase in coal and fuel prices which affect the target Profit & Loss of the Group
- Determine the Hedge Item and appropriate Hedging Instrument to use, including but not limited to price, amount and tenor of the hedge to reduce the risk to an acceptable level
- Reduce Mark-to-Market impact of hedges by qualifying the hedging transaction for hedge accounting

Only the Group's Chief Executive Officer and Chief Finance Officer are authorized to make coal and bunker fuel oil hedging decisions for the Group. All executed hedges go through a stringent approval process to justify the tenor, price and volume of the hedge to be undertaken.

Monitoring and assessment of the hedge effectiveness and Coal and Fuel Hedging Strategy are reviewed quarterly during the Group's Finance Committee ("FINCOM"). Continuation, addition, reduction and termination of existing hedges are decided by the FINCOM and any material change in permissible hedging instrument, counterparties and limits are elevated to the BOD for approval.

The Group purchases coal and bunker fuel oil on an ongoing basis for its operating activities in the thermal energy power generators, composed of SLTEC and other diesel power plants (CIPP, One Subic Power, Bulacan Power). The increased volatility in coal and fuel oil price over time led to entering in commodity swap contracts. The forecasted volumes are determined based on each plant's projected operating capacity, plant availability, required monthly consumption and storage capacity.

These contracts are expected to reduce the volatility attributable to price fluctuations. Hedging the price volatility of forecast coal and bunker fuel oil purchases is in accordance with the risk management strategy outlined by the Board.

There is an economic relationship between the hedged items and the hedging instruments as the terms of the foreign exchange and commodity swap contracts match the terms of the expected highly probable forecast transactions (i.e., notional amount and expected payment date). The Group has established a hedge ratio of 1:1 for the hedging relationships as the underlying risk of the foreign exchange and commodity swap contracts are identical to the hedged risk components. To test the hedge effectiveness, the Group uses the hypothetical derivative method and compares the changes in the fair value of the hedging instruments against the changes in fair value of the hedged items attributable to the hedged risks.

The hedge ineffectiveness can arise from:

- Differences in the timing of the cash flows of the hedged items and the hedging instruments
- Different indexes (and accordingly different curves) linked to the hedged risk of the hedged items and hedging instruments
- The counterparties' credit risk differently impacting the fair value movements of the hedging instruments and hedged items
- Changes to the forecasted amount of cash flows of hedged items and hedging instruments

The Group is holding the following foreign exchange and commodity swap contracts:

	Maturity						
	< 1 month	**1-3 months**	**4-6 months**	**7-9 months**	**10-12 months**	**>12 months**	**Total**
As at December 31, 2020							
Foreign exchange forward contracts							
Notional amount ($000)	**$–**	**$100,000**	**$–**	**$–**	**$–**	**$–**	**$100,000**
Average forward rate ($/₱)	**–**	**48.24**	**–**	**–**	**–**	**–**	
Commodity swap contracts - Coal							
Notional amount (in Metric Tons)	**27,500**	**–**	**49,500**	**49,500**	**49,500**	**145,500**	**321,500**
Notional amount (in $000)	**$144**	**–**	**$272**	**$291**	**$258**	**$742**	**$1,707**
Average hedged rate ($ per Metric ton)	**$74.45**	**–**	**$75.41**	**$74.73**	**$75.28**	**$73.29**	**–**
As at December 31, 2019							
Foreign exchange forward contracts							
Notional amount ($000)	–	970	–	–	–	–	970
Average forward rate ($/₱)	–	50.84	–	–	–	–	–
Commodity swap contracts - Coal							
Notional amount (in Metric Tons)	–	–	–	30,000	90,000	15,000	135,000
Notional amount (in $000)	–	–	–	$74	$303	$37	$414
Average hedged rate ($ per Metric ton)		–	–	$73.50	$74.50	$76.00	–

The Group had fuel oil hedges entered in 2020 but were all settled during the year.

The impact of the hedging instruments on the consolidated statements of financial position is, as follows:

	Notional amount	Carrying amount	Line item in the statement of financial position	Change in fair value used for measuring ineffectiveness for the year
As at December 31, 2020				
Foreign exchange forward contracts	**$100,000**	**(₱3,300)**	Accounts payable and other current liabilities	**(₱3,300)**
Commodity swap contracts - Coal	**1,707**	**82,014**	Other current and noncurrent assets	**72,150**
As at December 31, 2019				
Foreign exchange forward contracts	$970	₱33	Other current assets	₱33
Commodity swap contracts - Coal	414	(21,060)	Accounts payable and other current liabilities	(14,742)

The impact of hedged items on the consolidated statements of financial position is as follows:

	Change in fair value used for measuring ineffectiveness	Cash flow hedge reserve	Cost of hedging reserve
As at December 31, 2020			
Coal purchases	**₱72,152**	**₱57,409**	**₱–**
Highly probable forecast purchases	**(3,300)**	**–**	**–**
As at December 31, 2019			
Coal purchases	(14,742)	(14,742)	–
Highly probable forecast purchases	33	–	–

The effect of the cash flow hedge in the consolidated statements of comprehensive income is as follows:

	Total hedging gain/(loss) recognized in OCI	Ineffectiveness recognized in profit or loss	Line item in consolidated statements of comprehensive income	Cost of hedging recognized in OCI	Amount reclassified from OCI to profit or loss	Line item in the statement of profit or loss
As at December 31, 2020						
Foreign exchange forward contracts	**₱–**	**(₱3,300)**	**Other income (expense)**	**₱–**	**₱–**	**₱–**
Commodity swap contracts - Coal	**72,151**	**–**	**–**	**–**	**–**	**–**
As at December 31, 2019						
Foreign exchange forward contracts	–	33	Other income (expense)	–	–	–
Commodity swap contracts - Coal	(14,742)	–	–	–	–	–

Monitoring of Risk Management Process

Risk management is regarded as a core competency, thus review of processes and approval processes including periodic audit are practiced and observed as follows:

- Monthly Treasury meetings are scheduled where approved strategies, limits, mixes are challenged and rechallenged based on current and forecasted developments on the financial and political events.
- Weekly market reports are submitted to the Management Committee that includes an updated summary of global and domestic events of the past month and the balance of the year.
- Annual teambuilding sessions are organized as a venue for the review of personal goals, corporate goals and professional development.
- One on one coaching sessions are scheduled to assist, train and advise personnel.
- Periodic review of Treasury risk profile and control procedures.
- Periodic specialized audit is performed to ensure active risk oversight.

Capital Management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders, issue new shares or acquire long-term debts.

The Group monitors capital using a gearing ratio of debt to equity and net debt to equity.

Debt consists of short-term and long-term debts of the Group. Net debt includes short-term and long-term debts less cash and cash equivalents, short-term investments and restricted cash. The Group considers its total equity as capital.

	2020	2019 (As restated)
Short-term debt (Note 17)	**₱9,438,600**	₱3,556
Long-term debt (Note 17)	**22,390,706**	23,198,629
Total debt	**31,829,306**	23,202,185
Less:		
Cash and cash equivalent (Note 4)	**4,923,232**	9,427,262
Short-term investments	–	100,000
Restricted cash (Note 4)	**212,242**	165,986
Net debt	**26,693,832**	13,508,937
Total equity	**21,355,069**	16,385,019
Debt to equity	**149.05%**	141.61%
Net debt to equity	**125.00%**	82.45%

The Group closely monitors its debt covenants and maintains a capital expenditure program and dividend declaration policy that keep the compliance of these covenants into consideration. The Group is not subject to externally imposed capital requirements.

35. **Fair Values**

The table below presents the carrying values and fair values of the Group's financial assets and financial liabilities, by category and by class, as at December 31, 2020 and 2019:

	December 31, 2020			
		Fair Value		
	Carrying Value	**Quoted Prices in Active Markets (Level 1)**	**Significant Observable Input (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Assets				
Financial assets at FVOCI	**₱1,211**	**₱21**	**₱1,190**	**₱–**
Derivative asset*	**46,968**	**–**	**46,968**	**–**
Refundable deposits**	**105,337**	**–**	**105,337**	**–**
Trade Receivables***	**2,008,697**	**–**	**1,942,804**	**–**
Receivables from third parties****	**1,577,522**	**–**	**1,577,522**	**–**
	₱3,739,735	**₱21**	**₱3,673,821**	**₱–**
Liabilities				
Long-term debt	**₱22,390,706**	**₱–**	**₱24,674,467**	**₱–**
Deposit payables and other liabilities*****	**172,768**	**–**	**172,768**	**–**
Derivative liability	**3,300**	**–**	**3,300**	**–**
Lease liabilities	**1,916,630**	**–**	**2,714,990**	**–**
	₱24,483,404	**₱–**	**₱27,565,525**	**₱–**

** Included under "Other current assets" account.*
*** Included under "Other noncurrent assets" account.*
**** Included under "Receivables" and "Other noncurrent assets" accounts and pertain to FIT adjustments and multilateral agreement with PEMC*
***** Included under "Receivables" and "Other noncurrent assets" accounts.*
****** Included under "Accounts payable and other current liabilities" and "Other noncurrent liabilities" accounts.*

	December 31, 2019 (As restated)			
		Fair Value		
	Carrying Value	Quoted Prices in Active Markets (Level 1)	Significant Observable Input (Level 2)	Significant Unobservable Inputs (Level 3)
Assets				
Financial assets at FVOCI	₱533,137	₱21	₱533,116	₱–
Derivative asset*	33	–	33	–
Refundable deposits**	109,419	–	109,419	–
Trade Receivables***	1,123,511	–	1,123,511	–
Receivables from third parties****	840,219	–	840,219	–
	₱2,606,319	₱21	₱2,606,298	₱–
Liabilities				
Long-term debt	₱22,919,446	₱–	₱23,766,962	₱–
Deposit payables and other liabilities*****	169,773	–	169,773	–
Derivative liability	21,060	–	21,060	–
Lease liabilities	981,538	–	742,267	–
	₱24,091,817	₱–	₱24,700,062	₱–

** Included under "Other current assets" account.*
*** Included under "Other noncurrent assets" account.*
**** Included under "Receivables" and "Other noncurrent assets" accounts and pertains to multilateral agreement with PEMC.*
***** Included under "Receivables" and "Other noncurrent assets" accounts.*
****** Included under "Accounts payable and other current liabilities" and "Other noncurrent liabilities" accounts.*

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

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

The following methods and assumptions are used to estimate the fair values of each class of financial instruments:

Cash and Cash Equivalents, Short-term Investment, Receivables, Accounts Payable and Other Current Liabilities and Due to Stockholders
The carrying amounts of cash and cash equivalents, short-term investment, receivables, accounts payable and other current liabilities and due to stockholders approximate their fair values due to the relatively short-term maturities of these financial instruments.

Financial Asset at FVOCI
Quoted market prices have been used to determine the fair values of quoted financial assets at FVOCI.

Noncurrent trade receivables, Receivables from third parties, Refundable Deposits, Deposits Payable and Other Liabilities
Estimated fair value is based on present value of future cash flows discounted using the prevailing BVAL rates that are specific to the tenor of the instruments' cash flows at the end of the reporting period.

Long-Term Loans
The estimated fair value is based on the discounted value of future cash flows using the prevailing credit adjusted risk-free rates that are adjusted for credit spread. Interest rates used in discounting cash flows ranged from 3.11% to 6.25% and 4.16% to 7.84% as at December 31, 2020 and 2019, respectively.

Lease liabilities
Estimated fair value of lease liabilities is based on the present value of future cash flows, discounted using the prevailing risk-free rates that are specific to the tenor of the instruments' cash flows at the end of the reporting period. The discount rates used range from 1.77% to 5.85% and 3.78% to 6.78% as at December 31, 2020 and 2019, respectively.

Derivative asset and liability
The fair value of the derivative asset and liability is determined using valuation techniques with inputs and assumptions that are based on market observable data and conditions and reflect appropriate risk adjustments that market participants would make for risks existing at the end of each reporting period.

36. **Operating Segments**

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the consolidated financial statements.

The scope of the operating segments has been modified following the changes in the organization due to various acquisitions (see Notes 1, 2, 31 and 32).

- Petroleum has been aggregated with a new segment "Parent and Others". This segment now includes ACEN parent, ACEX parent, Palawan55 Exploration and Production Corporation and ACE Shared Services Inc.
- Power segment has been renamed to "Philippines" and now includes the Retail Electricity Supply (RES) or Commercial Operations, Renewables and Thermal and Diesel entities.

2019 comparative segment information has been restated.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the interim condensed consolidated financial statements. The chief operating decision-maker (CODM) has been identified as the chief executive officer. The CODM reviews the Group's internal reports in order to assess performance of the Group.

For the years ended December 31, 2020 and 2019, there were no revenue transactions with a single external customer which accounted for 10% or more of the consolidated revenue from external customers.

Intersegment transfers or transactions are entered into under the normal commercial terms and conditions that would also be available to unrelated third parties. Segment revenue, segment expense and segment results include transfers between operating segments. Those transfers are eliminated in consolidation.

No operating segments have been aggregated to form the above reportable operating segments.

The following tables regarding operating segments present revenue and income information for the years ended December 31, 2020 and 2019 and assets and liabilities as at December 31, 2020 and 2019:

	For the year ended December 31, 2020			
	Parent and Others	Philippines	Intersegment Eliminations	Consolidated
Revenues				
Revenue from sale of electricity				
External customers	**₱–**	**₱20,283,316**	**(₱13)**	**₱20,283,303**
Inter-segment	**–**	**5,913,483**	**(5,913,483)**	**–**
Rental income				
External customers	**–**	**53,517**	**33,106**	**86,623**
Inter-segment	**–**	**141,170**	**(141,170)**	**–**
Other revenues				
External customers	**480**	**10,325**	**58,720**	**69,525**
Inter-segment	**238,100**	**77,444**	**(315,544)**	**–**
	238,580	**26,479,255**	**(6,278,384)**	**20,439,451**
Costs and expenses				
Cost of sale of electricity	**₱–**	**₱19,350,529**	**(₱5,929,990)**	**₱13,420,539**
General & administrative expenses	**1,623,388**	**1,159,522**	**(197,620)**	**2,585,290**
	1,623,388	**20,510,051**	**(6,127,610)**	**16,005,829**

(Forward)

	For the year ended December 31, 2020			
	Parent and Others	**Philippines**	**Intersegment Eliminations**	**Consolidated**
Equity in net income of associates and a joint venture	**₱–**	**₱898,513**	**₱–**	**₱ 898,513**
Interest and other finance charges	**(743,302)**	**(1,233,802)**	**97,236**	**(1,879,868)**
Other income (expense)	**337,338**	**595,943**	**(25,253)**	**908,028**
Net (loss) income before income tax	**(1,790,772)**	**6,229,858**	**(78,791)**	**4,360,295**
Provision for (benefit from) income tax	**91,977**	**411,511**	**(12,706)**	**490,782**
Segment net income (loss)	**(₱1,882,749)**	**₱5,818,347**	**(₱66,085)**	**₱3,869,513**
	As at December 31, 2020			
Operating assets	**₱46,060,798**	**₱68,053,659**	**(₱50,539,138)**	**₱63,575,319**
Operating liabilities	**₱20,782,118**	**₱35,816,229**	**(₱14,378,096)**	**₱42,220,251**
Other disclosures:				
Depreciation and amortization	**₱29,697**	**₱1,804,367**	**(₱23,357)**	**₱1,810,707**
Investments and advances	**34,807,481**	**12,131,243**	**(40,345,232)**	**6,593,492**
Capital expenditures	**43,105**	**6,409,317**	**–**	**6,452,422**
Provision for impairment of property, plant and equipment, advances to contractors and investment in an associate	**–**	**618,435**	**–**	**618,435**
Pension & other employment benefits	**19,312**	**31,617**	**–**	**50,929**

	For the year ended December 31, 2019 (As restated)			
	Parent and Others	Philippines	Intersegment Eliminations	Consolidated
Revenues				
Revenue from sale of electricity				
External customers	₱–	₱16,488,272	(₱391,723)	₱16,096,549
Inter-segment	–	2,498,562	(2,498,562)	–
Rental income				
External customers	1,359	1,756	–	3,115
Inter-segment	108	–	(108)	–
Dividend income				
External customers	5,539	9,202	–	14,741
Inter-segment	–	18,601	(18,601)	–
	7,006	19,016,393	(2,908,994)	16,114,405
Costs and expenses				
Cost of sale of electricity	–	18,146,505	(2,843,975)	15,302,530
General & administrative expenses	469,983	300,897	(3,040)	767,840
	469,983	18,447,402	(2,847,015)	16,070,370
Equity in net income (loss) of associates and a joint venture	(24,460)	231,445	–	206,985
Interest and other finance charges	(331,473)	(644,556)	–	(976,029)
Other income	391,476	347,704	(2,931)	736,249
	35,543	(65,407)	(2,931)	(32,795)
Net income (loss) before income tax	(427,434)	503,584	(64,910)	11,240
Provision for (benefit from) income tax	(202,958)	97,107	(15,782)	(121,633)
Segment net income (loss)	(₱224,476)	₱406,477	(₱49,128)	₱132,873
	As at December 31, 2019 (As restated)			
Operating assets	₱20,924,454	₱42,213,640	(₱14,600,551)	₱48,537,543
Operating liabilities	₱13,152,089	₱ 20,156,697	(₱1,351,262)	₱31,957,524
Other disclosure:				
Depreciation and amortization	₱13,037	₱829,474	₱195,214	₱1,037,725
Investments and advances	12,068,976	2,539,590	(12,074,465)	2,534,101
Capital expenditures	74,243	855,822	–	930,065
Pension & other employment benefits	29,992	41,042	–	71,034

(Forward)

	For the year ended December 31, 2018			
	Parent and Others	Philippines	Intersegment Eliminations	Consolidated
Revenues				
Revenue from sale of electricity				
External customers	₱–	₱15,113,601	₱–	₱15,113,601
Inter-segment	–	1,639,533	(1,639,533)	–
Rental income				
External customers	–	674	–	674
Dividend income				
External customers	9,117	–	–	9,117
	9,117	16,753,808	(1,639,533)	15,123,392
Costs and expenses				
Cost of sale of electricity	112,998	14,783,192	213,301	15,109,491
General & administrative expenses	3,350	644,843	6,324	654,517
	116,348	15,428,035	219,625	15,764,008
Equity in net income (loss) of associates and a joint venture	–	532,460	–	532,460
Interest and other finance charges	(132,377)	–	(301,272)	(433,649)
Other income (expense)	–	(37,266)	157,518	120,252
Net income (loss) before income tax	(239,608)	1,820,967	(2,002,912)	(421,553)
Provision for (benefit from) income tax	7,146	140,151	24,306	171,603
Segment net income (loss)	(₱246,754)	₱1,680,816	(₱2,027,218)	(₱593,156)
	As at December 31, 2018			
Operating assets	₱13,041,939	₱3,113,446	₱2,769,310	₱18,924,695
Operating liabilities	₱3,062,733	₱2,115,027	₱5,375,487	₱10,553,247
Other disclosure:				
Depreciation and amortization	(₱385,341)	₱458	₱20,036	(₱364,847)
Investments and advances	4,322,053	–	631	4,322,684
Capital expenditures	4,343	113,008	2,329	119,680
Provision for impairment of property, plant and equipment	–	2,066	–	2,066
Pension & other employment benefits	15,039	33,077	–	48,116

Adjustments and Eliminations

Interest and other financial income, including fair value gains and losses on financial assets are not allocated to individual segments as the underlying instruments are managed on a group basis. Likewise, certain operating expenses and finance-related charges are managed on a group basis and are not allocated to operating segments.

Current taxes, deferred taxes and certain financial assets and liabilities are not allocated to those segments as they are also managed on a group basis.

Capital expenditures consist of additions to property, plant and equipment. Investments and advances consist of investments and cash advances to the Group's associates and joint venture.

Other income - net include foreign exchange gain (loss), gain (loss) on sale of property, plant and equipment and financial assets at FVOCI, provision for probable losses, gain (loss) on derivatives and other miscellaneous income (expense) which are managed on a group basis and are not allocated to operating segments.

37. Supplemental Cash Flows Information

The non-cash investing activities of the Group for the years ended December 31, 2020, 2019 and 2018 are as follow:

	2020	2019 (As restated)	2018
Acquired through business combinations (Notes 31 and 32):			
Property, plant and equipment	₱2,119,796	₱19,997,795	₱–
Right-of-use assets	996,101	442,947	–
Other noncurrent assets	8,383	396,431	–
Financial assets at FVOCI	–	531,887	–
Non-cash additions to property, plant and equipment	192,961	406,271	–
Reclassifications to (from):			
Creditable withholding taxes	388,502	–	704,726
Property, plant and equipment	(283,860)	178,989	1,844
Right-of-use assets	(24,827)	590,556	–
Other current assets	(14,593)	–	–
Other noncurrent assets	(7,297)	(152,376)	507,261
Assets held for sale	(3,547)	–	34,328
Financial assets at FVOCI	–	39,560	–
Goodwill and other intangible assets	–	(24,959)	–

Movements in the Group's liabilities from financing activities for the years ended December 31, 2020 and 2019 are as follows:

	January 1, 2020	Availments/ Proceeds	Payments	Others	December 31, 2020
Current portion of:					
Short-term loans	₱3,556	₱10,506,500	(₱1,148,944)	₱77,488	₱9,438,600
Long-term loans	905,931	–	(4,602,920)	4,404,771	707,782
Lease liabilities	128,796	–	(239,767)	395,972	285,001
Interest payable	159,090	–	(1,505,299)	1,607,005	260,796
Dividends payable	–	–	(679,872)	679,872	–
Due to stockholders	16,594	–	–	1,678	18,272
Noncurrent portion of:					
Long-term loans	22,292,698	3,807,614	–	(4,417,388)	21,682,924
Lease liabilities	852,742	–	–	778,886	1,631,628
Other noncurrent liabilities	3,289,902	27,263	–	(1,708,043)	1,609,123
Total liabilities from financing activities	₱27,649,310	₱14,341,377	(₱8,176,802)	₱1,820,241	₱35,634,126

	January 1,2019	Availments/ Proceeds	Payments	Others	December 31, 2019 (As restated)
Current portion of:					
Short-term loans	₱400,000	–	(₱400,000)	₱3,556	₱3,556
Long-term loans	265,460	–	(1,494,900)	2,135,371	905,931
Lease liabilities	35,426	–	(118,806)	212,176	128,796
Interest payable	79,297	–	(958,249)	1,038,042	159,090
Due from stockholders	16,651	–	(5,404)	5,347	16,594
Noncurrent portion of:					
Long-term loans	6,071,473	5,000,000	–	11,221,225	22,292,698
Lease liabilities	536,889	–	–	315,853	852,742
Other noncurrent liabilities	1,383,077	334,009	–	1,572,816	3,289,902
Total liabilities from financing activities	₱8,788,273	5,334,009	(₱2,977,359)	₱16,504,386	₱27,649,309

Short-term loans include loan assumed through the business combination of ISLASOL, with a carrying amount of nil and ₱2,140.73 million as at December 31, 2020 and 2019, respectively.

Others include foreign exchange and reclass of current and noncurrent.

38. Provisions and Contingencies

Tax assessments:

a. On August 20, 2014, ACEN distributed cash and property dividends in the form of shares in ACEX after securing SEC's approval of the registration and receipt of CAR from the BIR.

   On October 22, 2014, ACEN received from the BIR a Formal Letter of Demand ("FLD"), assessing ACEN for a total donor's tax due of ₱157.75 million inclusive of penalty and interest up to September 30, 2014.

   On November 21, 2014, ACEN and its independent legal counsel filed an administrative protest in response to the FLD, on the following grounds:
   1) The dividend distribution is a distribution of profits by ACEN to its stockholders and not a "disposition" as contemplated under Revenue Regulations Nos. 6-2008 and 6-2013 which would result in the realization of any capital gain of ACEN;
   2) ACEN did not realize any gain or increase its wealth as a result of the dividend distribution; and,
   3) There was no donative intent on the part of ACEN.

   On May 27, 2015, ACEN received from the BIR a Final Decision on Disputed Assessment ("FDDA") denying the protest. On June 25, 2015, ACEN filed with the Court of Tax Appeals ("CTA") a Petition for Review seeking a review of the FDDA and requesting the cancellation of the assessment.

   In its decision dated September 28, 2018, the CTA Third Division granted ACEN's petition and ordered the cancellation and withdrawal of the FLD (the "CTA Third Division Decision"). On January 18, 2019, the CTA denied the Commissioner of Internal Revenue's ("CIR") motion for reconsideration ("CTA Resolution"). On February 22, 2019, the CIR filed a petition for review with the CTA *en banc* seeking the reversal of the CTA Third Division's Decision and CTA Resolution. On July 21, 2020, the CTA *en banc* upheld the CTA Third Division Decision and denied the CIR's petition. The CIR filed a motion for reconsideration dated August 26, 2020. In response, ACEN filed its Comment/ Opposition. As at March 8, 2021, the CIR's motion for reconsideration has not been resolved by the CTA *en banc*.

b. NLR is a party to several cases involving the assessment and collection by the Provincial Treasurer of real property tax ("RPT") on the wind turbine generators, civil works, equipment, machinery, and transmission lines of NLR located in the municipalities of Pagudpud, Bacarra, Burgos, Pasuquin, and Bangui. NLR was assessed RPT at a rate of 2% or an aggregate amount of ₱411.01 million for years 2015 to 2019. NLR paid under protest the RPT thereon and filed a protest questioning the imposition of 2% tax rate on its RE facilities, and the penalty assessed for the RPT for the year 2015. Under the RE Act, realty and other taxes on civil works, equipment, machinery, and other improvements of a Registered RE Developer actually and exclusively used for RE facilities shall not exceed 1.5% of their original cost less accumulated normal depreciation or net book value.

In 2017, the Central Board Assessment Appeals ("CBAA") ruled in favor of NLR stating that NLR can recover the RPT paid in year 2015 to 2016 and the penalty paid in 2015 totaling ₱50.96 million. In a decision dated February 26, 2020, the Court of Tax Appeals upheld the CBAA ruling and ruled in favor of NLR. The decision is not yet final and executory.

As at December 31, 2020, the 2017 to 2020 RPT protest, regarding an aggregate amount of ₱369.37 million, is still pending decision with the Local Board Assessment Appeals of Ilocos Norte.

c. On September 5, 2017, CIPP received a Final Decision on Disputed Assessment from the BIR for various alleged deficiency taxes for taxable year 2013. On October 4, 2017, CIPP filed its request for reconsideration with the Office of the Commissioner (the "Appeal"). On March 13, 2020, CIPP received a Letter Notice from the Chief of the Appellate Division of the BIR informing CIPP of its opportunity to avail of the Tax Amnesty on Delinquencies ("TAD") provided under Republic Act No. 11213 or the Tax Amnesty Act. On December 18, 2020, CIPP paid the tax amnesty amount equivalent to forty percent (40%) of the Basic Tax or ₱80.19 million and received the Notice of Issuance of Authority to Cancel Assessment (ATCA) dated January 14, 2021 from the BIR.

d. On December 9, 2020, CIPP received from the BIR a preliminary assessment notice ("PAN"), assessing CIPP for a total deficiency income tax, VAT, expanded withholding tax ("EWT"), final withholding tax ("FWT"), withholding tax on compensation ("WTC"), DST and administrative penalties (including interest and compromise penalty) of ₱496.04 million. CIPP filed its reply to the PAN with the BIR on December 23, 2020. As at March 8, 2021, CIPP is yet to receive a response from the BIR.

e. On January 12, 2021, Bulacan Power received from the BIR a PAN, assessing Bulacan Power for a total deficiency income tax, VAT, EWT, WTC, fringe benefits tax ("FBT") and administrative penalties (including interest and compromise penalty) of ₱169.64 million. Bulacan Power filed its reply to the PAN with the BIR on January 18, 2021. As at March 8, 2021, Bulacan Power is yet to receive a response from the BIR.

Claims for tax refund

a. On August 15, 2016, Guimaras Wind filed with the BIR a letter and application for tax credits or refund for Guimaras Wind's excess and unutilized input VAT for the period July 1, 2014 to June 30, 2015 amounting to ₱335.76 million attributable to Guimaras Wind's zero-rated sales. On December 19, 2016, Guimaras Wind received a letter from the BIR denying the administrative claim for refund of excess and unutilized input VAT for the period July 1, 2014 to December 31, 2014. On January 11, 2017, Guimaras Wind filed with the CTA a Petition for Review. During 2018, Guimaras Wind and the BIR presented their evidence and arguments. On January 9, 2020, Guimaras Wind received a copy of the Decision of the CTA.

   In its Decision, the CTA partially granted Guimaras Wind's Petition for Review and ordered the BIR to refund or issue a tax credit certificate in favor of Guimaras Wind in the reduced amount of ₱16.15 million. The CTA ruled that Guimaras Wind was able to prove compliance with the essential elements for the grant of VAT zero-rating under Section 15(g), RE Act beginning June 1, 2015, which are as follows:

   1. The seller (Guimaras Wind) is a Renewable Energy Developer of renewable energy facilities;
   2. It sells fuel or power generated from renewable sources of energy, such as wind;
   3. The said seller is a "generation company," i.e., a person or entity authorized by the ERC to operate facilities used in the generation of electricity; and

4. Such authority is embodied in a COC issued by the ERC which must be secured before the actual commercial operations of the generation facility.

However, the CTA held that Guimaras Wind was not able to prove compliance with the 3rd and 4th essential elements to qualify for VAT zero-rating prior to June 1, 2015. The CTA considered the condition fulfilled only upon the issuance of the COC by the ERC in favor of Guimaras Wind on June 1, 2015. Hence, Guimaras Wind's generated sales from its power generation activities which were considered by the CTA to be subject to zero percent (0%) VAT were only those made during the period June 1, 2015 to June 30, 2015.

On January 24, 2020, Guimaras Wind filed its motion for reconsideration where it presented that the sale of power through renewable sources of energy by VAT-registered persons shall be subject to 0% VAT per the NIRC and RE Act and that the COC issued by the ERC merely confirms the status of Guimaras Wind as a Generation Company. Nowhere in Section 108(B)(7), Tax Code, Section 15(g) Renewable Energy Act of 2008, and its Implementing Rules and Regulations (IRR) can the requirement be found that a VAT-registered person must secure a COC, or any document for that matter, before its sale can be considered subject to zero percent VAT. Rather, this provision requires that: (a) there is a sale of power or fuel; (b) the power or fuel is generated through renewable sources of energy; (c) the sale is done by a VAT-registered person; and (d) the sale was done in the Philippines. For as long as it is sufficiently established that all of the above-mentioned requirements are complied with, then there should be no question that the sale of power is subject to zero percent VAT.

On January 29, 2020, the BIR also filed a motion for reconsideration praying that the Court reconsider its January 3, 2020 Decision and deny the entirety of Guimaras Wind's claim for refund.

On July 1, 2020, Guimaras Wind received the CTA Third Division's Resolution denying Guimaras Wind's motion for reconsideration for lack of merit. Guimaras Wind filed its appeal on August 20, 2020 with the CTA Third Division.

On September 23, 2020, the CTA Third Division denied CIR's Motion for Partial Reconsideration and affirmed its earlier decision partially granting Guimaras Wind's claim for refund in the amount of ₱16.15 million. On October 30, 2020, the CIR filed an appeal with the CTA *en banc* which may be consolidated with the Petition for Review Guimaras Wind filed on August 20, 2020.

Meanwhile, on September 4, 2020, Guimaras Wind filed a Motion to Amend Petitioner's Name from PHINMA Renewable to Guimaras Wind Corporation which motion was granted by the CTA *en banc* on September 18, 2020.

Pursuant to a Resolution promulgated by the CTA en banc on February 23, 2021, the consolidated cases are now submitted for decision.

b. In 2018, SACASOL file a petition for review with the CTA regarding the disallowed claim of 2014 and 2015 input VAT amounting to ₱62.64 million. On February 3, 2020, SACASOL filed a memorandum with the CTA on the pending case. No decision has been received from the CTA as at report date.

c. In March 2018, NLR filed a claim with the BIR for the conversion of its unutilized Input VAT for the taxable period from 1st quarter to 4th quarter of 2016 amounting to ₱9.28 million into tax credit certificates , of which, ₱8.32 million was disallowed by the BIR. Related impairment loss of the same amount was recognized in 2019 for the disallowed input VAT.

   In 2018, NLR converted into tax credit certificates the amount of ₱0.96 million out of the ₱9.28 million.

   On July 25, 2020, NLR filed an appeal with the CTA questioning the BIR's denial of the conversion. A Memorandum was filed by both parties and has been submitted for decision.

   NLR's allowance for input VAT impairment amounted to ₱19.31 million for both years ended December 31, 2020 and 2019.

Power Barge 102 Oil Spill

ACEN's Power Barge ("PB") 102 located in Barrio Obrero, Iloilo City, accidentally discharged fuel oil in the afternoon of July 3, 2020. Based investigation, there was an explosion in one of the barge's fuel tanks which ruptured the hull of the barge and resulted in the oil spill. Bulacan Power, the operator and maintenance services provider of PB 102, immediately activated containment protocols. With the assistance of the Philippine Coast Guard ("PCG") and industry and community partners, the leakage was substantially contained within the same day. After containment, ACEN, through Bulacan Power, and the PCG immediately started recovery of the spilled fuel oil with recovery capacity being accelerated with the deployment of additional oil skimming equipment. ACEN also engaged Harbor Star Shipping Services, Inc. ("Harbor Star"), a leading maritime services provider, to complete the clean-up of both the waters and the coastline.

ACEN has notified the insurers of PB 102 about the event, and discussions are ongoing in this regard. As at March 8, 2021, the Group has incurred ₱50.20 million in fuel loss, community assistance oil containment and recovery expenses, net of insurance proceeds. The Group will continue to take measures to mitigate the environmental impact of the spill and to fully cooperate with authorities to address all relevant concerns.

On July 28, 2020, the Parent Company received a Resolution dated July 27, 2020 issued by the Department of Environment and Natural Resources - Environmental Management Bureau ("DENR-EMB") Region VI, in relation to Notice of Violation No. 20-NOVW-0630-164, for possible violation of Section 27(a) of DENR Administrative Order 2005-10, the Implementing Rules and Regulations of the Philippine Clean Water Act of 2004 (Republic Act or "RA No. 9275"), in connection with the oil spill involving PB 102 which occurred on July 3, 2020.

Possible payment of fines to be determined by the Pollution Adjudication Board, are in the range of (1) ₱10,000 to ₱200,000 per day from the time of the incident (July 3, 2020) until full recovery of the discharged fuel (July 13, 2020), for alleged violation of RA 9275; and (2) ₱50,000 to ₱1,000,000 or imprisonment of not less than one (1) year but not more than six (6) years, or both, for alleged violation of Section 4 of PD 979.

The Parent Company has contested this Resolution and filed a Motion for Reconsideration.

The Parent Company has received claims for compensation for property damages and loss of livelihood from claimants in Iloilo and Guimaras which were allegedly affected by the oil spill. The claims undergo validation before they are paid.

Compliance with Must Offer Rule

On October 4, 2018, CIPP, One Subic Power, Bulacan Power and the Parent Company received a letter from PEMC for pending investigation of trading intervals covering periods from 2014 to 2018. The scope of the investigation covers possible non-compliance with the Must Offer Rule (MOR) and with the Real-Time Dispatch (RTD) or System Operator Instructions. As at March 8, 2021, the investigation is still ongoing.

Refund of Market Transaction Fee from PEMC

On July 9, 2020, the ERC issued its Decision on ERC Case 2015-160 RC ordering PEMC to refund the over collection in the Market Transaction Fee (MTF) in 2016 and 2017. The ERC determined the over collection by getting the variance between the MTF collected in 2016 and 2017, and the ERC-Approved Budget of PEMC for the same period. The total refund was determined at ₱433.20 million which shall be apportioned among all the Luzon and Visayas participants. The ERC has directed PEMC to implement the refund over twelve (12) months beginning the next billing month upon receipt of the relevant Decision.

The PEMC filed a motion for reconsideration with the ERC, which motion remains pending.

39. Impact of the Coronavirus Disease 2019 (COVID-19) Outbreak

In December 2019, an outbreak of the novel coronavirus ("COVID-19") occurred in China and spread to other countries, including the Philippines. On March 10, 2020 the World Health Organization characterized COVID-19 as a pandemic. As of March 8, 2021, the Philippine Department of Health ("DOH") reported 597,763 cases of COVID-19 nationwide with 12,521 deaths attributed to COVID-19.

The Philippines remains vulnerable to exposure and spread of the disease for the following reasons: (a) the considerable number of Overseas Filipino Workers ("OFWs") globally; (b) the impact of international travel which raises the probability of transmission; and (c) lack of the necessary infrastructure to contain the spread of the disease. In response to the recent outbreak of COVID-19, the Philippines has imposed travel bans on several affected countries, which may have an adverse impact on ACEN's suppliers' ability to deliver, which could delay the construction of ACEN's projects.

In a move to contain the COVID-19 outbreak, on March 13, 2020, the Office of the President of the Philippines issued a Memorandum directive to impose stringent social distancing measures in the National Capital Region effective March 15, 2020. On March 16, 2020, Presidential Proclamation No. 929 was issued, declaring a State of Calamity throughout the Philippines for a period of six months and imposed an enhanced community quarantine throughout the island of Luzon until April 12, 2020, unless earlier lifted or extended. On March 24, 2020. Congress passed Republic Act No. 11469, the Bayanihan to Heal as One Act (the "Bayanihan Act") into law, which confers emergency powers on the President of the Philippines. On June 25, 2020, the Bayanihan Act measures implemented to address the pandemic in the Philippines expired without extension or replacement. On September 11, 2020, Republic Act No. 11494, the Bayanihan to Recover as One Act (the "Bayanihan 2 Act") was signed into law by President Duterte. The Bayanihan 2 Act seeks to provide a stimulus package to struggling sectors as part of the country's COVID-19 response and recovery plan, and to scrutinize the government's implementation of programs related to the pandemic. Similar to the Bayanihan Act, the Bayanihan 2 Act confers emergency powers to President Duterte was in effect until December 19, 2020. Such powers include the authority to adopt measures to "conserve and regulate the distribution and use of power, fuel, energy and water, and ensure adequate supply of the same." The Bayanihan 2 Act also imposes a minimum 30-day grace period for the payment of electricity and other utilities falling due within the period of community quarantine without penalty and further provides that such payments may be settled on a staggered basis in no fewer than three monthly installments. On November 17, 2020, House Bill No. 8031 or the Bayanihan to Arise as One Act, was filed which proposes to extend the effectivity of Bayanihan 2 Act until June 4, 2021 to ensure its full implementation. On December 29, 2020, the Congress passed Republic Act No. 11519, extending the availability of appropriations under Bayanihan 2 until June 30, 2021.

Due to numerous uncertainties and factors beyond its control, the Group is unable to predict the impact that COVID-19 will have going forward on its businesses, results of operations, cash flows, and financial condition. These factors and uncertainties include, but are not limited to:

- the severity and duration of the pandemic, including whether there is a "second wave" or "third wave" or other additional periods of increases or spikes in the number of COVID-19 cases in future periods in areas in which the Group operates;
- the duration and degree of governmental, business or other actions in response to the pandemic, including but not limited to quarantine, stay-at-home or other lockdown measures as well as measures taken by the Group's regulators;
- restrictions on operations up to and including complete or partial closure of offices, plants and other facilities;
- economic measures, fiscal policy changes, or additional measures that have not yet been effected;
- the health of, and effect of the pandemic on, the Group's personnel and the Group's ability to maintain staffing needs to effectively operate its power generation portfolio;
- evolving macroeconomic factors, including general economic uncertainty, unemployment rates, and recessionary pressures;
- impacts - financial, operational or otherwise - on the Group's supply chain, including manufacturers, suppliers and third party contractors, particularly for ongoing maintenance and construction of certain plants and facilities;
- volatility in the credit and financial markets during and after the pandemic;
- the impact of any litigation or claims from customers, suppliers, regulators or other third parties relating to COVID-19 or the Group's actions in response thereto;
- the pace of recovery when the pandemic subsides; and
- the long-term impact of the pandemic on the Group's businesses.

These measures have caused disruptions to businesses and economic activities, and its impact on businesses continue to evolve. In particular, the enhance community quarantine and various degrees of community quarantine imposed across the Philippines have affected and could adversely impact (a) the completion of ACEN's projects as construction is not an activity given priority under the government guidelines, (b) demand for ACEN's product, as industries, offices, and shopping malls account for bulk of energy consumption, (c) WESM prices as demand for electricity is lower, and (d) ability to collect from its customers, which could negatively impact its cash flows. The outbreak of COVID-19 and the measures to contain this increase in severity, have had an adverse effect on economic activity in the Philippines and could materially and adversely affect ACEN's business, financial condition and results of operations.

Even as quarantine measures continue at the current time, with various levels of restrictions applicable to certain areas, DOE recognized that energy utilization is a basic necessity and is vital to the society. To this end, DOE allows the movement of energy related goods and the movement of energy related personnel subject to adherence to necessary public health precautions prescribed by the DOH. As such, the Group's operating plants continues to produce power.

40. **Events After the Reporting Period**

Below are the events after the reporting period which are treated as non-adjusting events as at December 31, 2020.

Acquisition by the Parent Company of Shares in Solar Philippines Central Luzon Corporation
On January 22, 2021, ACEN signed a Deed of Absolute Sale of Shares with Solar Philippines Power Project Holdings, Inc. ("SP") for the acquisition by ACEN of SP's 0.24 million common shares in Solar Philippines Central Luzon Corporation ("SPCLC") with a par value of ₱1.00 per share or a total par value of ₱0.24 million.

On the same date, ACEN signed a Subscription Agreement with SPCLC for the subscription by ACEN to 0.38 million common shares with a par value of ₱1.00 per share or a total par value for a total subscription price of ₱0.38 million, to be issued out of the unissued authorized capital stock of SPCLC.

The acquisition will allow ACEN to have a significant ownership interest in SPCLC and is meant to implement the joint venture between ACEN and SP for the development of solar power projects in the Philippines.

SPCLC is a special purpose vehicle for the development and operation of solar power projects.

Withdrawal from SC 6 consortium by ACEX
On January 27, 2021, ACEX's Executive Committee approved ACEX's withdrawal from the SC 6 consortium. ACEX holds 7.78% participating interests in SC 6 Block A, located in offshore North Palawan. SC 6 does not have any commercial operations (see Note 13).

The Group has determined that such subsequent event is not considered as an adjusting event since withdrawal from the SC 6 consortium was proposed and approved subsequent to December 31, 2020. Accordingly, its impact was not reflected in the Group's consolidated financial statements as at and for the year ended December 31, 2020 as there was no indicator of impairment nor withdrawal determined as at December 31, 2020.

Completion of SRO
During the Rights Offer Period from January 18, 2021 to January 22, 2021, ACEN sold, by way of SRO, a total of 2,267,580,434 Common Shares at an Offer Price of ₱2.37 per share to eligible stockholders of record as at January 13, 2021.

There were 2,094,898,876 shares and 172,681,558 shares sold in first round and second round allocation, respectively. The Rights Shares was listed with the PSE on January 29, 2021.

The resulting total outstanding shares after the SRO is 15,960,037,644.

Shareholders' Agreement among ACEN, ACE Endevor, and Citicore Solar Energy Corporation
On February 4, 2021, ACEN and ACE Endevor signed a Shareholders' Agreement with Citicore Solar Energy Corporation ("CSEC"), and Greencore Power Solutions 3, Inc. ("Greencore"), for the development, construction, and operation of a PV Solar Power Plant in Arayat and Mexico, Pampanga, Philippines with an installed nominal capacity of 50 MWac (72MWdc) (the "Project"). The Project is scheduled to start operations in November 2021.Under the Shareholders' Agreement, CSEC will have 50% of the shares in Greencore, the special purpose vehicle of the Project, while ACEN and ACE Endevor will hold a 45% and 5% interest, respectively. ACEN has agreed to provide a term loan facility to Greencore to finance the construction of the Project. Greencore and its shareholders agreed to execute the necessary loan and security agreement for this purpose.

Subscription by ACEN to shares of Greencore
On February 4, 2021, ACEN signed a subscription agreement with Greencore for the subscription by ACEN to 2,250,000 common shares (the "Subscription Shares") with a par value of P 1.00 per share or a total par value of P 2,250,000.00 (the "Subscription Price"), to be issued out of the unissued authorized capital stock of Greencore. The subscription will be used by Greencore to partially fund the development and construction of a PV Solar Power Plant in Arayat and Mexico, Pampanga, Philippines with an installed nominal capacity of 50 MWac (72MWdc). ACEN has fully paid the Subscription Price.

Term Loan Facility with Greencore
On February 4, 2021, ACEN signed an Omnibus Agreement with Greencore, ACE Endevor and CSEC for the financing of Greencore's 50MWac (72MWdc) PV Solar Power Plant in Arayat and Mexico, Pampanga, and associated facilities.

Under the Omnibus Agreement, ACEN will be extending a term loan facility to Greencore in the amount of up to ₱2.675 billion to finance the design, engineering, financing, construction, procurement and supply, manufacturing, commissioning, start up, testing, delivery, ownership, operation and maintenance of the power plant, which is expected to be operational in November 2021. The loan will be secured by (1) a real estate mortgage over Greencore's real assets in favor of ACEN, (2) a mortgage and pledge over the shareholding of the shareholders of Greencore in favor of ACEN, and (3) the cashflows of the project.

House of Representatives ratifies Corporate Recovery and Tax Incentives for Enterprises ("CREATE") Act
The House of Representatives on February 3, 2021 ratified the bicameral conference committee report on the proposed CREATE Act. The bicameral had settled the disagreeing provisions of House Bill No. 4157 and Senate Bill No. 1357 or the two chambers' respective versions of CREATE Act, previously called the Corporate Income Tax and Incentives Reform Act (CITIRA) bill. The measure seeks to reform corporate income taxes and incentives in the country.

The chamber approved the final version of the CREATE bill, which seeks to lower corporate income tax from 30% to 25% for large corporations and 20% for small and medium corporations, to bring it closer to the ASEAN region's average and keep up with other neighboring countries.

As at report date, the Group is assessing the possible impact of the Act, should it pass into Law, subsequently.

ACEN's planned Follow-On Offering ("FOO")
On December 17, 2020, the Board approved the conduct of an FOO and delegated authority to the Executive Committee to determine the final issue price and pricing for the shares to be issued. On February 4, 2021, acting on the authority delegated by the Board, ACEN's Executive Committee approved an FOO price range of 6.00-8.20 per share for up to 2,000,000,000 common shares (primary). On February 16, 2021, ACEN submitted a registration statement for up to 2,430,248,617 common shares (primary and secondary shares with over-allotment) with the SEC.

The FOO is planned to be conducted by the middle of 2021.

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AND SUBSIDIARIES
INDEX TO THE CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHEDULES
FORM 17-A, ITEM 7

**These schedules are either not required, not applicable or the information required to be presented is included in the Company's consolidated financial statements or notes to consolidated financial statements.*

SGV
Building a better
working world

SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
Philippines

Tel: (632) 8891 0307
Fax: (632) 8819 0872
ey.com/ph

BOA/PRC Reg. No. 0001,
October 4, 2018, valid until August 24, 2021
SEC Accreditation No. 0012-FR-5 (Group A),
November 6, 2018, valid until November 5, 2021

INDEPENDENT AUDITOR'S REPORT
ON SUPPLEMENTARY SCHEDULES

The Stockholders and the Board of Directors
AC Energy Corporation
4th Floor, 6750 Office Tower
Ayala Avenue, Makati City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of AC Energy Corporation (formerly AC Energy Philippines, Inc) and Subsidiaries (collectively, the Group) as at December 31, 2020 and 2019 and for each of the three years in the period ended December 31, 2020 included in this Form 17-A and have issued our report thereon dated March 8, 2021. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The schedules listed in the Index to the Consolidated Financial Statements and Supplementary Schedules are the responsibility of the Group's management. These schedules are presented for purposes of complying with the Revised Securities Regulation Code Rule 68, and are not part of the basic consolidated financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, fairly state in all material respects, the information required to be set forth therein in relation to the basic consolidated financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Benjamin N. Villacorte

Benjamin N. Villacorte
Partner
CPA Certificate No. 111562
SEC Accreditation No. 1539-AR-1 (Group A),
March 26, 2019, valid until March 25, 2022
Tax Identification No. 242-917-987
BIR Accreditation No. 08-001998-120-2019,
January 28, 2019, valid until January 27, 2022
PTR No. 8534383, January 4, 2021, Makati City

March 8, 2021

Attachment I

AC ENERGY CORPORATION AND SUBSIDIARIES
Schedule A. Financial Assets
December 31, 2020

Name of Issuing Entity and Association of each Issue	Number of Shares or Principal Amount of Bonds and Notes	Amount Shown in the Balance Sheet	Value Based on Market Quotations at Balance Sheet Date	Income Received and Accrued
Financial assets at FVOCI				
Tagaytay Midlands Golf Club, Inc.	1	₱600,000	₱600,000	₱–
Puerto Azul Golf & Country Club, Inc.	1	150,000	150,000	–
Capitol Hills Golf & Country Club, Inc.	1	150,000	150,000	–
Philam Tower Club	1	100,000	100,000	–
Camp John Hay	1	190,000	190,000	–
A. Soriano	179	1,073	1,073	–
PLDT Inc.		19,500	19,500	–
		1,210,573	1,210,573	–
Loans and Receivables				
Cash and Cash Equivalents		5,135,473,992	5,135,473,992	57,562,964
Trade and Other Receivables		6,095,019,015	6,095,019,015	58,826,117
Long-term Receivables		2,266,399,378	2,266,399,378	5,123,284
		13,496,892,385	13,496,892,385	121,512,364
Derivative Assets		82,013,534	82,013,534	–
		₱13,580,116,492	**₱13,580,116,492**	**₱121,512,364**

Attachment I

AC ENERGY CORPORATION AND SUBSIDIARIES
Schedule B. Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related Parties)
December 31, 2020

Name and Designation of Debtor	Balance at Beginning of Period	Additions	Deductions		Current	Non Current	Balance at End of Period
			Amount Collected	Amount Written-Off			
Not Applicable:	The Company has no amounts receivable from directors, officers, employees, related parties and principal stockholders as at December 31, 2020 equal to or above the established threshold of the Rule.						

Attachment I

AC ENERGY CORPORATION AND SUBSIDIARIES
Schedule C. Accounts Receivable from Related Parties which are eliminated during the consolidation of financial statements
December 31, 2020

Name and Designation of Debtor	Balance at Beginning of Period, As Restated	Additions	Deductions: Amount Collected	Deductions: Amount Written-Off	Current	Non-Current	Balance at End of Period
SolarAce1, Inc.	₱52,500,000	₱2,011,751,526	(₱52,500,000)	₱–	₱2,011,751,526	₱–	₱2,011,751,526
Gigasol3, Inc.	–	2,031,205,790	(90,383,879)	–	1,940,821,911	–	1,940,821,911
One Subic Power Generation Corporation	550,000,000	131,147,701	-	–	681,147,701	–	681,147,701
Ingrid Power Holdings, Inc.	151,647,466	149,438,853	(1,670,446)	–	299,415,873	–	299,415,873
Giga Ace 4, Inc.	–	286,590,035	(599,004)	–	285,991,031	–	285,991,031
Gigasol2, Inc.	–	195,116,531	(100,000,000)	–	95,116,531	–	95,116,531
ACE Endevor, Inc.	–	93,247,515	-	–	93,247,515	–	93,247,515
PHINMA Power Generation Corporation	1,096,317	89,291,054	-	–	90,387,371	–	90,387,371
South Luzon Thermal Energy Corporation	4,158,278	71,881,975	-	–	76,040,253	–	76,040,253
Palawan55 Exploration and Production Corporation	7,477,272	36,783,598	-	–	44,260,870	–	44,260,870
Buendia Christiana Holdings Corp.	–	43,402,283	-	–	43,402,283	–	43,402,283
Pagudpud Wind Power Corp.	–	40,696,730	-	–	40,696,730	–	40,696,730
CIP II Power Corporation	–	34,078,317	-	–	34,078,317	–	34,078,317
Sta Cruz Solar Energy, Inc.	5,917,074	14,677,547	(286,303)	–	20,308,318	–	20,308,318
Negros Island Solar Power, Inc.	–	87,358,057	(81,621,900)	–	5,736,157	–	5,736,157
Montesolar Energy, Inc.	5,000	3,889,803	-	–	3,894,803	–	3,894,803
San Carlos Solar Energy, Inc.	–	2,748,829	(154,212)	–	2,594,617	–	2,594,617
Bataan Solar Energy Inc	6,089,656	25,920,040	(31,037,948)	–	971,748	–	971,748
ACE Enexor, Inc.	–	144,500	(126,500)	–	118,000	–	118,000
	₱778,991,063	**₱5,386,138,889**	**(₱358,380,192)**	**₱–**	**₱5,806,749,760**	**₱–**	**₱5,806,749,760**

Attachment I

AC ENERGY CORPORATION AND SUBSIDIARIES
Schedule D. Long-Term Debt
December 31, 2020

	Title of Issue and Type of Obligation	Amount Authorized by Indenture	Amount shown under Caption "Current Portion of Long-Term Debt" in related Balance Sheet	Amount shown under Caption "Long-Term Debt" in related Balance Sheet	Interest Rate	Periodic Payments	Maturity Date
ACEN	China Bank Corporation	₱1,000,000,000	₱–	₱1,000,000,000	5.00%	20 semi-annual payments	August 24, 2030
	China Bank Corporation	500,000,000	–	500,000,000	5.00%	20 semi-annual payments	July 15, 2030
	BDO Unibank Inc.	4,947,368,421	52,631,579	4,894,736,842	5.05%	20 semi-annual payments	November 14, 2029
	Development Bank of the Philippines	840,500,145	71,738,190	768,761,955	6.00%	25 semi-annual payments	July 10, 2029
	Security Bank Corporation	840,478,173	71,665,498	768,812,675	6.50%	25 semi-annual payments	July 11, 2029
	Total	8,128,346,739	196,035,267	7,932,311,472			
	Unamortized debt issue costs	(62,028,272)	(12,941,714)	(49,086,558)			
		8,066,318,467	183,093,553	7,883,224,914			
PREC	Development Bank of the Philippines	705,134,075	64,871,975	640,262,100	5.84%-6.25%	25 semi-annual payments	February 14, 2029
	Security Bank Corporation	705,134,075	64,871,975	640,262,100	6.24%-6.68%	25 semi-annual payments	February 14, 2029
	Total	1,410,268,150	129,743,950	1,280,524,200			
	Unamortized debt issue costs	(1,565,471)	(1,565,471)	–			
		1,408,702,679	128,178,479	1,280,524,200			
SLTEC	BDO Unibank Inc.	3,165,875,000	83,312,500	3,082,562,500	5.71%%-7.05%	24 semi-annual payments	May 7, 2031
	BDO Unibank Inc.	3,165,875,000	83,312,500	3,082,562,500	6.98%	24 semi-annual payments	May 7, 2031
	Rizal Commercial Banking Corporation	1,584,125,000	41,687,500	1,542,437,500	5.71%%-7.05%	24 semi-annual payments	May 7, 2031
	Rizal Commercial Banking Corporation	1,584,125,000	41,687,500	1,542,437,500	6.98%	24 semi-annual payments	May 7, 2031
	Security Bank Corporation	1,087,500,000	25,000,000	1,062,500,000	6.98%	24 semi-annual payments	May 7, 2031
	Total	10,587,500,000	275,000,000	10,312,500,000			
	Unamortized debt issue costs	(161,495,163)	(17,102,386)	(144,392,778)			
		10,426,004,837	257,897,614	10,168,107,222			
NPDC	Bank of the Philippine Islands	2,233,530,000	140,990,000	2,092,540,000	5.13%	24 semi-annual payments	May 29, 2032
	Unamortized debt issue costs	(15,784,163)	(2,377,642)	(13,406,521)			
		2,217,745,837	138,612,358	2,079,133,479			
BWPC	Presage Corporation	110,138,205	–	110,138,205	8.00%	5 years	December 4, 2023
	Presage Corporation	9,604,600	–	9,604,600	8.00%	5 years	January 15, 2024
	Presage Corporation	9,604,600	–	9,604,600	8.00%	5 years	July 4, 2024
	Presage Corporation	7,203,450	–	7,203,450	8.00%	5 years	August 29, 2024
	UPC Holdco II	135,382,906	–	135,382,906	8.00%	5 years	Various
		271,933,761	–	271,933,761			
		₱22,390,705,581	**₱707,782,004**	**₱21,682,923,576**			

Attachment I

AC ENERGY CORPORATION AND SUBSIDIARIES
Schedule E. Indebtedness to Related Parties (Long-Term Loans from Related Companies)
December 31, 2020

Name and Designation of Debtor	Balance at Beginning of Period	Balance at End of Period
Bank of the Philippine Islands	₱2,145,042,000	₱2,233,530,000
Presage Corporation	143,977,925	136,550,855
UPC Holdco II	135,205,204	135,382,906
	₱2,424,225,129	**₱2,505,463,761**

Attachment I

AC ENERGY CORPORATION AND SUBSIDIARIES
Schedule F. Guarantees of Securities of Other Issuers
December 31, 2020

Name of Issuing Entity of Securities Guaranteed by the Company for which Statement is Filed	Title of Issue of Each Class of Securities Guaranteed	Total Amount Guaranteed and Outstanding	Amount Owned by the Company for which Statement is Filed	Nature of Guarantee
Not Applicable: The Company has no guarantees of securities of other issuers as at December 31, 2020.				

Attachment I

AC ENERGY CORPORATION AND SUBSIDIARIES
Schedule G. Capital Stock
December 31, 2020

Title of Issue	Number of Shares Authorized	Number of Shares Issued	Treasury Shares	Number of Shares Issued and Outstanding	Number of Shares Reserved for Options, Warrants, Conversions, and Other Rights	Deductions		
						Affiliates	Directors, Officers and Employees	Others
Common stock	24,000,000,000	13,706,957,210	(14,500,000)	13,692,457,210	60,301,331	11,183,564,649	372,349,177	2,136,543,384

Attachment II

AC ENERGY CORPORATION

SUPPLEMENTARY SCHEDULE OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION

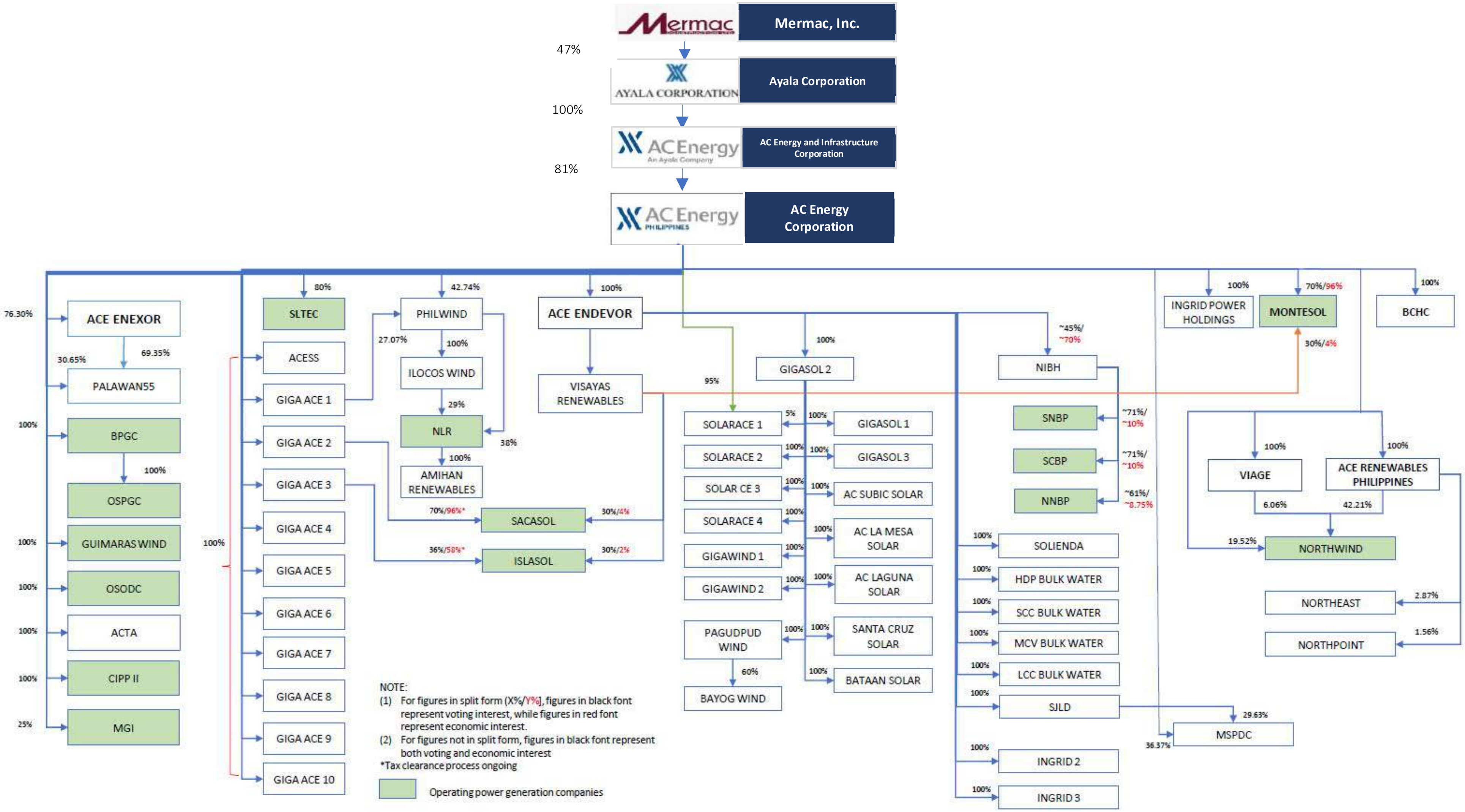
December 31, 2020
(Amounts in Thousands)

Retained earnings, beginning, as restated	₱2,409,157
Adjustment:	
Deferred income tax asset as at December 31, 2019	(596,580)
Unrealized FV gain of FVPL as at December 31, 2019	(380)
Derivative asset as at December 31, 2019	(33)
Retained earnings, beginning, as adjusted to amount available for dividend declaration, beginning	1,812,164
Add: Net income actually realized during the year	
Net income during the year closed to retained earnings	3,368,808
Add (deduct):	
Movement of recognized deferred income tax assets	141,869
Unrealized fair value loss on financial asset through FVPL and derivative assets	(81,601)
Net income actually realized during the year	5,241,840
Less: Dividends declared during the year	547,698
Retained earnings available for dividend declaration, end	**₱4,693,542**

Attachment III
Page 1 of 2

AC ENERGY CORPORATION AND SUBSIDIARIES
SUPPLEMENTARY SCHEDULE REQUIRED
UNDER REVISED SRC RULE 68

Conglomerate Map
As of December 31, 2020



Attachment III

AC ENERGY CORPORATION AND SUBSIDIARIES
SUPPLEMENTARY SCHEDULE REQUIRED
UNDER REVISED SRC RULE 68

Conglomerate Map
As of December 31, 2020

Glossary

SHORT NAME	FULL NAME	SHORT NAME	FULL NAME	SHORT NAME	FULL NAME	SHORT NAME	FULL NAME
AC SUBIC SOLAR	AC Subic Solar, Inc.	GIGA ACE 4	Giga Ace 4, Inc.	INGRID 3	Ingrid 3 Power Holdings, Inc.	SACASOL	San Carlos Solar Energy Inc.
AC LA MESA SOLAR	AC La Mesa Solar, Inc.	GIGA ACE 5	Giga Ace 5, Inc.	ISLASOL	Negros Island Solar Power Inc.	SCBP	San Carlos Biopower Inc.
AC LAGUNA SOLAR	AC Laguna Solar, Inc.	GIGA ACE 6	Giga Ace 6, Inc.	LCC Bulk Water	LCC Bulk Water Supply, Inc.	SCC BULK WATER	SCC Bulk Water Supply, Inc.
ACC	ACTA Power Corporation	GIGA ACE 7	Giga Ace 7, Inc.	MGI	Maibarara Geothermal Inc.	SJLD	San Julio Land Development Corp.
ACE ENDEVOR	ACE Endevor, Inc. (formerly, AC Energy Development, and formerly, San Carlos Clean Energy)	GIGA ACE 8	Giga Ace 8, Inc.	MONTESOL	Monte Solar Energy, Inc.	SLTEC	South Luzon Thermal Energy Corp.
ACE ENEXOR	ACE Enexor, Inc.	GIGA ACE 9	Giga Ace 9, Inc.	MSPDC	Manapla Sun Power Development Corp.	SNBP	South Negros Biopower Inc.
ACE RENEWABLES PHILIPPINES	ACE Renewables Philippines, Inc. (formerly, Moorland Philippines)	GIGA ACE 10	Giga Ace 10, Inc.	NIBH	Negros Island Biomass Holdings, Inc.	SolarAce1	SolarAce1 Energy Corp.
ACESS	ACE Shared Services, Inc.	GIGASOL 1	GigaSol1, Inc.	NLR	North Luzon Renewable Energy Corp.	SolarAce2	SolarAce2 Energy Corp.
AMIHAN RENEWABLES	Amihan Renewable Energy Corp.	GIGASOL 2	GigaSol2, Inc.	NNBP	North Negros Biopower Inc.	SolarAce3	SolarAce3 Energy Corp.
BATAAN SOLAR	Bataan Solar Energy, Corp.	GIGASOL 3	GigaSol3, Inc.	NORTHEAST	Northeast Wind Systems Corporation	SolarAce4	SolarAce4 Energy Corp.
BAYOG WIND	Bayog Wind Power Corp.	GIGAWIND 1	GigaWind1, Inc.	NORTHPOINT	North Point Wind Power Development Corp.	SOLIENDA	Solienda, Incorporated
BCHC	Buendia Christiana Holdings Corp.	GIGAWIND 2	GigaWind2, Inc.	NORTHWIND	Northwind Power Development Corp.	SANTA CRUZ SOLAR	Santa Cruz Solar Energy Inc.
BPGC	Bulacan Power Generating Corp. (formerly, PHINMA Power Generating Corp.)	GUIMARAS WIND	Guimaras Wind Corporation (formerly, PHINMA Renewables)	OSODC	One Subic Oil Distribution Corp.	VIAGE	Viage Corporation
CIPP II	CIP II Power Corporation	HDP BULK WATER	HDP Bulk Water Supply, Inc.	OSPGC	One Subic Power Generating Corp.	VISAYAS RENEWABLES	Visayas Renewables Corp.
GIGA ACE 1	Giga Ace 1, Inc.	ILOCOS WIND	Ilocos Wind Energy Holding Co., Inc.	Palawan 55	Palawan55 Exploration and Production Corp.		
GIGA ACE 2	Giga Ace 2, Inc.	INGRID POWER HOLDINGS	Ingrid Power Holdings Inc.	PAGUDPUD WIND	Pagudpud Wind Power Corp.		
GIGA ACE 3	Giga Ace 3, Inc.	INGRID 2	Ingrid 2 Power Holdings, Inc.	PHILWIND	Philippine Wind Holdings Corporation		

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BOA/PRC Reg. No. 0001,
October 4, 2018, valid until August 24, 2021
SEC Accreditation No. 0012-FR-5 (Group A),
November 6, 2018, valid until November 5, 2021

INDEPENDENT AUDITOR'S REPORT ON
COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS

The Stockholders and the Board of Directors
AC Energy Corporation
4th Floor, 6750 Office Tower
Ayala Avenue, Makati City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of AC Energy Corporation (formerly AC Energy Philippines, Inc) and its Subsidiaries (collectively, the Group) as at December 31, 2020 and 2019 and for each of the three years in the period ended December 31, 2020, and have issued our report thereon dated March 8, 2021. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Supplementary Schedule on Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Group's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRSs) and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for the purpose of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the basic consolidated financial statements prepared in accordance with PFRSs. The components of these financial soundness indicators have been traced to the Group's consolidated financial statements as at December 31, 2020 and 2019 and for each of the three years in the period ended December 31, 2020, and no material exceptions were noted.

SYCIP GORRES VELAYO & CO.

Benjamin N. Villacorte

Benjamin N. Villacorte
Partner
CPA Certificate No. 111562
SEC Accreditation No. 1539-AR-1 (Group A),
March 26, 2019, valid until March 25, 2022
Tax Identification No. 242-917-987
BIR Accreditation No. 08-001998-120-2019,
January 28, 2019, valid until January 27, 2022
PTR No. 8534383, January 4, 2021, Makati City

March 8, 2021

Attachment IV

AC ENERGY CORPORATION AND SUBSIDIARIES
SUPPLEMENTARY SCHEDULE REQUIRED
UNDER REVISED SRC RULE 68

Key Performance Indicator	Formula	31-Dec-20 Audited	31-Dec-19 As restated	Increase (Decrease) Amount	Increase (Decrease) %
Liquidity Ratios					
Current Ratio	Current assets / Current liabilities	**0.83**	**2.71**	(1.88)	(69%)
Acid test ratio	Cash + Short-term investments + Accounts receivables + Other liquid assets / Current liabilities	**0.66**	**2.42**	(1.76)	(73%)
Solvency Ratios					
Debt/Equity ratio	Total liabilities / Total equity	**1.98**	**1.96**	0.02	1%
Asset-to-equity ratio	Total assets / Total equity	**2.98**	**2.96**	0.02	1%
Interest Coverage Ratio	Earnings before interest & tax (EBIT) / Interest expense	**3.32**	**1.01**	2.31	228%
Net bank Debt to Equity ratio	Short & long-term loans - Cash & Cash Equivalents / Total Equity	**1.25**	**0.83**	0.42	50%
Profitability Ratios					
Return on equity	Net income after tax attributable to equity holders of the Parent Company / Average stockholders' equity	**20.76%**	**0.46%**	19.43%	4,224%
Return on assets	Net income after taxes / Average total assets	**6.90%**	**0.39%**	6.51%	1,669%
Asset Turnover	Revenues / Average total assets	**36.46%**	**47.77%**	(11.31%)	(24%)

EXHIBIT B

AC ENERGY CORPORATION

Parent Financial Statements

December 31, 2020 and 2019
And Years Ended December 31, 2020, 2019 and 2018

(with BIR Filing Reference Number)

AC ENERGY MIRANDA, Robert M.

From:	ebirforms-noreply@bir.gov.ph
Sent:	Tuesday, April 13, 2021 1:47 AM
To:	AC Energy Philippines - Finance
Subject:	Tax Return Receipt Confirmation

This confirms receipt of your submission with the following details subject to validation by BIR:
File name: 000506020000-1702RTv2018C-122020.xml
Date received by BIR: 13 April 2021
Time received by BIR: 01:25 AM
Penalties may be imposed for any violation of the provisions of the NIRC and issuances thereof.

FOR RETURNS WITH PAYMENT
Please print this e-mail together with the RETURN and proceed to pay through the Authorized Agent Bank / Collection Agent / GCASH or use other payment options.

This is a system-generated email. Please do not reply.

Bureau of Internal Revenue

AC ENERGY MIRANDA, Robert M.

From: eafs@bir.gov.ph
Sent: Thursday, April 15, 2021 1:58 PM
To: AC Energy Philippines - Finance
Cc: AC Energy Philippines - Finance
Subject: Your BIR AFS eSubmission uploads were received

Hi AC ENERGY CORPORATION,

Valid files

- EAFS000506020AFSTY122020.pdf
- EAFS000506020ITRTY122020.pdf

Invalid file

- <None>

Transaction Code: **AFS-0-7EB6AC5E0XTMVVSTMPXYWVSX0PY3XZVVN**
Submission Date/Time: **Apr 15, 2021 01:58 PM**
Company TIN: **000-506-020**

Please be reminded that you accepted the terms and conditions for the use of this portal and expressly agree, warrant and certify that:

- The submitted forms, documents and attachments are complete, truthful and correct based on the personal knowledge and the same are from authentic records;
- The submission is without prejudice to the right of the BIR to require additional document, if any, for completion and verification purposes;
- The hard copies of the documents submitted through this facility shall be submitted when required by the BIR in the event of audit/investigation and/or for any other legal purpose.

This is a system-generated e-mail. Please do not reply.

COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

0	6	9	-	0	3	9	2	7	4	

COMPANY NAME

AC ENERGY CORPORATION (Formerly AC Energy Philippines Inc.)

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

4th Floor, 6750 Office Tower, Ayala Avenue, Makati City

Form Type	Department requiring the report	Secondary License Type, If Applicable
AAFS	SEC	N/A

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number	Mobile Number
N/A	7730-6300	–

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
3,182	04/20	12/31

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Alan T. Ascalon	Ascalon.at@acenergy.com.ph	(02) 7730-6300	–

CONTACT PERSON's ADDRESS

4th Floor, 6750 Office Tower, Ayala Avenue, Makati City, Philippines 1200

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.*

4F 6750 Office Tower Ayala Avenue
Makati City 1226 Philippines
Tel +632 7730 6300
www.acenergy.com.ph

SECURITIES & EXCHANGE COMMISSION
Secretariat Building, PICC Complex
Roxas Boulevard, Philippines

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **AC Energy Corporation**, formerly AC Energy Philippines, Inc., (the "Company") is responsible for the preparation and fair presentation of the parent company financial statements including the schedules attached therein, for the years ended December 31, 2020 and December 31, 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 parent company financial statements including the schedules attached therein and submits the same to the Stockholders.

SyCip Gorres Velayo & Co., the independent auditors, appointed by the stockholders, has audited the parent company financial statements of the Company in accordance with Philippine Standards on Auditing, and in its report to the Stockholders, has expressed their opinion on the fairness of presentation upon completion of such audit.

AC Energy
An Ayala Company

4F 6750 Office Tower Ayala Avenue
Makati City 1226 Philippines
Tel +632 7730 6300
www.acenergy.com.ph

(Page 2 of Statement of Management's
Responsibility for Parent Company Financial Statements)

FERNANDO M. ZOBEL DE AYALA
Chairman of the Board

JOHN ERIC T. FRANCIA
President and
Chief Executive Officer

MARIA CORAZON G. DIZON
Treasurer and
Chief Financial Officer

Signed this 8th day of March 2021

AC Energy
An Ayala Company

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Makati City 1226 Philippines
Tel +632 7730 6300
www.acenergy.com.ph

(Page 3 of Statement of Management's
Responsibility for Parent Company Financial Statements)

(REPUBLIC OF THE PHILIPPINES)
Makati City) S.S.

SUBSCRIBED AND SWORN to before me this MAR 2 4 2021 affiant(s) exhibiting to me their Passport, as follows:

Name	Passport No.	Date of Issue	Place of Issue
Fernando M. Zobel De Ayala	P0349883B	01-22-19	DFA-Manila
John Eric T. Francia	P3923362B	11-21-19	DFA-Manila
Maria Corazon G. Dizon	P6253635A	03-02-18	DFA-NCR-East

ATTY. MARK DEAN D.R. ITARALDE
Notary Public – Makati City
Appt. No. M-163 until December 31, 2021
Roll of Attorneys No. 71073
IBP OR No.144650; January 7, 2021
PTR No. MKT-8534431; 01/05/2021; Makati City
MCLE Compliance No. VI-0028680; valid until 04/14/ 2022
7727 E. Jacinto cor. Medina St.
Barangay Pio Del Pilar, Makati City

ATTY. MARK DEAN D.R. ITARALDE
NOTARY PUBLIC
ROLL NO. 71073
MAKATI CITY, PHILIPPINES

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SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
Philippines

Tel: (632) 8891 0307
Fax: (632) 8819 0872
ey.com/ph

BOA/PRC Reg. No. 0001,
October 4, 2018, valid until August 24, 2021
SEC Accreditation No. 0012-FR-5 (Group A),
November 6, 2018, valid until November 5, 2021

INDEPENDENT AUDITOR'S REPORT

The Stockholders and the Board of Directors
AC Energy Corporation
4th Floor, 6750 Office Tower,
Ayala Avenue, Makati City

Report on the Audit of the Parent Company Financial Statements

Opinion

We have audited the parent company financial statements of AC Energy Corporation (formerly AC Energy Philippines, Inc.) (the Company), which comprise the parent company statements of financial position as at December 31, 2020 and 2019, and the parent company statements of comprehensive income, parent company statements of changes in equity and parent company statements of cash flows for the years then ended, and notes to the parent company financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying parent company financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Parent Company Financial Statements* section of our report. We are independent of the 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. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Parent Company Financial Statements

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

In preparing the parent company financial statements, management is responsible for assessing the 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 Parent Company Financial Statements

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

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

- Identify and assess the risks of material misstatement of the parent company financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 parent company financial statements, including the disclosures, and whether the parent company financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

Report on the Supplementary Information Required Under Revenue Regulations 15-2010

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under Revenue Regulations 15-2010 in Note 38 to the parent company financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic parent company financial statements. Such information is the responsibility of the management of AC Energy Corporation (formerly AC Energy Philippines, Inc.). The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The engagement partner on the audit resulting in this independent auditor's report is Benjamin N. Villacorte.

SYCIP GORRES VELAYO & CO.

Benjamin N. Villacorte

Benjamin N. Villacorte
Partner
CPA Certificate No. 111562
SEC Accreditation No. 1539-AR-1 (Group A),
March 26, 2019, valid until March 25, 2022
Tax Identification No. 242-917-987
BIR Accreditation No. 08-001998-120-2019,
January 28, 2019, valid until January 27, 2022
PTR No. 8534383, January 4, 2021, Makati City

March 8, 2021

AC ENERGY CORPORATION
(Formerly AC ENERGY PHILIPPINES, INC.)

PARENT COMPANY STATEMENTS OF FINANCIAL POSITION

(Amounts in Thousands)

	December 31	
	2020	2019
ASSETS		
Current Assets		
Cash and cash equivalents (Note 5)	**₱1,128,751**	₱6,102,639
Short-term investments	**–**	100,000
Receivables (Note 6)	**10,158,949**	2,618,920
Fuel and spare parts (Note 7)	**499,041**	124,657
Other current assets (Note 8)	**775,189**	92,360
Total Current Assets	**12,561,930**	9,038,576
Noncurrent Assets		
Property, plant and equipment (Note 9)	**265,424**	489,636
Investments in subsidiaries, associates and joint ventures (Note 10)	**33,996,472**	11,864,846
Financial assets at fair value through other comprehensive income (FVOCI; Note 11)	**950**	950
Right-of-use asset (Note 13)	**21,617**	26,430
Deferred income tax assets - net (Note 26)	**251,939**	458,605
Other noncurrent assets (Note 14)	**3,637,148**	2,354,436
Total Noncurrent Assets	**38,173,550**	15,194,903
TOTAL ASSETS	**₱50,735,480**	₱24,233,479
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and other current liabilities (Note 15)	**₱5,582,515**	₱2,990,224
Income and withholding taxes payable	**51,178**	15,729
Due to stockholders (Note 28)	**16,585**	16,594
Short-term loan (Note 16)	**9,438,600**	–
Current portion of lease liability (Note 17)	**22,028**	10,333
Current portion of long-term loans (Note 16)	**191,200**	219,173
Total Current Liabilities	**15,302,106**	3,252,053
Noncurrent Liabilities		
Long-term loans - net of current portion (Note 16)	**7,881,725**	8,357,377
Lease liability - net of current portion (Note 17)	**3,806**	13,775
Pension and other employee benefits - net of current portion (Note 27)	**41,528**	24,137
Other noncurrent liabilities (Note 18)	**734,179**	2,604,451
Total Noncurrent Liabilities	**8,661,238**	10,999,740
Total Liabilities	**₱23,963,344**	₱14,251,793

(Forward)

	December 31	
	2020	2019
Equity		
Capital stock (Note 19)	**₱13,706,957**	₱7,521,775
Additional paid-in capital (Note 19)	**8,634,385**	83,768
Other equity reserves (Notes 10 and 19)	**(804,074)**	–
Unrealized fair value losses on equity instruments at FVOCI (Note 11)	**(16,468)**	(16,468)
Unrealized fair value gains (losses) on derivative instrument designated under hedge accounting (Note 31)	**57,409**	(14,742)
Remeasurement losses on defined benefit plan - net of tax (Note 27)	**(7,683)**	(1,804)
Retained earnings (Note 19)	**5,230,267**	2,409,157
Treasury shares (Note 19)	**(28,657)**	–
Total Equity	**26,772,136**	9,981,686
TOTAL LIABILITIES AND EQUITY	**₱50,735,480**	₱24,233,479

See accompanying Notes to Parent Company Financial Statements.

AC ENERGY CORPORATION
(Formerly AC ENERGY PHILIPPINES, INC.)
PARENT COMPANY STATEMENTS OF INCOME
(Amounts in Thousands, Except Per Share Figures)

	Years Ended December 31	
	2020	2019
REVENUES		
Revenue from sale of electricity (Notes 20 and 30)	**₱16,903,400**	₱14,403,839
Dividend income (Notes 10 and 11)	**1,416,757**	180,539
Management income	**118,048**	–
Rental income	–	1,467
	18,438,205	14,585,845
COSTS AND EXPENSES		
Cost of sale of electricity (Note 21)	**12,836,510**	14,472,555
General and administrative expenses (Note 22)	**1,648,182**	463,741
	14,484,692	14,936,296
INTEREST AND OTHER FINANCIAL CHARGES (Note 25)	**(743,331)**	(331,473)
OTHER INCOME - NET (Note 25)	**430,514**	380,811
INCOME (LOSS) BEFORE INCOME TAX	**3,640,696**	(301,113)
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 26)	**271,888**	(192,022)
NET INCOME (LOSS)	**₱3,368,808**	(₱109,091)
Basic/Diluted Earnings (Loss) Per Share (Note 29)	**₱0.31**	(₱0.02)

See accompanying Notes to Parent Company Financial Statements.

AC ENERGY CORPORATION
(Formerly AC ENERGY PHILIPPINES, INC.)
PARENT COMPANY STATEMENTS OF COMPREHENSIVE INCOME
(Amounts in Thousands, Except Per Share Figures)

	Years Ended December 31	
	2020	2019
NET INCOME (LOSS)	**₱3,368,808**	(₱109,091)
OTHER COMPREHENSIVE INCOME (LOSS)		
Other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods		
Unrealized fair value gains (losses) on derivative instrument designated under hedge accounting (Note 31)	**103,074**	(21,060)
Income tax effect	**(30,923)**	6,318
Other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods		
Net changes in fair market value of equity instruments at FVOCI (Note 11)	**–**	(26,171)
Remeasurement losses on defined benefit plan (Note 27)	**(8,398)**	(126)
Income tax effect	**2,519**	2,465
OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX	**66,272**	(38,574)
TOTAL COMPREHENSIVE INCOME (LOSS)	**3,435,080**	(₱147,665)

See accompanying Notes to Parent Company Financial Statements.

AC ENERGY CORPORATION
(Formerly AC ENERGY PHILIPPINES, INC.)
PARENT COMPANY STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019
(Amounts in Thousands)

	Capital Stock (Note 19)	Additional Paid-in Capital (Note 19)	Other Equity Reserves (Note 19)	Treasury Shares (Note 19)	Unrealized Fair Value Gains (Losses) on Equity Instruments at FVOCI (Note 11)	Unrealized Fair Value Losses on Derivative Instruments designated under hedge accounting (Note 31)	Remeasurement Gains (Losses) on Defined Benefit Obligation - net of tax (Note 27)	Retained Earnings (Note 19)	Total
BALANCES AT JANUARY 1, 2020	**₱7,521,775**	**₱83,768**	**₱–**	**₱–**	**(₱16,468)**	**(₱14,742)**	**(₱1,804)**	**₱2,409,157**	**₱9,981,686**
Net income	–	–	–	–	–	–	–	**3,368,808**	**3,368,808**
Other comprehensive income (loss)	–	–	–	–	–	**72,151**	**(5,879)**	–	**66,272**
Total comprehensive income (loss)	–	–	–	–	–	**72,151**	**(5,879)**	**3,368,808**	**3,435,080**
Issuance of shares of stock	**6,185,182**	**8,473,700**	–	–	–	–	–	–	**14,658,882**
Effect of a common control transaction (Notes 10 and 11)	–	–	**(804,074)**	–	–	–	–	–	**(804,074)**
Effect of share-swap transaction (Note 10)	–	**171,699**	–	–	–	–	–	–	**171,699**
Stock issuance costs	–	**(94,782)**	–	–	–	–	–	–	**(94,782)**
Acquisition of treasury shares	–	–	–	**(28,657)**	–	–	–	–	**(28,657)**
Dividends declared and paid	–	–	–	–	–	–	–	**(547,698)**	**(547,698)**
	6,185,182	**8,550,617**	**(804,074)**	**(28,657)**	–	–	–	**(547,698)**	**13,355,370**
BALANCES AT DECEMBER 31, 2020	**₱13,706,957**	**₱8,634,385**	**(₱804,074)**	**(₱28,657)**	**(₱16,468)**	**₱57,409**	**(₱7,683)**	**₱5,230,267**	**₱26,772,136**
BALANCES AT JANUARY 1, 2019	₱4,889,775	₱83,768	₱–	₱–	₱52,339	₱–	(₱1,715)	₱2,473,184	₱7,497,351
Net loss	–	–	–	–	–		–	(109,091)	(109,091)
Other comprehensive loss	–	–	–	–	(23,743)	(14,742)	(89)	–	(38,574)
Total comprehensive loss	–	–	–	–	(23,743)	(14,742)	(89)	(109,091)	(147,665)
Sale of equity investments at FVOCI (Note 11)	–	–	–	–	(45,064)	–	–	45,064	–
	2,632,000	–	–	–	(45,064)	–	–	45,064	2,632,000
BALANCES AT DECEMBER 31, 2019	₱7,521,775	₱83,768	₱–	₱–	(₱16,468)	(₱14,742)	(₱1,804)	₱2,409,157	₱9,981,686

See accompanying Notes to Parent Company Financial Statements.

AC ENERGY CORPORATION
(Formerly AC ENERGY PHILIPPINES, INC.)

PARENT COMPANY STATEMENTS OF CASH FLOWS

(Amounts in Thousands)

	Years Ended December 31	
	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Income (loss) before income tax	**₱3,640,696**	(₱301,113)
Adjustments for:		
Interest and other financial charges (Note 25)	**743,331**	331,473
Depreciation and amortization (Note 24)	**81,464**	61,686
Movement in pension and other employee benefits (Note 27)	**8,993**	4,424
Dividend income (Notes 10 and 11)	**(1,416,757)**	(180,539)
Interest and other financial income (Note 25)	**(46,346)**	(68,763)
Provisions for:		
Impairment of property, plant and equipment (Notes 9 and 22)	**270,528**	–
Probable losses (Notes 15 and 22)	**95,150**	–
Credit losses (Notes 6 and 22)	**873**	1,163
Inventory obsolescence (Notes 7 and 22)	**–**	5,554
Probable losses on deferred exploration costs (Notes 12 and 22)	**–**	34,493
Unrealized foreign exchange gain	**(296,145)**	(144)
Loss (gain) on derivatives - net (Note 25)	**3,393**	6,851
Loss (gain) on sale/disposal of:		
Property, plant and equipment (Note 25)	**1,408**	(294,100)
Investments (Note 25)	–	6,652
Inventories (Note 25)	–	461
Asset held for sale (Note 25)	–	(14,289)
Operating income (loss) before working capital changes	**3,086,588**	(406,191)
Decrease (increase) in:		
Receivables	**(7,526,874)**	(430,889)
Fuel and spare parts	**(374,384)**	197,746
Other current assets	**(535,722)**	(685,483)
Deposit receivables	–	(15,885)
Increase (decrease) in accounts payable and other current liabilities	**398,468**	(190,548)
Net cash used in operations	**(4,951,924)**	(1,531,250)
Income taxes paid, including creditable withholding taxes	**30,624**	983
Net cash used in operating activities	**(4,921,300)**	(1,530,267)

(Forward)

	Years Ended December 31	
	2020	2019
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to:		
Investments in subsidiaries, associates and joint venture (Note 10)	**(₱8,276,818)**	(₱503,636)
Deposits for future subscription (Notes 14 and 28)	**(1,263,940)**	–
Advances to affiliates (Notes 14 and 28)	**(178,963)**	–
Property and equipment (Note 9)	**(115,190)**	(17,177)
Financial assets at fair value through profit or loss	–	(4,368,530)
Short-term investments	–	(100,000)
Deferred exploration costs	–	(2,770)
Proceeds from:		
Redemption of short-term investments	**100,000**	–
Sale of investments financial assets at FVTPL	–	4,853,332
Sale of investment/ redemption of preferred shares in subsidiaries (Note 10)	–	543,348
Sale of property and equipment (Notes 9)	–	335,276
Sale of asset held for sale	–	45,000
Sale of financial assets at FVOCI	–	177,016
Cash dividends received (Notes 10, 11 and 19)	**1,588,456**	180,539
Interest received	**35,190**	52,593
Net cash from (used in) investing activities	**(8,111,265)**	1,194,991
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from:		
Short-term loans (Note 16)	**10,506,500**	–
Long-term loans (Note 16)	**1,500,000**	5,000,000
Issuance of capital stock (Note 19)	–	2,632,000
Payments of:		
Long-term loans (Note 16)	**(2,006,465)**	(1,094,058)
Short-term loans (Note 16)	**(750,000)**	(400,000)
Cash dividends	**(547,698)**	–
Interest on loans	**(471,159)**	(249,555)
Stock issuance costs	**(94,782)**	–
Treasury shares (Note 19)	**(28,657)**	–
Debt issuance costs (Note 16)	**(11,250)**	(43,003)
Principal portion of lease liability (Note 17)	**(7,460)**	(2,761)
Interest expense on lease liability (Note 17)	**(1,273)**	(454)
Increase in other noncurrent liabilities	**(7,324)**	(16,756)
Net cash from financing activities	**8,080,432**	5,825,413
EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**(21,755)**	144
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(4,973,888)**	5,490,281
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**6,102,639**	612,358
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 5)	**₱1,128,751**	₱6,102,639

See accompanying Notes to Parent Company Financial Statements.

1. Corporate Information and Status of Operations

AC Energy Corporation, formerly AC Energy Philippines, Inc. ("ACEN" or the "Company"), incorporated on September 8, 1969, and registered with the Philippine Securities and Exchange Commission ("SEC"), is engaged in power generation and trading, oil and mineral exploration, development and production. The Company is a licensed Retail Electricity Supplier ("RES"). As a RES, the Company can supply electricity to the contestable market pursuant to the Electric Power Industry Reform Act ("EPIRA"). Other activities of the Company include investing in various operating companies and financial instruments.

On February 7, 2019, Philippine Investment Management ("PHINMA"), Inc., PHINMA Corporation and AC Energy and Infrastructure Corporation ("ACEIC", formerly AC Energy, Inc.) signed an investment agreement for ACEIC's acquisition of PHINMA, Inc.'s and PHINMA Corporation's combined 51.476% stake in ACEN via a secondary share sale through the Philippine Stock Exchange ("PSE").

On April 15, 2019, the Philippine Competition Commission ("PCC") approved the sale of the combined stake of PHINMA, Inc. and PHINMA Corporation in ACEN to ACEIC. ACEIC made a tender offer to the other shareholders of ACEN on May 20, 2019 to June 19, 2019, with a total of 156,476 public shares of ACEN tendered during the tender offer period.

On June 24, 2019, the PSE confirmed the special block sale of ACEN shares to ACEIC. On the same day, ACEIC subscribed to 2.63 billion shares of ACEN. On June 22, 2020, the SEC approved the increase in ACEN's authorized capital stock and the issuance of the new shares to ACEIC equivalent to 6.19 billion common shares at ₱2.37 per share in exchange for ACEIC's interest in various Philippine companies.

As at December 31, 2020, ACEIC directly owns 81.62% of the ACEN's total outstanding shares of stock.

The direct parent company (or intermediate parent company) of ACEN is ACEIC, a wholly owned subsidiary of Ayala Corporation ("AC"), a publicly-listed company which is 47.3% owned by Mermac, Inc. (ultimate parent company). ACEN is managed by ACEIC under an existing management agreement, which was assigned by PHINMA, Inc. to ACEIC on June 24, 2019 and which assignment was approved by the stockholders on September 17, 2019. ACEN, ACEIC, AC and Mermac, Inc. are all incorporated and domiciled in the Philippines.

On July 23, 2019, the Board of Directors ("BOD" or "Board") of ACEN approved the following amendments to ACEN's articles of incorporation:

i) Change of the corporate name to AC Energy Philippines, Inc.;
ii) Change of the principal office of the Company to 4th Floor, 6750 Office Tower, Ayala Ave., Makati City;
iii) Increase in authorized capital stock by 16 billion shares or from 8,400,000,000 common shares to 24,400,000,000 common shares.

On September 5, 2019, the BOD of ACEN approved an amendment to ACEN's articles of incorporation to exempt from the pre-emptive right of existing stockholders the issuance of shares in exchange for property needed for corporate purposes or in payment of previously contracted debt, provided that shares to be issued for this purpose shall not exceed sixteen (16) billion shares.

The foregoing amendments were approved by the stockholders on September 17, 2019.

The change in corporate name and office of the Company was subsequently approved by the SEC on October 11, 2019, while the increase in authorized capital stock and the exemption from pre-emptive rights were approved on June 22, 2020.

On October 9, 2019, the BOD of ACEN approved, among others, the following matters:

i) The swap between the Company and ACEIC and the issuance of shares of stock in the Company in favor of ACEIC in exchange for the latter's shares of stock in its various Philippine subsidiaries and affiliates;
ii) The undertaking of a stock rights offering (the "Rights Offer" or the "SRO"), subject to applicable regulatory approvals and
iii) The transfer to ACEN of ACEIC's right to purchase the 20% ownership stake of Axia Power Holdings Philippines, Corporation ("APHPC"), a subsidiary of Marubeni Corporation, in South Luzon Thermal Energy Corporation ("SLTEC").

On October 9, 2019 ACEN and ACEIC executed a Deed of Assignment wherein ACEIC assigned to ACEN shares of stock in various ACEIC subsidiaries and affiliates in exchange for ACEN shares. The Deed of Assignment was amended on November 13, 2019 to reflect the correct number of common shares of ACEIC in SLTEC, ACTA Power Corporation ("ACTA Power") and Manapla Sun Power Development Corporation ("MSPDC").

On November 5, 2019, ACEN signed a Deed of Assignment with ACEIC to transfer ACEIC's rights to purchase 20% ownership stake of APHPC in SLTEC, which owns and operates the 2x135 megawatt (MW) Circulating Fluidized Bed power plant (the "SLTEC Power Plant") in Calaca, Batangas.

On November 11, 2019, the BOD of ACEN approved, among others, the following matters:

i) Ratification of the Executive Committee's approval of the Company's acquisition of Philippine Investment Alliance for Infrastructure's ("PINAI") ownership interest in Philippine Wind Holdings Corporation ("PhilWind");
ii) Purchase of up to 100% of the PINAI Fund's ownership interest in San Carlos Solar Energy, Inc. ("SACASOL"), which owns and operates a 45 MW solar farm in San Carlos City, Negros Occidental;
iii) Purchase of up to 100% of the PINAI Fund's ownership interest in Negros Island Solar Power, Inc. ("ISLASOL"), which owns and operates the 80 MW solar farms in Negros Occidental;
iv) Additional short-term credit lines of up to ₱8 billion; and
v) Investment into, and construction of, a 60 MW solar power plant in Palauig, Zambales through ACE Endevor, Inc.'s ("ACE Endevor" or formerly AC Energy Development, Inc.), wholly owned project company, Gigasol3, Inc.

During the regular meeting held on March 18, 2020, the BOD of ACEN approved the change in the corporate name from "AC Energy Philippines, Inc." to "AC Energy Corporation", and the increase in the Company's authorized capital stock from ₱24.40 billion divided into 24.4 billion shares, to ₱48.40 billion divided into 48.4 billion shares.

The BOD also approved the consolidation of ACEIC's international business and assets into ACEN via a tax free exchange, whereby ACEIC will transfer its shares of stock in AC Energy International, Inc. (formerly Presage Corporation; "ACE International"), ACEIC's subsidiary, a holding company that owns ACEIC's international business and investments) to ACEN in exchange for the issuance to ACEIC of additional primary shares in ACEN (assets-for-shares swap), on terms to be determined by ACEN Executive Committee.

On April 1, 2020, acting on the authority delegated by the Board, ACEN's Executive Committee approved the terms of the exchange at 16,685,800,533 additional primary shares of ACEN to ACEIC at an issue price of ₱2.97 per share in exchange for property consisting of 100% of ACEIC's shares in ACE International. As at March 8, 2021, ACEIC and the Company are still in discussions as to the timing and the implementation of the exchange, considering the regulatory approvals required.

During the Annual Stockholders' Meeting held on April 20, 2020, the stockholders of the Company approved the following corporate actions:

i) Amendment to the Articles of Incorporation:
   a. to change the corporate name from "AC Energy Philippines, Inc." to "AC Energy Corporation"; and
   b. to increase the authorized capital stock from ₱24.4 billion divided into 24.4 billion shares, to ₱48.4 billion divided into 48.4 billion shares
ii) Amendment to the By-laws to change the corporate name from "AC Energy Philippines, Inc." to "AC Energy Corporation".

On January 5, 2021, the SEC approved the amendments to the Company's Articles of Incorporation and By-laws to change the corporate name from "AC Energy Philippines, Inc." to "AC Energy Corporation." As at March 8, 2021, the Company has not yet filed an application to increase its authorized capital stock from ₱24.4 billion divided into 24.4 billion shares, to ₱48.4 billion divided into 48.4 billion shares.

Effective on August 14, 2020, the Company changed its PSE stock symbol from "ACEPH" to "ACEN".

On October 30, 2020, ACEN received BIR Certification Ruling SN027-2020 relative to the tax-exempt transfer of shares of stocks made by ACEIC to ACEN pursuant to Section 40 (C) (2) of the National Internal Revenue Code of 1997, as amended ("NIRC"). The Certification Ruling states that the property-for-share swap between ACEIC and ACEN covering the issuance of 6,185,182,288 shares of stock in ACEN in favor of ACEIC in exchange for ACEIC's shares of stock in select Philippine operating and development companies, is not subject to income tax/capital gains tax/expanded withholding tax/donor's tax and value-added tax.

On November 11, 2020, the BOD of ACEN approved, among others, the following matters:

i) The terms of the Company's SRO for the issuance of 2,267,580,434 shares at an offer price of ₱2.37 per share, and at an entitlement ratio of 1.11 shares:1 offer share, subject to applicable SEC and other regulatory approvals of the offer, including the offer price and
ii) The offer of an affiliate of GIC Private Limited ("GIC"), Arran Investment Pte Ltd ("Arran"), to invest into ACEN and acquire a 17.5% ownership stake, subject to definitive documentation and satisfaction of agreed conditions. The proposed 17.5% ownership stake is on the basis that ACEN's SRO and follow-on-offering, and the infusion of ACEIC's international business into the Group, have been completed (see Note 33).

On December 11, 2020, ACEN received the confirmation letter from the SEC that the SRO is exempt from registration requirements under Section 8 of the Securities Regulation Code (the "Code") pursuant to Section 10.1 thereof. On December 16, 2020, the PSE approved the application of the Company for the listing of additional shares of up to 2,267,580,434 common shares covering its SRO to all stockholders as of the proposed record date of January 13, 2021 (see Note 33).

On December 30, 2020, ACEN and ACEIC signed an Investment Agreement with Arran for the latter's investment into ACEN subject to agreed conditions precedent.

The registered office address of ACEN is 4th floor, 6750 Ayala Avenue Office Tower, Makati City.

Authorization for Issuance of Parent Company Financial Statements
The parent company financial statements of the Company were approved and authorized for issuance by the Company's BOD on March 8, 2021.

2. Basis of Preparation and Statement of Compliance

The parent company financial statements have been prepared in accordance with Philippine Financial Reporting Standards (PFRSs).

The parent company financial statements have been prepared on a historical cost basis, except for derivative financial instruments and financial assets at fair value through other comprehensive income (FVOCI) that are measured at fair value. The parent company financial statements are presented in Philippine Peso (₱) which is the Company's functional and presentation currency. All values are rounded to the nearest thousands (000), except when otherwise indicated.

The accompanying parent company financial statements are the Company's separate financial statements prepared for submission with the Bureau of Internal Revenue (BIR) and Securities and Exchange Commission (SEC). The Company also prepares and issues consolidated financial statements for the same period as the parent company financial statements presented in compliance with PFRS 10, *Consolidated Financial Statements*. The consolidated financial statements are filed with and may be obtained from the SEC.

3. Summary of Significant Accounting Policies and Disclosures

Changes in Accounting Policies and Disclosures
The Company has adopted the following new accounting pronouncements. Adoption of these pronouncements either did not have any significant impact on the Company's financial position or performance unless otherwise indicated. The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Starting January 1, 2020

- Amendments to PFRS 3, *Business Combinations*, *Definition of a Business*

  The amendments to PFRS 3 clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. Furthermore, it clarifies that a business can exist without including all of the inputs and processes needed to create outputs.

The Company applied the amendments in accounting for business combinations for the year ended December 31, 2020 (see Note 31).

- Amendments to PFRS 7, *Financial Instruments: Disclosures* and PFRS 9, *Financial Instruments, Interest Rate Benchmark Reform*

  The amendments to PFRS 9 provide a number of reliefs, which apply to all hedging relationships that are directly affected by the interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainties about the timing and or amount of benchmark-based cash flows of the hedged item or the hedging instrument.

  The Company's hedged item has not been modified and remains exposed to interbank offered rates ("IBORs") as it continues to apply the relief to the hedge relationship as the Company's hedged item continues to be exposed to the uncertainties of interest rate benchmark. The Company demonstrates that on a prospective basis it expects its alternative risk free rate (RFR)-based derivative to be highly effective at hedging its IBOR-based hedged item in the case of Philippine Accounting Standards ("PAS") 39, or in the case of PFRS 9 demonstrate that the RFR-based derivative and the IBOR-based hedged item have an economic relationship.

- Amendments to Philippine Accounting Standards (PAS) 1, *Presentation of Financial Statements,* and PAS 8*, Accounting Policies, Changes in Accounting Estimates and Errors, Definition of Material*

  The amendments provide a new definition of material that states "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity."

  The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users.

- Conceptual Framework for Financial Reporting issued on March 29, 2018

  The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the standard-setters in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards.

  The revised Conceptual Framework includes new concepts, provides updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts.

- Amendments to PFRS 16, *COVID-19-related Rent Concessions*

  The amendments provide relief to lessees from applying the PFRS 16 requirement on lease modifications to rent concessions arising as a direct consequence of the COVID-19 pandemic. A lessee may elect not to assess whether a rent concession from a lessor is a lease modification if it meets all of the following criteria:

  - The rent concession is a direct consequence of COVID-19;

- The change in lease payments results in a revised lease consideration that is substantially the same as, or less than, the lease consideration immediately preceding the change;
- Any reduction in lease payments affects only payments originally due on or before June 30, 2021; and
- There is no substantive change to other terms and conditions of the lease.

A lessee that applies this practical expedient will account for any change in lease payments resulting from the COVID-19 related rent concession in the same way it would account for a change that is not a lease modification, i.e., as a variable lease payment.

The amendments are effective for annual reporting periods beginning on or after June 1, 2020. Early adoption is permitted. The Company early adopted the amendments related to rent concessions starting July 1, 2020 but it has no impact to the Company for the year ended December 31, 2020.

Future Changes in Accounting Policies
Pronouncements issued but not yet effective are listed below. Unless otherwise indicated, the Company does not expect that the future adoption of the said pronouncements will have a significant impact on its parent company financial statements. The Company intends to adopt the following pronouncements when they become effective.

Effective beginning on or after January 1, 2021

- Amendments to PFRS 9, PFRS 7, PFRS 4 and PFRS 16, *Interest Rate Benchmark Reform – Phase 2*

  The amendments provide the following temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR):

  - Practical expedient for changes in the basis for determining the contractual cash flows as a result of IBOR reform
  - Relief from discontinuing hedging relationships
  - Relief from the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component

  The Company shall also disclose information about:

  - The about the nature and extent of risks to which the entity is exposed arising from financial instruments subject to IBOR reform, and how the entity manages those risks; and
  - Their progress in completing the transition to alternative benchmark rates, and how the entity is managing that transition

  The amendments are effective for annual reporting periods beginning on or after January 1, 2021 and apply retrospectively, however, the Company is not required to restate prior periods.

Effective beginning on or after January 1, 2022

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

  The amendments are intended to replace a reference to the *Framework for the Preparation and Presentation of Financial Statements*, issued in 1989, with a reference to the *Conceptual Framework for Financial Reporting* issued in March 2018 without significantly changing its requirements. The amendments added an exception to the recognition principle of PFRS 3, *Business Combinations* to avoid the issue of potential 'day 2'gains or losses arising for liabilities and contingent liabilities that would be within the scope of PAS 37, *Provisions, Contingent Liabilities and Contingent Assets* or Philippine-IFRIC 21, *Levies*, if incurred separately.

At the same time, the amendments add a new paragraph to PFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

The amendments are effective for annual reporting periods beginning on or after January 1, 2022 and apply prospectively.

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

  The amendments prohibit entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the costs of producing those items, in profit or loss.

  The amendment is effective for annual reporting periods beginning on or after January 1, 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

- Amendments to PAS 37, *Onerous Contracts - Costs of Fulfilling a Contract*

  The amendments specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

  The amendments are effective for annual reporting periods beginning on or after January 1, 2022. The Company will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.

- *Annual Improvements to PFRSs* 2018-2020 Cycle

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

    The amendment permits a subsidiary that elects to apply paragraph D16(a) of PFRS 1 to measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to PFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of PFRS 1.

    The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted.

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

  The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

  The amendment is effective for annual reporting periods beginning on or after January 1, 2022, with earlier adoption permitted. The Company will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the Company first applies the amendment.

- Amendments to PAS 41, *Agriculture, Taxation in fair value measurements*

  The amendment removes the requirement in paragraph 22 of PAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of PAS 41.

  An entity applies the amendment prospectively to fair value measurements on or after the beginning of the first annual reporting period beginning on or after January 1, 2022 with earlier adoption permitted.

Effective beginning on or after January 1, 2023

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

  The amendments clarify paragraphs 69 to 76 of PAS 1, *Presentation of Financial Statements*, to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:
  - What is meant by a right to defer settlement
  - That a right to defer must exist at the end of the reporting period
  - That classification is unaffected by the likelihood that an entity will exercise its deferral right
  - That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

  The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and must be applied retrospectively. The Company is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

- PFRS 17, *Insurance Contracts*

  PFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, PFRS 17 will replace PFRS 4, *Insurance Contracts*. This new standard on insurance contracts applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply.

The overall objective of PFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in PFRS 4, which are largely based on grandfathering previous local accounting policies, PFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of PFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

PFRS 17 is effective for reporting periods beginning on or after January 1, 2023, with comparative figures required. Early application is permitted.

Deferred effectivity

- Amendments to PFRS 10, *Consolidated Financial Statements*, and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

  The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

  On January 13, 2016, the Financial Reporting Standards Council deferred the original effective date of January 1, 2016 of the said amendments until the International Accounting Standards Board (IASB) completes its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

<u>Summary of Significant Accounting Policies</u>
The accounting policies set out below have been applied consistently to all periods presented in the Company's parent company financial statements, unless otherwise indicated.

<u>Presentation of Financial Statements</u>
The Company has elected to present all items of recognized income and expense in two statements: a statement displaying components of profit or loss (parent company statement of income) and a second statement beginning with profit or loss and displaying components of OCI (parent company statement of comprehensive income).

<u>Current versus Noncurrent Classification</u>
The Company presents assets and liabilities in the parent company statement of financial position based on current or noncurrent classification. An asset is current when it is:

- expected to be realized or intended to be sold or consumed in normal operating cycle;
- held primarily for the purpose of trading;
- expected to be realized within twelve (12) months after the reporting period; or,
- cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve (12) months after the reporting period.

All other assets are classified as noncurrent.

A liability is current when:

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

The Company classifies all other liabilities as noncurrent.

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

<u>Cash and Cash Equivalents</u>
Cash and cash equivalents in the parent company statement of financial position is composed of cash in banks and on hand and short-term deposits with a maturity of three (3) months or less, which are subject to an insignificant risk of changes in value.

<u>Short-term Investments</u>
Short-term investments represent investments that are readily convertible to known amounts of cash with original maturities of more than three (3) months to one (1) year.

<u>Fair Value Measurement</u>
The Company measures financial assets at FVTPL, financial assets at FVOCI and derivative financial instruments at fair value at each reporting date. Fair value related disclosures for financial instruments and non-financial assets that are measured at fair value or where fair values are disclosed, are summarized in the following notes:

- Quantitative disclosures of fair value measurement hierarchy, see Note 32
- Financial instruments (including those carried at amortized cost), see Note 32

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

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

The principal or the most advantageous market must be accessible by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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

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

All assets and liabilities for which fair value is measured or disclosed in the parent company financial statements are categorized within the fair value hierarchy, described in Note 32, based on the lowest level input that is significant to the fair value measurement as a whole.

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

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

Financial Instruments - Classification and Measurement

Classification of Financial Assets
Financial assets are classified in their entirety based on the contractual cash flows characteristics of the financial assets and the Company's business model for managing the financial assets. The Company classifies its financial assets into the following measurement categories:

- financial assets measured at amortized cost
- financial assets measured at FVTPL
- financial assets measured at FVOCI, where cumulative gains or losses previously recognized are reclassified to profit or loss
- financial assets measured at FVOCI, where cumulative gains or losses previously recognized are not reclassified to profit or loss

Contractual Cash Flows Characteristics
If the financial asset is held within a business model whose objective is to hold assets to collect contractual cash flows or within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, the Company assesses whether the cash flows from the financial asset represent solely payments of principal and interest (SPPI) on the principal amount outstanding.

In making this assessment, the Company determines whether the contractual cash flows are consistent with a basic lending arrangement, i.e., interest includes consideration only for the time value of money, credit risk and other basic lending risks and costs associated with holding the financial asset for a particular period of time. In addition, interest can include a profit margin that is consistent with a basic lending arrangement. The assessment as to whether the cash flows meet the test is made in the currency in which the financial asset is denominated. Any other contractual terms that introduce exposure to risks or volatility in the contractual cash flows that is unrelated to a basic lending arrangement, such as exposure to changes in equity prices or commodity prices, do not give rise to contractual cash flows that are solely payments of principal and interest on the principal amount outstanding.

Business Model
The Company's business model is determined at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. The Company's business model does not depend on management's intentions for an individual instrument.

The Company's business model refers to how it manages its financial assets in order to generate cash flows. The Company's business model determines whether cash flows will result from collecting contractual cash flows, selling financial assets or both. Relevant factors considered by the Company in determining the business model for a group of financial assets include how the performance of the business model and the financial assets held within that business model are evaluated and reported to the Company's key management personnel, the risks that affect the performance of the business model (and the financial assets held within that business model) and how these risks are managed and how managers of the business are compensated.

Financial Assets at Amortized Cost
A financial asset is measured at amortized cost if (i) it is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and (ii) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. These financial assets are initially recognized at fair value plus directly attributable transaction costs and subsequently measured at amortized cost using the Effective Interest Rate (EIR) method, less any impairment in value. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the EIR. The amortization is included in "Other income - net" in the parent company statement of income and is calculated by applying the EIR to the gross carrying amount of the financial asset, except for (i) purchased or originated credit-impaired financial assets and (ii) financial assets that have subsequently become credit-impaired, where, in both cases, the EIR is applied to the amortized cost of the financial asset. Losses arising from impairment are recognized in "Provision for credit losses" in the parent company statement of income.

As at December 31, 2020 and 2019, the Company's financial assets at amortized cost includes cash and cash equivalents, short-term investments, trade receivables and receivables from third parties under "Receivables" and refundable deposits (see Notes 5, 6, 8, 14 and 31).

Financial Assets at FVOCI

Debt instruments
A financial asset is measured at FVOCI if (i) it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and (ii) its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. These financial assets are initially recognized at fair value plus directly attributable transaction costs and subsequently measured at fair value. Gains and losses arising from changes in fair value are included in other comprehensive income within a separate component of equity. Impairment losses or reversals, interest income and foreign exchange gains and losses are recognized in profit and loss until the financial asset is derecognized. Upon derecognition, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss. This reflects the gain or loss that would have been recognized in profit or loss upon derecognition if the financial asset had been measured at amortized cost. Impairment is measured based on the expected credit loss (ECL) model.

As at December 31, 2020 and 2019, the Company does not have debt instruments at FVOCI.

Equity instruments
The Company may also make an irrevocable election to measure at FVOCI on initial recognition investments in equity instruments that are neither held for trading nor contingent consideration recognized in a business combination in accordance with PFRS 3. Amounts recognized in OCI are not subsequently transferred to profit or loss. However, the Company may transfer the cumulative

gain or loss within equity. Dividends on such investments are recognized in profit or loss, unless the dividend clearly represents a recovery of part of the cost of the investment.

Dividends are recognized in profit or loss only when:

- the Company's right to receive payment of the dividend is established
- it is probable that the economic benefits associated with the dividend will flow to the Company; and
- the amount of the dividend can be measured reliably.

As at December 31, 2020 and 2019, the Company's investments in quoted and unquoted equity securities and golf club shares are classified as financial assets at FVOCI (see Notes 11 and 31).

Financial Assets at FVTPL
Financial assets at FVTPL are measured at fair value unless these are measured at amortized cost or at FVOCI. Included in this classification are debt instruments with contractual terms that do not represent solely payments of principal and interest. Financial assets held at FVTPL are initially recognized at fair value, with transaction costs recognized in the parent company statement of income as incurred. Subsequently, they are measured at fair value and any gains or losses are recognized in the parent company statement of income.

Additionally, even if the asset meets the amortized cost or the FVOCI criteria, the Company may choose at initial recognition to designate the financial asset at FVTPL if doing so eliminates or significantly reduces a measurement or recognition inconsistency (an accounting mismatch) that would otherwise arise from measuring financial assets on a different basis.

Trading gains or losses are calculated based on the results arising from trading activities of the Company, including all gains and losses from changes in fair value for financial assets and financial liabilities at FVTPL, and the gains or losses from disposal of financial investments.

As at December 31, 2020 and 2019, the Company's investments in Unit Investment Trust Funds (UITF) and Fixed Interest Treasury Notes (FXTN) and derivative assets are classified as financial assets at FVTPL (see Note 31).

Derivative financial instruments and hedge accounting
Initial recognition and subsequent measurement
The Company uses derivative financial instruments, such as forward currency contracts, interest rate swaps and forward commodity contracts, to hedge its foreign currency risks, interest rate risks and commodity price risks, respectively. Such derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

For the purpose of hedge accounting, hedges are classified as:

- Fair value hedges when hedging the exposure to changes in the fair value of a recognized asset or liability or an unrecognized firm commitment
- Cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognized firm commitment
- Hedges of a net investment in a foreign operation

At the inception of a hedge relationship, the Company formally designates and documents the hedge relationship to which it wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge.

The documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Company will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined).

A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

- There is 'an economic relationship' between the hedged item and the hedging instrument.
- The effect of credit risk does not 'dominate the value changes' that result from that economic relationship.
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Company actually hedges and the quantity of the hedging instrument that the Company actually uses to hedge that quantity of hedged item.

Hedges that meet all the qualifying criteria for hedge accounting are accounted for, as described below:

Fair value hedges
The change in the fair value of a hedging instrument is recognized in the parent company statement of income as other expense. The change in the fair value of the hedged item attributable to the risk hedged is recorded as part of the carrying value of the hedged item and is also recognized in the parent company statement of income as other expense.

For fair value hedges relating to items carried at amortized cost, any adjustment to carrying value is amortized through profit or loss over the remaining term of the hedge using the EIR method. The EIR amortization may begin as soon as an adjustment exists and no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged.

If the hedged item is derecognized, the unamortized fair value is recognized immediately in profit or loss.

When an unrecognized firm commitment is designated as a hedged item, the subsequent cumulative change in the fair value of the firm commitment attributable to the hedged risk is recognized as an asset or liability with a corresponding gain or loss recognized in profit or loss.

Cash flow hedges
The effective portion of the gain or loss on the hedging instrument is recognized in OCI in the cash flow hedge reserve, while any ineffective portion is recognized immediately in the parent company statement of income. The cash flow hedge reserve is adjusted to the lower of the cumulative gain or loss on the hedging instrument and the cumulative change in fair value of the hedged item.

The Company uses forward commodity contracts for its exposure to volatility in the commodity prices. The ineffective portion relating to foreign currency contracts is recognized as other expense and the ineffective portion relating to commodity contracts is recognized in other operating income or expenses.

The Company designates only the spot element of forward contracts as a hedging instrument. The forward element is recognized in OCI and accumulated in a separate component of equity under cost of hedging reserve.

The amounts accumulated in OCI are accounted for, depending on the nature of the underlying hedged transaction. If the hedged transaction subsequently results in the recognition of a non-financial item, the amount accumulated in equity is removed from the separate component of equity and included in the initial cost or other carrying amount of the hedged asset or liability. This is not a reclassification adjustment and will not be recognized in OCI for the period. This also applies where the hedged forecast transaction of a non-financial asset or non-financial liability subsequently becomes a firm commitment for which fair value hedge accounting is applied.

For any other cash flow hedges, the amount accumulated in OCI is reclassified to profit or loss as a reclassification adjustment in the same period or periods during which the hedged cash flows affect profit or loss.

If cash flow hedge accounting is discontinued, the amount that has been accumulated in OCI must remain in accumulated OCI if the hedged future cash flows are still expected to occur. Otherwise, the amount will be immediately reclassified to profit or loss as a reclassification adjustment. After discontinuation, once the hedged cash flow occurs, any amount remaining in accumulated OCI must be accounted for depending on the nature of the underlying transaction as described above.

The Company uses a coal swap contract as a hedge of its exposure to coal price risk on its coal purchases (see Notes 8, 14, 15 and 31).

Classification of Financial Liabilities

Financial liabilities are measured at amortized cost, except for the following:

- financial liabilities measured at FVTPL;
- financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the Company retains continuing involvement;
- financial guarantee contracts;
- commitments to provide a loan at a below-market interest rate; and
- contingent consideration recognized by an acquirer in accordance with PFRS 3.

A financial liability may be designated at fair value through profit or loss if it eliminates or significantly reduces a measurement or recognition inconsistency (an accounting mismatch) or:

- if a host contract contains one or more embedded derivatives; or
- if a group of financial liabilities or financial assets and liabilities is managed and its performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

Where a financial liability is designated at FVTPL, the movement in fair value attributable to changes in the Company's own credit quality is calculated by determining the changes in credit spreads above observable market interest rates and is presented separately in other comprehensive income.

As at December 31, 2020 and 2019, the Company has not designated any financial liability at FVTPL.

The Company's accounts payable and other current liabilities (excluding derivative liability and statutory payables), due to stockholders, short-term and long-term loans, lease liabilities, deposit payables and other noncurrent liabilities are classified as financial liabilities measured at amortized cost under PFRS 9 (see Notes 15, 16, 17, 18, 28 and 31).

Derecognition of Financial Assets and Financial Liabilities

Financial Assets
A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from the parent company statement of financial position) when:

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

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

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

Modification of Contractual Cash Flows
When the contractual cash flows of a financial asset are renegotiated or otherwise modified and the renegotiation or modification does not result in the derecognition of that financial asset, the Company recalculates the gross carrying amount of the financial asset as the present value of the renegotiated or modified contractual cash flows discounted at the original EIR (or credit-adjusted EIR for purchased or originated credit-impaired financial assets) and recognizes a modification gain or loss in the parent company statement of comprehensive income.

When the modification of a financial asset results in the derecognition of the existing financial asset and the subsequent recognition of the modified financial asset, the modified asset is considered a 'new' financial asset. Accordingly, the date of the modification shall be treated as the date of initial recognition of that financial asset when applying the impairment requirements to the modified financial asset.

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

Offsetting of Financial Instruments
Financial assets and financial liabilities are offset and the net amount is reported in the parent company statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously.

The Company assesses that it has a currently enforceable right of offset if the right is not contingent on a future event, and is legally enforceable in the normal course of business, event of default, and event of insolvency or bankruptcy of the Company and all of the counterparties.

There are no offsetting of financial assets and financial liabilities and any similar arrangements that are required to be disclosed in the parent company financial statements as at December 31, 2020 and 2019.

Impairment of Financial Assets
The Company recognizes ECL on debt instruments that are measured at amortized. No ECL is recognized on equity investments.

ECLs are measured in a way that reflects the following:

- an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- the time value of money; and
- reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

Financial assets migrate through the following three (3) stages based on the change in credit quality since initial recognition:

Stage 1: 12-month ECL
For credit exposures where there have not been significant increases in credit risk since initial recognition and that are not credit-impaired upon origination, the portion of lifetime ECLs that represent the ECLs that result from default events that are possible within the 12-months after the reporting date are recognized.

Stage 2: Lifetime ECL – not credit-impaired
For credit exposures where there have been significant increases in credit risk since initial recognition on an individual or collective basis but are not credit-impaired, lifetime ECLs representing the ECLs that result from all possible default events over the expected life of the financial asset are recognized.

Stage 3: Lifetime ECL – credit-impaired
Financial assets are credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of those financial assets have occurred. For these credit exposures, lifetime ECLs are recognized and interest revenue is calculated by applying the credit-adjusted effective interest rate to the amortized cost of the financial asset.

Loss Allowance
For trade receivables, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognized a loss allowance based on lifetime ECLs 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.

For cash and cash equivalents, the Company applies the low credit risk simplification. The investments are considered to be low credit risk investments as the counterparties have investment grade ratings. It is the Company's policy to measure ECLs on such instruments on a 12-month basis based on available probabilities of defaults and loss given defaults. The Company uses the ratings published by a reputable rating agency to determine if the counterparty has investment grade rating. If there are no available ratings, the Company determines the ratings by reference to a comparable bank.

For all debt financial assets other than trade receivables, ECLs are recognized using general approach wherein the Company tracks changes in credit risk and recognizes a loss allowance based on either a 12-month or lifetime ECLs at each reporting date.

Loss allowances are recognized based on 12-month ECL for debt investment securities that are assessed to have low credit risk at the reporting date. A financial asset is considered to have low credit risk if:

- the financial instrument has a low risk of default
- the borrower has a strong capacity to meet its contractual cash flow obligations in the near term
- adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Company considers a financial asset to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'.

Determining the Stage for Impairment
At each reporting date, the Company assesses whether there has been a significant increase in credit risk for financial assets since initial recognition by comparing the risk of default occurring over the expected life between the reporting date and the date of initial recognition. The Company considers reasonable and supportable information that is relevant and available without undue cost or effort for this purpose. This includes quantitative and qualitative information and forward-looking analysis.

An exposure will migrate through the ECL stages as asset quality deteriorates. If, in a subsequent period, asset quality improves and also reverses any previously assessed significant increase in credit risk since origination, then the loss allowance measurement reverts from lifetime ECL to 12-months ECL.

Write-off policy
The Company writes-off a financial asset and any previously recorded allowance, in whole or in part, when the asset is considered uncollectible, it has exhausted all practical recovery efforts and has concluded that it has no reasonable expectations of recovering the financial asset in its entirety or a portion thereof.

<u>Fuel and Spare Parts</u>
Fuel and spare parts are stated at the lower of cost or net realizable value (NRV). Cost is determined using the first-in, first-out method. NRV is the current replacement cost of fuel and spare parts.

<u>Property, Plant and Equipment</u>
Property, plant and equipment, except land, is stated at cost, net of accumulated depreciation and impairment losses. Such cost includes the cost of replacing a part of the plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of plant and equipment are required to be replaced at intervals, the Company

depreciates them separately based on their specific useful lives. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in the parent company statement of income as incurred.

Land is stated at cost, net of accumulated impairment losses, if any.

The present value of the expected cost for the decommissioning of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets. The depreciation of property and equipment, except land, begins when it becomes available for use, i.e., when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Depreciation ceases when the assets are fully depreciated or at the earlier of the date that the item is classified as held for sale (or included in the disposal group that is classified as held for sale) in accordance with PFRS 5, and the date the item is derecognized. The estimated useful lives used in depreciating the Company's property, plant and equipment are as follows:

Category	Years
Buildings and improvements	6-25
Machinery and equipment:	
Power plant	20
Power barges	10
Others	10-15
Transportation equipment	3-5
Tools and other miscellaneous assets	10
Office furniture, equipment and others	3-10

The residual values, useful lives and depreciation method are reviewed periodically to ensure that the periods and methods of depreciation are consistent with the expected pattern of economic benefits from items of property and equipment. These are adjusted prospectively, if appropriate.

Fully depreciated property, plant and equipment are retained in the accounts until they are no longer in use and no further depreciation is charged to current operations.

An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the parent company statement of income when the asset is derecognized.

Construction in progress includes cost of construction and other direct costs and is stated at cost less any impairment in value. Construction in progress is not depreciated until such time as the relevant assets are completed and ready for operational use.

Leases

PFRS 16 supersedes PAS 17, *Leases*, IFRIC 4, *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases-Incentives* and SIC-27, *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model.

Lessor accounting under PFRS 16 is substantially unchanged under PAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in PAS 17. Therefore, PFRS 16 did not have an impact for leases where the Company is the lessor.

The Company adopted PFRS 16 using the modified retrospective method of adoption with the date of initial application of January 1, 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognized at the date of initial application. The Company elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying PAS 17 and IFRIC 4 at the date of initial application. The Company also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ('short-term leases'), and lease contracts for which the underlying asset is of low value ('low-value assets').

Right-of-use assets
The Company recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized and lease payments made at or before the commencement date less any lease incentives received. Unless the Company is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

Lease liabilities
At the commencement date of the lease, the Company recognizes lease liabilities measured at the present value of lease payments to be made over the remaining lease term. The lease payments include fixed payments (including in-substance fixed payments, as applicable) less any lease incentives receivable and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating a lease, if the lease term reflects the Company exercising the option to terminate.

In calculating the present value of lease payments, the Company uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

The Company has elected to use the two exemptions proposed by the standard on the following contracts:

a. Lease contracts for which the lease terms end within 12 months from the date of initial application
b. Lease contracts for which the underlying asset is of low value

Significant judgement in determining the lease term of contracts with renewal options
The Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Company has the option to renew the lease contract for an additional term subject to the mutual agreement with the lessors. The Company applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Company reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy).

Deferred taxes
Upon adoption of PFRS 16, the Company has adopted the modified retrospective approach for accounting the transition adjustments and has elected to recognize the deferred income tax assets and liabilities pertaining to right-of-use assets and lease liabilities on a gross basis.

Borrowing Costs
Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the asset. To the extent that funds are borrowed specifically for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalization on that asset shall be determined as the actual borrowing costs incurred on that borrowing during the period less any investment income on the temporary investment of those borrowings. To the extent that funds are borrowed generally, the amount of borrowing costs eligible for capitalization shall be determined by applying a capitalization rate to the expenditures on that asset. The capitalization rate used by the Company is the weighted average of the borrowing costs applicable to the borrowings that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset. The amount of borrowing costs capitalized during a period shall not exceed the amount of borrowing costs incurred during that period.

All other borrowing costs are expensed in the period in which these occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Foreign Currency Denominated Transactions and Balances
Transactions in foreign currencies are initially recorded by the Company's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date. Differences arising on settlement or translation of monetary items are recognized as "Foreign exchange gain - net" under "Other income - net" in the parent company statement of income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the dates when the fair values are determined. The gains or losses arising on translation of non-monetary items measured at fair value are treated in line with the recognition of the gains or losses on the change in fair values of the items (i.e., translation differences on items which the fair value gains or losses are recognized in OCI or in profit or loss are also recognized in OCI or in profit or loss, respectively).

Interests in Joint Arrangements
Joint arrangement is an arrangement over which two or more parties have joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities (being those that significantly affect the returns of the arrangement) require unanimous consent of the parties sharing control.

Joint Operations
A joint operation is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities and share in the revenues and expenses relating to the arrangement. The Company's service contracts (SC) are assessed as joint operations.

Investments in Subsidiaries, Associates and Joint Ventures
A subsidiary is an entity which the Company has control. An investor, regardless of the nature of its involvement with an entity (the investee), shall determine whether it is a parent by assessing whether it controls the investee. An investor controls the investee and has the ability to affect those returns through its power over the investee. Thus, an investor controls an investee if, and only if, the investor has all of the following:

- Power over the investee
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect the amount of the investors returns

An associate is an entity over which the Company has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries.

Investments in subsidiaries, associates and interests in joint ventures are accounted for and presented at cost less any impairment in value. Under the cost method, the Company recognizes income from the investment only to the extent that the Company receives distributions from accumulated profit of the subsidiary, associate and joint venture. The Company recognized dividend income from its subsidiaries, associates and joint ventures when its right to receive the dividend is established.

When an investment in a subsidiary, associate or joint venture is acquired in a common control transaction, the cost is measured at the fair value of the consideration given (cash, other assets or additional shares), plus any costs directly attributable to the acquisition. When there is difference between the purchase consideration and its fair value, the Company imputes an equity contribution or dividend distribution for the difference and accounts for the investments at fair value.

An investment in a subsidiary, an associate or interest in a joint venture is derecognized upon disposal or when no future economic benefits are expected from its use of disposal. Any gain or loss arising on derecognition of the assets (calculated as the difference between the net disposal proceeds and the net carrying amount of the investment) is included in the parent company statement of income in the year the investment is derecognized.

Deferred Exploration Costs
The Company follows the full cost method of accounting for exploration costs determined on the basis of each SC area. Under this method, all exploration costs relating to each SC are deferred pending the determination of whether the contract area contains oil and gas reserves in commercial quantities, net of any allowance for impairment losses.

Expenditures for mineral exploration and development work on mining properties are also deferred as incurred, net of any allowance for impairment losses. These expenditures are provided with an allowance when there are indications that the exploration results are negative. These are written off against the allowance when the projects are abandoned or determined to be definitely unproductive. When the exploration work results are positive, the net exploration costs and subsequent development costs are capitalized and amortized from the start of commercial operations.

Impairment of Non-financial Assets
The Company assesses, at each reporting date, whether there is an indication that an asset may be impaired in accordance with PAS 36. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or Cash Generating Unit's (CGU's) fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Company bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Company's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth (5^{th}) year.

Impairment losses are recognized in the parent company statement of income in expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date to determine whether there is an indication that previously recognized impairment losses no longer exist or have decreased. If such indication exists, the Company estimates the asset's or CGU's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the parent company statement of income.

The following assets have specific characteristics for impairment testing:

Property, Plant and Equipment and Investment Properties
For property, plant and equipment and investment properties, the Company assesses for impairment on the basis of impairment indicators such as evidence of internal obsolescence or physical damage.

Investments in Associates and Interests in Joint Ventures
The Company determines at the end of each reporting period whether there is any objective evidence that the investments in associates and interests in joint ventures are impaired. If this is the case, the amount of impairment is calculated as the difference between the recoverable amount of the investments in associates and interests in joint ventures, and their carrying amounts.

Right-of-Use Assets
Right-of-use assets are tested for impairment when circumstances indicate that the carrying value may be impaired.

Deferred Exploration Costs
Deferred exploration costs are reassessed for impairment on a regular basis. An impairment review is performed, either individually or at the CGU level, when there are indicators that the carrying amount of the assets may exceed their recoverable amounts. To the extent that this occurs, the excess is fully provided against, in the reporting period in which this is determined.

Facts and circumstances that would require an impairment assessment as set forth in PFRS 6, *Exploration for and Evaluation of Mineral Resources*, are as follows:

- The period for which the Company has the right to explore in the specific area has expired or will expire in the near future and is not expected to be renewed;
- Substantive expenditure on further exploration and evaluation of mineral resources in the specific area is neither budgeted nor planned;
- Exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the entity has decided to discontinue such activities in the specific area;
- When a service contract where the Company has participating interest in is permanently abandoned; and
- Sufficient data exist to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

When facts and circumstances suggest that the carrying amount exceeds the recoverable amount, impairment loss is measured, presented and disclosed in accordance with PAS 36, *Impairment of Assets*.

Provisions
Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event; it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and, a reliable estimate can be made of the amount of the obligation. When the Company expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the parent company statement of income, net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as “Other income - net” in the parent company statement of income.

Asset Retirement Obligation
The Company is legally required under a lease agreement to dismantle certain machinery and equipment and restore the leased site at the end of the lease contract term. The Company recognizes the fair value of the liability for this obligation and capitalizes the present value of these costs as part of the balance of the related property, plant and equipment accounts, which are being depreciated on a straight-line basis over the shorter of the useful life of the related asset or the lease term. The liability is subsequently carried at amortized cost using the EIR method with the related interest expense recognized in the parent company statement of income.

Pension and Other Post-employment Benefits

Defined Benefit Plan
The Company operates a defined benefit pension plan in the Philippines, which requires contributions to be made to a separately administered fund. The cost of providing benefits is determined using the projected unit credit method.

Remeasurements, comprising of actuarial gains and losses, the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability and the return on plan assets (excluding amounts included in net interest on the net defined benefit liability), are recognized immediately in the parent company statement of financial position with a corresponding debit or credit to retained earnings through OCI in the period in which these occur. Remeasurements are not reclassified to the parent company statement of income in subsequent periods.

Past service costs are recognized in the parent company statement of income on the earlier of:

- the date of the plan amendment or curtailment; or,
- the date that the Company recognizes related restructuring costs.

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Company recognizes the following changes in the net defined benefit obligation under “Cost of sale of electricity” and “General and administrative expenses” accounts in the parent company statement of income:

- service costs comprising current service costs, past service costs, gains and losses on curtailments and non-routine settlements
- net interest expense or income

Employee Leave Entitlement
Employee entitlements to annual leave are recognized as a liability when these are accrued to the employees. The undiscounted liability for leave expected to be settled wholly before twelve months after the end of the annual reporting period is recognized for services rendered by employees up to the end of the reporting period.

Other long-term benefits
Vacation and sick leaves are recognized as a liability when these are accrued to the employees. Unused vacation and sick leave credits shall be converted to cash upon separation of employee. Leave expected to be settled wholly before twelve months after the end of the annual reporting period is reclassified to short term benefits.

Capital Stock
Capital stock represents the portion of the paid-in capital representing the total par value of the shares issued.

Stock Options and Grants
Stock option and grants are accounted for in accordance with PFRS 2, that is, the cost of stock option awards is measured by reference to the fair value at the date on which they are granted. The fair value is determined using the binomial method. The cost of such awards is recognized, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award. The cumulative expense that is recognized at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Company's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the parent company statement of income for a period represents the movement in cumulative expense recognized as at the beginning and end of the period.

No expense is recognized for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

Where the terms of the award are modified, the minimum expense recognized is the expense if the terms had not been modified. An additional expense is recognized for any modification, which increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

Where the stock option is cancelled, it is treated as if it had vested on the date of the cancellation, and any expense not yet recognized for the award is recognized immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the preceding paragraph.

If the outstanding options are dilutive, its effect is reflected as additional share dilution in the computation of diluted earnings per share.

Additional Paid-in Capital (APIC)
APIC represents the amount paid in excess of the par value of the shares issued. Incremental costs incurred directly attributable to the issuance of new shares are shown in equity as a deduction from proceeds, net of tax.

Other Equity Reserves
Other equity reserves are imputed equity contribution or dividend distribution arising from common control transactions when there is difference between the agreed transaction price and fair value.

Retained Earnings
Retained earnings include all current and prior period results of operations as reported in the parent company statement of income, net of any dividend declaration and adjusted for the effects of changes in accounting policies as may be required by PFRS's transitional provisions.

Treasury Shares
Own equity instruments that are reacquired (treasury shares) are recognized at cost and deducted from equity. No gain or loss is recognized in the parent company statement of income on the acquisition, reissuance or retirement of the Company's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognized in APIC. Share options exercised during the reporting period are satisfied with treasury shares.

Cash Dividend to Equity Holders of the Company
The Company recognizes a liability to make cash distributions to equity holders of the Company when the distribution is authorized and the distribution is no longer at the discretion of the Company. A corresponding amount is recognized directly in equity.

Revenue from Contracts with Customers
Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. The Company has concluded that it is the principal in all of its revenue arrangements since it is the primary obligor in all the revenue arrangements, has pricing latitude and is also exposed to credit risks.

The specific recognition criteria described below must also be met before revenue is recognized.

Sale of Electricity
Sale of electricity is consummated 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 sales price. Sales of electricity using bunker fuel are composed of generation fees from spot sales to the WESM and supply agreements with third parties and are recognized monthly based on the actual energy delivered.

Meanwhile, revenue from sale of electricity through ancillary services to the National Grid Corporation of the Philippines (NGCP) is recognized monthly based on the capacity scheduled and/or dispatched and provided. Revenue from sale of electricity through Retail Supply Contract (RSC) is composed of generation charge from monthly energy supply with various contestable customers and is recognized monthly based on the actual energy delivered. The basic energy charges for each billing period are inclusive of generation charge and retail supply charge.

The Company identified the sale of electricity as its performance obligation since the customer can benefit from it in conjunction with other readily available resources and it is also distinct within the context of the contract. The performance obligation qualifies as a series of distinct services that are substantially the same and have the same pattern of transfer. The Company concluded that the revenue should be recognized overtime since the customers simultaneously receives and consumes the benefits as the Company supplies electricity.

Dividend Income
Dividend income is recognized when the Company's right to receive the payment is established, which is generally when shareholders of the investees approve the dividend.

Management Income
Management fees for services rendered are recognized when earned.

Rental Income
Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms and is included in revenue in the parent company statement of income due to its operating nature.

Other Income
Other income is recognized when there is an incidental economic benefit, other than the usual business operations, that will flow to the Company through an increase in asset or reduction in liability that can be measured reliably.

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

Taxes

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

Management periodically evaluates positions taken in the tax return with respect to situations in which applicable tax regulations are subject to interpretations and establishes provisions where appropriate.

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

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

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

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

Deferred income tax assets are recognized for all deductible temporary differences, including carryforward benefits of unused net operating loss carryover (NOLCO) and excess minimum corporate income tax (MCIT) over regular corporate income tax (RCIT) which can be deducted against future RCIT due to the extent that it is probable that future taxable income will be available against which the deductible temporary differences and carryforward benefits of unused tax credits from unused NOLCO can be utilized, except:

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

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

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

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

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

<u>Creditable Withholding Taxes (CWT)</u>
Creditable withholding taxes represent amounts withheld by the Company’s customers and is deducted from the Company’s income tax payable.

<u>Value-added Tax (VAT)</u>
Expenses and assets are recognized net of the amount of VAT, except:

- When the VAT incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the VAT is recognized as part of the cost of acquisition of the asset or as part of the expense item, as applicable; and,
- When receivables and payables are stated with the amount of VAT included

The amount of VAT recoverable from the taxation authority is recognized as “Input VAT” under “Other Current Assets”, while VAT payable to taxation authority is recognized as “Output VAT” under “Accounts payable and other current liabilities” in the parent company statement of financial position.

Output VAT is recorded based on the amount of sale of electricity billed to third parties. Any amount of output VAT not yet collected as at reporting period are presented as "Deferred output VAT" under "Accounts payable and other current liabilities" account in the parent company statement of financial position.

Earnings (Loss) Per Share

Basic earnings (loss) per share is computed based on weighted average number of issued and outstanding common shares during each year after giving retroactive effect to stock dividends declared during the year. Diluted earnings (loss) per share is computed as if the stock options were exercised as at the beginning of the year and as if the funds obtained from exercise were used to purchase common shares at the average market price during the year. Outstanding stock options will have a dilutive effect under the treasury stock method only when the fair value of the underlying common shares during the period exceeds the exercise price of the option. Where the outstanding stock options have no dilutive effect and the Company does not have any potential common share nor other instruments that may entitle the holder to common shares, diluted earnings (loss) per share is the same as basic earnings (loss) per share.

Segment Reporting

The Company's businesses are organized and managed separately according to its geographic areas of operations, with each segment representing a strategic business unit that serves different markets.

Previously, the businesses are organized and managed separately according to its related services. Financial information on operating segments and the restatement following a change in composition of reportable segments are presented in Note 33.

Contingencies

Contingent liabilities are not recognized in the parent company financial statements but are disclosed in the notes to the parent company financial statements unless the possibility of an outflow of resources embodying economic benefits is remote. If it is probable that an outflow of resources embodying economic benefits will occur and the liability's value can be measured reliably, the liability and the related expense are recognized in the parent company financial statements.

Contingent assets are not recognized in the parent company financial statements but disclosed in the notes to the parent company financial statements when an inflow of economic benefits is probable. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the parent company financial statements. If it is virtually certain that an inflow of economic benefits or service potential will arise and the asset's value can be measured reliably, the asset and the related revenue are recognized in the parent company financial statements.

Events After the Reporting Period

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

4. Significant Accounting Judgments, Estimates and Assumptions

The parent company financial statements prepared in conformity with PFRSs require management to make judgments, estimates and assumptions that affect amounts reported in the parent company financial statements and related notes. In preparing the parent company financial statements, management has made its best estimates and judgments of certain amounts, giving due consideration to materiality. The judgments, estimates and assumptions used in the parent company financial statements are based upon management's evaluation of relevant facts and circumstances as at the date of the parent company financial statements. Actual results could differ from such estimates.

The Company believes the following represent a summary of these significant judgments and estimates and related impact and associated risks in its parent company financial statements.

Judgments

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

Change in operating segments
The Company changed the structure of its internal organization that caused the composition of its reportable segments to change. The Company's segment report is according to its geographic areas of operations, with each segment representing a strategic business unit that serves different markets, reported on the basis that is used internally by the management for evaluating segment performance and deciding how to allocate resources among operating segments. The reported operating segment information is in accordance with PFRS 8 (see Note 33).

Revenue Recognition

Identifying Performance Obligations
The Company identifies performance obligations by considering whether the promised goods or services in the contract are distinct goods or services. A good or service is distinct when the customer can benefit from the good or service on its own or together with other resources that are readily available to the customers and the Company's promise to transfer the good or service to the customer is separately identifiable.

The Company assesses performance obligations as a series of distinct goods and services that are substantially the same and have the same pattern of transfer if (i) each distinct good or service in the series are transferred over time and (ii) the same method of progress will be used (i.e., units of delivery) to measure the entity's progress towards complete satisfaction of the performance obligation.

For power generation, trading and ancillary services where capacity and energy dispatched are separately identified, these two obligations are to be combined as one performance obligation since these are not distinct within the context of the contract as the customer cannot benefit from the contracted capacity alone without the corresponding energy and the customer cannot obtain energy without contracting a capacity.

The combined performance obligation qualifies as a series of distinct services that are substantially the same and have the same pattern of transfer since the delivery of energy every month are distinct services which are all recognized over time and have the same measure of progress.

Retail supply also qualifies as a series of distinct services which is accounted for as one performance obligation since the delivery of energy every month is a distinct service which is recognized over time and have the same measure of progress.

Identifying Methods for Measuring Progress of Revenue Recognized Over Time
The Company determines the appropriate method of measuring progress which is either through the use of input or output methods. Input method recognizes revenue on the basis of the entity's efforts or inputs to the satisfaction of a performance obligation while output method recognizes revenue on the basis of direct measurements of the value to the customer of the goods or services transferred to date.

For ancillary services, the Company determined that the output method is the best method in measuring progress since actual energy is supplied to customers. The Company recognizes revenue based on contracted and actual kilowatt hours (kwh) dispatched which are billed on a monthly basis.

For power generation and trading and retail supply, the Company uses the actual kwh dispatched which are also billed on a monthly basis.

Determining Method to Estimate Variable Consideration and Assessing the Constraint
The Company includes some or all the amounts of variable consideration estimated but only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved. The Company considers both likelihood and magnitude of the revenue reversal in evaluating the extent of variable consideration the Company will subject to constraint. Factors such as (i) highly susceptible to factors outside of the Company's influence, (ii) timing of resolution of the uncertainty, and (iii) having a large number and broad range of possible outcomes are considered.

Some contracts with customers provide for unspecified quantity of energy, index adjustments and prompt payment discounts that give rise to variable considerations. In estimating the variable consideration, the Company is required to use either the expected value method or the most likely amount method based on which method better predicts the amount of consideration to which it will be entitled. The expected value method of estimation takes into account a range of possible outcomes while most likely amount is used when the outcome is binary.

The Company determined that the expected value method is the appropriate method to use in estimating the variable consideration given the large number of customer contracts that have similar characteristics and wide the range of possible outcomes.

Before including any amount of variable consideration in the transaction price, the Company considers whether the amount of variable consideration is constrained. The Company determined that the estimates of variable consideration are to be fully constrained based on its historical experience (i.e., prompt payment discounts), the range of possible outcomes (i.e., unspecified quantity of energy), and the unpredictability of other factors outside the Company's influence (i.e., index adjustments).

<u>Lease Accounting</u>

Determining Whether an Arrangement Contains a Lease
ACEN supplies the electricity requirements of certain customers under separate Electricity Supply Agreements (ESAs) (see Note 30). The Company has evaluated the arrangements and the terms of the ESAs and determined that the agreements do not qualify as leases. Accordingly, fees billed to these customers are recognized as revenue from sale of electricity.

Under the Company's Power Purchase Agreement (PPA) with SLTEC and Maibarara Geothermal Inc. (MGI), ACEN agreed to purchase all of SLTEC and MGI's output (see Note 30). The Company has evaluated the arrangements and the terms of the PPA and determined that the agreements do not qualify as leases. Accordingly, fees paid to SLTEC and MGI are recognized under "Cost of sale of electricity" (see Notes 21 and 30).

Classification of Leases - the Company as Lessor
The Company had a lease agreement for the lease of its investment property. The Company had determined that the risks and rewards of ownership of the underlying property were retained by the Company. Accordingly, the leases are classified as an operating lease (see Note 30).

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

The Company did not include the renewal period as part of the lease term for leases of office space and parking slots because as at commencement date, the Company assessed that it is not reasonably certain that it will exercise the renewal options since the renewal options are subject to mutual agreement of the lessor and the Company (see Note 30).

<u>PFRS 9 Identification of Business Models and Impairment</u>
Identification of Business Models
The Company manages its financial assets based on a business model that maintains adequate level of financial assets to match expected cash outflows while maintaining a strategic portfolio of financial assets for trading activities.

The Company's business model can be to hold financial assets to collect contractual cash flows even when sales of certain financial assets occur. The following are the Company's business models:

Portfolio 1, Operating and Liquidity Fund (Amortized Cost)
Portfolio 1 is classified as amortized cost with the objective to hold to collect the financial asset to ensure sufficient funding to support the Company's operations and project implementation. It also aims to generate interest income from low-risk, short-term investments in highly liquid assets.

Funds in this portfolio is comprised of financial assets classified by the Bangko Sentral ng Pilipinas (BSP) and trust entities as conservative assets, which are principal-protected and highly liquid. These are placed in investment outlets that are redeemable within thirty (30) to ninety (90) days. This includes the Company's cash and cash equivalents, short-term investments, receivables and refundable deposits.

Main risks are credit risk, liquidity risk, market risk and interest rate risk. The performance of the portfolio is evaluated based on the yield of the investments. For further details on risks and mitigating factors, see Note 31.

Sales may be made when the financial assets are close to maturity and prices from the sales approximate the collection of the remaining contractual cash flows. Further, disposal is permitted when the Company believes that there is a credit deterioration of the issuer.

PFRS 9, however, emphasizes that if more than an infrequent number of sales are made out of a portfolio of financial assets carried at amortized cost, the entity should assess whether and how such sales are consistent with the objective of collecting contractual cash flows.

Portfolio 2, Operating and Liquidity Fund
Portfolio 2 is classified as FVOCI with the objective to hold to collect and sell to ensure sufficient funding to support operations and project implementation. It also aims to generate interest income from low-risk, short-term investments in highly liquid assets.

Funds in this portfolio is comprised of financial assets classified by the BSP and trust entities as conservative assets, which are principal-protected and highly liquid. These are placed in investment outlets that are redeemable within thirty (30) to ninety (90) days. This includes the Company's UITFs, FXTNs and derivative assets.

Main risks are credit risk, liquidity risk, market risk and interest rate risk. The performance of the portfolio is evaluated based on the yield and fair value changes of the investments. For further details on risks and mitigating factors, see Note 31.

Sales may be made when the financial assets are close to maturity and prices from the sales approximate the collection of the remaining contractual cash flows. Further, disposal is permitted when the Company believes that there is a credit deterioration of the issuer.

Portfolio 3, Strategic Fund
Portfolio 3 is classified as FVOCI with the objective to hold to collect and to sell the financial asset to generate interest income from low-risk, long-term investments in liquid assets and maximize the returns from excess funds of the Company.

Funds in this portfolio have an overall weighted duration risk exposure of one (1) year or less. These are placed in investment outlets with tenors of at least ninety (90) days. The Company does not have debt instruments at FVOCI.

Main risks are credit risk, liquidity risk, market risk, interest rate risk and foreign currency risk. The performance of the portfolio is evaluated based on the yield and fair value changes of outstanding investments. For further details on risks and mitigating factors, see Note 31.

Sales may be made when the financial assets are close to maturity and prices from the sales approximate the collection of the remaining contractual cash flows. Further, disposal is permitted when the Company believes that there is a credit deterioration of the issuer.

Definition of Default and Credit-impaired Financial Assets
The Company defines a financial instrument as in default, which is fully aligned with the definition of credit-impaired, when it meets one or more of the following criteria:

- *Quantitative criteria*
  The borrower is more than ninety (90) days past due on its contractual payments, i.e., principal and/or interest, which is consistent with the Company's definition of default.

- *Qualitative criteria*
  The borrower meets unlikeliness to pay criteria, which indicates the borrower is in significant financial difficulty. These are instances where:

  a. The borrower is experiencing financial difficulty or is insolvent
  b. The borrower is in breach of financial covenant(s)
  c. Concessions have been granted by the Company, for economic or contractual reasons relating to the borrower's financial difficulty
  d. It is becoming probable that the borrower will enter bankruptcy or other financial reorganization
  e. Financial assets are purchased or originated at a deep discount that reflects the incurred credit losses.

  The criteria above have been applied to all financial instruments held by the Company and are consistent with the definition of default used for internal credit risk management purposes. The default definition has been applied consistently to model the Probability of Default (PD), Loss Given Default (LGD) and Exposure at Default (EAD) throughout the Company's expected loss calculation.

<u>Joint Arrangements</u>
Determining and Classifying Joint Arrangements
Judgment is required to determine when the Company has joint control over an arrangement, which requires an assessment of the relevant activities and when the decisions in relation to those activities require unanimous consent. The Company has determined that the relevant activities for its joint arrangements are those relating to the operating and capital decisions of the arrangements.

Judgment is also required to classify a joint arrangement. Classifying the arrangement requires the Company to assess their rights and obligations arising from the arrangement. Specifically, the Company considers:

- the structure of the joint arrangement - whether it is structured through a separate vehicle;
- when the arrangement is structured through a separate vehicle, the Company also considers the rights and obligations arising from:

  a. the legal form of the separate vehicle;
  b. the terms of the contractual arrangement; and,
  c. other facts and circumstances (when relevant).

This assessment often requires significant judgments on the conclusion on joint control and whether the arrangement is a joint operation or a joint venture, which may materially impact the accounting. As at December 31, 2020 and 2019, the Company's SCs are joint arrangements in the form of a joint operation.

The Company's joint control arrangements in which the Company has rights to the net assets of the investees are classified as joint ventures. Under the contractual agreements, the Company has joint control over these arrangements as there is a unanimous consent where any party can prevent the other party from making unilateral decisions on the relevant activities without the other party's consent (see Note 12).

The Company's joint arrangements are also structured through separate vehicles and provide the Company and the parties to the agreements with rights to the net assets of the separate vehicle under the arrangements.

Assessment of Joint Control
The Company's investments in joint ventures are structured in separate incorporated entities. The investment in PhilWind is accounted for as an investment in a joint venture as the relevant activities such as approval of business plan and annual budget, appropriation of retained earnings and declaration of cash dividends among others of PhilWind and its subsidiary, North Luzon Renewable Energy Corp. ("NLR") require the unanimous consent of the stockholders. Even though the Company holds 69.81% ownership interest on these arrangements, their respective joint arrangement agreements require unanimous consent from all parties to the agreement for the relevant activities identified. The Company and the parties to the agreement only have rights to the net assets of the joint venture through the terms of the contractual arrangements (see Note 10).

Estimates

Estimating the incremental borrowing rate
The Company cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Company 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Company estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the entities' stand-alone credit rating).

The Company's lease liabilities amounted to ₱25.83 million and ₱24.11 million as at December 31, 2020 and 2019, respectively (see Note 17).

Estimating Allowance for Credit Losses

Measurement of expected credit losses
At each reporting date, the Company assesses whether there has been a significant increase in credit risk for financial assets since initial recognition by comparing the risk of default occurring over the expected life between the reporting date and the date of initial recognition. The Company considers reasonable and supportable information that is relevant and available without undue cost or effort for this purpose. This includes quantitative and qualitative information and forward-looking analysis.

An exposure will migrate through the ECL stages as asset quality deteriorates. If in a subsequent period, asset quality improves and also reverses any previously assessed significant increase in credit risk since origination, then the loss allowance measurement reverts from lifetime ECL to 12-month ECL (see Note 6).

Determination of Significant Increase in Credit Risk (SICR)
The Company compares the probabilities of default occurring over its expected life as at the reporting date with the probability of default occurring over its expected life on the date of initial recognition to determine significant increase in credit risk. Since comparison is made between forward-looking information at reporting date against initial recognition, the deterioration in credit risk may be triggered by the following factors:

- substantial deterioration in credit quality as measured by the applicable internal or external ratings or credit score or the shift from investment grade category to non-investment grade category;
- adverse changes in business, financial and/or economic conditions of the borrower;

- early warning signs of worsening credit where the ability of the counterparty to honor his obligation is dependent upon the business or economic condition;
- the account has become past due beyond 30 days where an account is classified under special monitoring category; and
- expert judgment for the other quantitative and qualitative factors which may result to SICR as defined by the Company.

In response to COVID-19, the Company undertook a review of its portfolio of financial assets and the ECL for the period for financial assets carried at amortized cost. The review considered the macroeconomic outlook, client and customer/borrower credit quality, the type of collateral held, exposure at default and the effect of payment deferral options as at the reporting date.

As at December 31, 2020 and 2019, the Company assessed that for its financial assets such as cash and cash equivalents, there has been no SICR since origination and is assessed of low credit risk based on published information of comparable entities. For trade receivables, the Company used provision matrix in estimating its ECL. A broad range of forward-looking information are considered as economic inputs, such as GDP growth, inflation rates, unemployment rates, interest rates and BSP statistical indicators. The inputs and models used for calculating ECL may not always capture all characteristics of the market at the date of the consolidated financial statements. To reflect this, qualitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material. While these model inputs including forward-looking information were revised, the ECL models, and definitions of default remain consistent with prior periods.

The Company complied with the Department of Energy ("DOE") circulars on granting extensions on deferment of payments and obligation. The changes in economic activity brought about by the community quarantine measures and lowering of WESM prices have resulted in lower electricity demand and consumption. Consequently, this affected the revenue targets of the Distribution Companies, Generation Companies, and RES business units. However, projects under FIT were not affected by the movements in the WESM prices. Nevertheless, the Company has been in constant discussions, and has been working together with its customers and other key stakeholders to minimize the impact of the pandemic to the respective parties' power supply agreements.

The appropriateness of groupings is monitored and reviewed on a periodic basis. In 2020 and 2019, the total gross carrying amount of receivables for which lifetime ECLs have been measured on a collective basis amounted to ₱150.93 million and nil, respectively.

The carrying values of receivables and the related allowance for credit losses of the Company are disclosed in Note 6. In 2020 and 2019, provision for doubtful accounts amounted to ₱0.87 million and ₱1.16 million, respectively (see Notes 6 and 22).

As at December 31, 2020 and 2019, allowance for credit losses on receivables amounted to 106.39 million and ₱105.52 million, respectively (see Notes 6).

Recoverability of Input VAT
Input VAT represents taxes paid on purchases of applicable goods and services which can be recovered as tax credit against future output VAT liability of the Company. The Company is also allowed to recover excess input VAT by filing a claim for refund or tax credit certificate with the BIR.

The carrying amounts of input VAT as at December 31, 2020 and 2019 amounted to ₱189.00 million and nil, respectively (see Note 8).

Realizability of Deferred Income Tax Assets
The Company reviewed its business and operations to take into consideration the estimated impacts of COVID-19, including its estimated impact on macroeconomic environment, the market outlook and the Company's operations. As such, the Company assessed its ability to generate sufficient taxable income in the future that will allow realization of net deferred tax assets. As a result, the carrying amount of deferred tax assets is reduced to the extent that the related tax assets cannot be utilized due to insufficient taxable profit against which the deferred tax assets will be applied. The Company assessed that sufficient taxable profit will be generated to allow all or part of the deferred income tax assets to be utilized

As at December 31, 2020 and 2019, deferred income tax assets recognized by the Company amounted to 448.44 million and 589.49 million, respectively (see Note 26). The Company's deductible temporary differences, unused NOLCO and unused MCIT for which no deferred income tax assets were recognized are disclosed in Note 26.

Estimating Useful Lives of Property, Plant and Equipment and Right-of-Use Assets
The Company estimates the useful lives of property, plant and equipment and right-of-use assets based on the period over which the assets are expected to be available for use. The estimated useful lives of property, plant and equipment and right-of-use assets are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets. In addition, estimation of the useful lives of property, plant and equipment are based on collective assessment of industry practice, internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in estimates brought about by changes in factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. In 2020 and 2019, there were no changes in the estimated useful lives of the assets.

The total depreciation and amortization of property, plant and equipment and right-of-use assets amounted to ₱81.46 million and ₱61.69 million in 2020 and 2019, respectively (see Note 24).

Impairment of Deferred Exploration Costs
The carrying value of deferred exploration costs is reviewed for impairment by management when there are indications that the carrying amount exceeds the recoverable amount under PFRS 6. Among the factors considered by management in the impairment review of deferred exploration costs are the expiration of the contracts and the technical evaluation that the remaining prospects in these areas are small and are likely to be uneconomic. In the event of impairment, the Company measures, presents and discloses the resulting impairment loss in accordance with PAS 36.

The Company considers the status of the service contracts and its plans in determining the recoverable amount of the deferred exploration costs.

The Company recognized provision for impairment loss on deferred exploration costs amounting to nil and ₱34.49 million in 2020 and 2019, respectively. The carrying value of deferred exploration costs amounted to nil as at December 31, 2020 and 2019, respectively (see Notes 12 and 22).

Impairment of Non-financial Assets, Other than Deferred Exploration Costs
The Company assesses whether there are any indicators of impairment for all non-financial assets, other than deferred exploration costs, at each reporting date in accordance with PAS 36. These non-financial assets (investments in subsidiaries, associates and interests in joint ventures, property, plant and equipment, and right-of-use assets) are tested for impairment whenever events or changes in circumstances indicate that carrying amount of the asset may not be recoverable. This requires an estimation of the value in use of the CGUs. Estimating the value in use requires the Company to make

an estimate of the expected future cash flows from the CGU and also to choose a suitable discount rate in order to calculate the present value of those cash flows. In cases where the value in use cannot be reliably measured, the recoverable amount is based on fair value less costs to sell.

The carrying amounts of the Company's non-financial assets other than deferred exploration costs as at December 31 are as follows:

	2020	2019
Investments in subsidiaries, associates and joint ventures (see Note 10)	**₱33,996,472**	₱11,864,846
Property, plant and equipment (see Note 9)	**265,424**	489,636
Right-of-use assets (see Note 13)	**21,617**	26,430

Impairment of PB 102 and PB 103
In 2020, following the fuel oil discharge accident (see Note 9), the Company recognized full provision for impairment of PB 102 and PB 103 amounting to ₱270.53 million as the assets are not operational as at December 31, 2020 and there are no existing ancillary service contracts to utilize the assets for income generation. The Company reassessed the depreciation policies of its property, plant and equipment and estimated that their useful lives will not be affected following this decision.

The recoverable amounts of PB 102 and PB 103 amounting to nil as at December 31, 2020 were determined based on the calculation of fair value less costs of disposal using estimated scrap value with reference to recent sales, adjustments to weight of the scrap and deduction for costs of disposal. As a result of this analysis, the Company has recognized an impairment charge of ₱270.53 million in 2020 against the related property, plant and equipment. The provision for impairment loss on property, plant and equipment is included in "General and administrative expenses" in the parent company statements of income (see Notes 9 and 22).

Estimation of Pension and Other Employee Benefits Liabilities
The cost of defined benefit pension plans and other post-employment benefits as well as the present value of the pension obligation are determined using actuarial valuations. The actuarial valuation involves making various assumptions. These include the determination of the discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined benefit obligations are highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date. Pension and other employee benefits liability amounted to ₱41.53 million and ₱24.14 million as at December 31, 2020 and 2019, respectively (see Note 27).

In determining the appropriate discount rate, management considers the interest rates of government bonds that are denominated in the currency in which the benefits will be paid, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation.

The mortality rate is based on publicly available mortality tables for the specific country and is modified accordingly with estimates of mortality improvements. Future salary increases and pension increases are based on expected future inflation rates for the specific country.

Further details about the assumptions used are provided in Note 27.

Contingencies and Tax Assessments
The Company is currently involved in various legal proceedings and assessments for local and national taxes (see Note 35). The estimate of the probable costs for the resolution of these claims has been developed in consultation with outside counsel handling the defense in these matters and is based upon an analysis of potential results. The final settlement of these may result in material adverse impact on the parent company financial statements.

5. Cash and Cash Equivalents

This account consists of:

	2020	2019
Cash on hand and in banks	**₱942,133**	₱234,999
Short-term deposits	**186,618**	5,867,640
	₱1,128,751	₱6,102,639

Cash in banks earn interest at its applicable bank deposit rates for its peso and dollar accounts. Short-term deposits are made for varying periods between one day and three (3) months depending on the immediate cash requirements of the Company and earn interest at the respective short-term deposit rates.

Interest income earned on cash in banks in 2020 and 2019 amounted to ₱1.32 million and ₱0.37 million, respectively. Interest income earned on short-term deposits in 2020 and 2019 amounted to ₱28.29 million and ₱52.22 million, respectively (see Note 25).

6. Receivables – net

This account consists of:

	2020	2019
Trade	**₱3,806,234**	₱2,034,496
Due from related parties (see Note 28)	**6,369,610**	608,159
Receivables from:		
Assignment of Mineral Production Sharing Agreement (MPSA)	**39,366**	39,366
Consortium – SC 52 (see Note 12)	**19,443**	19,443
Employees	**9,129**	1,945
Others	**21,561**	21,032
	10,265,343	2,724,441
Less: Allowance for credit losses	**106,394**	105,521
	₱10,158,949	₱2,618,920

Trade receivables mainly represent receivables from IEMOP, NGCP and the Company's bilateral customers. Trade receivables consist of interest-bearing and noninterest-bearing receivables. The terms are generally thirty (30) to sixty (60) days. Significant portion of outstanding balance relate to receivables from Manila Electric Company ("MERALCO") baseload and Mid-Merit PSAs (see Notes 20 and 30).

The movements in the allowance for credit losses on individually impaired receivables in 2020 and 2019 are as follows:

	2020		
	Trade	**Others**	**Total**
Balances at beginning of year	**₱32,062**	**₱73,459**	**₱105,521**
Provisions (see Note 22)	**873**	**–**	**873**
Balances at end of year	**₱32,935**	**₱73,459**	**₱106,394**

	2019		
	Trade	Others	**Total**
Balances at beginning of year	₱30,899	₱73,459	₱104,358
Provisions (see Note 22)	1,163	–	1,163
Balances at end of year	₱32,062	₱73,459	₱105,521

The allowance for credit losses includes ₱39.37 million full provision for receivables from mining rights assigned to a third party.

7. Fuel and Spare Parts

This account consists of:

	2020	2019
Fuel - at cost	**₱9,253**	₱7,994
Fuel - at net realizable value	**420,020**	66,217
Spare parts - at cost	**69,768**	50,446
	₱499,041	₱124,657

Fuel charged to "Cost of sale of electricity" account in the parent company statement of income amounted to ₱461.20 million and ₱1,153.24 million in 2020 and 2019, respectively (see Note 21).

In 2020 and 2019, the Company recognized provision for impairment of fuel inventory amounting to nil and ₱5.55 million, respectively. No such provision was recognized for spare parts.

The cost of Fuel - at net realizable value as at December 31, 2020 and 2019 amounted to ₱425.64 million and ₱71.83 million, respectively.

8. Other Current Assets

This account consists of:

	2020	2019
Current portion of CWT	**₱440,401**	₱40,716
Deferred input VAT	**188,996**	–
Deposits	**95,006**	42,882
Derivative asset (Note 31)	**46,059**	33
Prepaid expenses	**4,727**	8,729
	₱775,189	₱92,360

Creditable withholding taxes represent amounts withheld by the Company's customers and are deducted from the Company's income tax payable.

Deferred input VAT pertains to input VAT from purchase of electricity where Official Receipts are not yet obtained, thus, input VAT is not yet claimable against output VAT.

Deposits pertain to advance payments to suppliers and deposits to distribution utilities.

Derivative assets pertain to coal swaps contracts with a bank used to hedge the risks associated with changes in coal prices (see Notes 31 and 32).

Prepaid expenses pertain to insurance, taxes, rent and other expenses paid in advance.

9. Property, Plant and Equipment

The details and movements of this account for the year ended December 31 are shown below:

2020							
	Buildings and Improvements	**Machinery and Equipment**	**Transportation Equipment**	**Tools and Other Miscellaneous Assets**	**Office Furniture, Equipment and Others**	**Construction in Progress**	**Total**
Cost							
Balance at beginning of year	**₱6,535**	**₱621,372**	**₱16,576**	**₱30,843**	**₱13,981**	**₱–**	**₱689,307**
Additions	**20,111**	**50,292**	**11,490**	**15,191**	**1,280**	**16,826**	**115,190**
Disposals and retirement	**(1,989)**	–	–	**(2,384)**	–	–	**(4,373)**
Balance at end of year	**24,657**	**671,664**	**28,066**	**43,650**	**15,261**	**16,826**	**800,124**
Accumulated Depreciation							
Balance at beginning of year	**1,668**	**160,735**	**10,456**	**15,956**	**9,923**	–	**198,738**
Depreciation (Notes 21, 22 and 24)	**1,740**	**50,980**	**4,080**	**8,528**	**2,138**	–	**67,466**
Disposals and retirement	**(289)**	–	–	**(1,743)**	–	–	**(2,032)**
Balance at end of year	**3,119**	**211,715**	**14,536**	**22,741**	**12,061**	**–**	**264,172**
Accumulated Impairment Loss							
Balance at beginning and end of year	**933**	**–**	**–**	**–**	**–**	**–**	**933**
Provision for impairment losses (Note 22)	**–**	**270,528**	**–**	**–**	**–**	**–**	**270,528**
Disposals and retirement	**(933)**	**–**	**–**	**–**	**–**	**–**	**(933)**
Balance at end of year	**–**	**270,528**	**–**	**–**	**–**	**–**	**270,528**
Net Book Value	**₱21,538**	**₱189,421**	**₱13,530**	**₱20,909**	**₱3,200**	**₱16,826**	**₱265,424**

2019	Buildings and Improvements	Machinery and Equipment	Transportation Equipment	Tools and Other Miscellaneous Assets	Office Furniture, Equipment and Others	Total
Cost						
Balance at beginning of year	₱215,157	₱579,597	₱24,202	₱16,818	₱40,922	₱876,696
Additions	473	41,775	1,789	14,048	3,452	61,537
Disposals and retirement	(209,095)	–	(9,415)	(23)	(30,393)	(248,926)
Balance at end of year	6,535	621,372	16,576	30,843	13,981	689,307
Accumulated Depreciation						
Balance at beginning of year	164,048	117,505	14,259	14,476	38,088	348,376
Depreciation (Notes 21, 22 and 24)	8,009	43,230	3,812	1,494	1,496	58,041
Disposals and retirement	(170,389)	–	(7,615)	(14)	(29,661)	(207,679)
Balance at end of year	1,668	160,735	10,456	15,956	9,923	198,738
Accumulated Impairment Loss						
Balance at beginning and end of year	933	–	–	–	–	933
Net Book Value	₱3,934	₱460,637	₱6,120	₱14,887	₱4,058	₱489,636

Provision for Impairment Losses
ACEN's Power Barge PB 102 located in Barrio Obrero, Iloilo City, accidentally discharged fuel oil on July 3, 2020. Based on initial investigation, there was an explosion in one of the barge's fuel tanks which ruptured the hull of the barge and resulted in the oil spill.

PB101 and 102 were commissioned in 1981 while PB 103 in 1985. These were acquired by ACEN from the Power Sector Assets and Liabilities Management Corporation (PSALM) in 2015. Each power barge is a barge-mounted bunker-fired diesel generating power station with Hitachi diesel generator units and a gross capacity of 32MW and providing dispatchable reserve services to the Visayas grid.

The Company assessed at reporting date and determined that the incident has raised impairment indication that the asset's carrying amount exceeded its estimated recoverable amount. The Company recognized full provision for impairment for PB 102 and PB103 amounting to ₱270.53 million (see Note 3). The provision for impairment loss is presented as part of "General and administrative expenses" account (see Note 22).

Sale of Properties
The Company executed Deeds of Sale with PHINMA Inc. and Mariposa Properties, Inc. (MPI) on July 4, 2019 for the sale of the Company's share in the office spaces at PHINMA Plaza amounting to ₱333.25 million. The Company also sold its transportation and office equipment amounting to ₱2.03 million. The sale of these assets resulted in a gain of ₱294.10 million in 2019 (see Note 25).

In 2020, the Company disposed its GPP assets in relation to the transfer to GUIMELCO. The sale of these assets resulted in a gain of ₱1.41 million (see Note 25).

Total depreciation charged to operations amounted to ₱52.73 million and ₱45.04 million in 2020 and 2019, respectively. The amount charged to "General and administrative expenses" account amounted to ₱14.73 million and ₱13.00 million in 2020 and 2019, respectively (see Note 24).

The Company had no significant property, plant and equipment which were temporarily idle as at December 31, 2020 and 2019.

10. Investments in Subsidiaries, Associates and Joint Ventures

This account consists of investments in the following companies:

Investee	Principal Activity	Percentage of Direct Ownership 2020	2019
Subsidiaries:			
Bulacan Power Generation Corporation ("Bulacan Power" or formerly PHINMA Power Generation Corporation)	Power generation	**100.00**	100.00
CIP II Power Corporation ("CIPP")	Power generation	**100.00**	100.00
Guimaras Wind Corporation ("Guimaras Wind", formerly PHINMA Renewable Energy Corporation)	Wind power generation	**100.00**	75.92
One Subic Oil Distribution Corporation	Distribution of petroleum products	**100.00**	100.00
ACE Enexor, Inc. ("ACEX")	Oil, gas, and geothermal exploration	**75.92**	65.00
Palawan55 Exploration & Production Corporation ("Palawan55")[(a)]	Oil and gas exploration	**30.65**	30.65
South Luzon Thermal Energy Corporation ("SLTEC")	Power generation	**100.00**	65.00
Buendia Christiana Holdings Corp. ("BCHC")	Investment holding	**100.00**	100.00
ACE Shared Services, Inc. ("ACES")	Shared services	**100.00**	100.00
Giga Ace 1, Inc.	Power generation	**100.00**	–
Giga Ace 2, Inc.	Power generation	**100.00**	–
Giga Ace 3, Inc.	Power generation	**100.00**	–
Giga Ace 4, Inc.	Power generation	**100.00**	–
Giga Ace 5, Inc.	Power generation	**100.00**	–
Giga Ace 6, Inc.	Power generation	**100.00**	–
Giga Ace 7, Inc.	Power generation	**100.00**	–
Giga Ace 8, Inc.	Power generation	**100.00**	–
Giga Ace 9, Inc.	Power generation	**100.00**	–
Giga Ace 10, Inc.	Power generation	**100.00**	–
Monte Solar Energy, Inc. ("MSEI")	Solar power generation	**96.00**	–
ACE Endevor, Inc. ("ACE Endevor")	Investment holding and management	**94.00**	–
Manapla Sun Power Development Corporation ("MSPDC")[(b)]	Leasing and land development	**36.37**	–
ACE Renewables Philippines, Inc. ("ACE Renewables")	Investment holding	**100.00**	–
NorthWind Power Development Corporation ("Northwind")[(c)]	Wind power generation	**19.52**	–
Viage Corporation ("Viage")	Investment holding	**100.00**	–
Ingrid Power Holdings, Inc. ("Ingrid")	Advisory/Consultancy	**100.00**	–
ACTA Power Corporation ("ACTA") [(d)]	Coal power generation	**100.00**	50.00
Associates:			
MGI	Power generation	**25.00**	25.00
Asia Coal Corporation (Asia Coal)[(e)]	Coal power generation	**28.18**	28.18
Union Aggregates Corporation[(f)]		**31.25**	31.25
Joint venture -			
PWHC	Investment holding	**42.74**	–

[(a)] *With indirect ownership through ACEX of 52.93%.*
[(b)] *With indirect ownership through ACE Endevor of 29.63%.*
[(c)] *With indirect ownership through ACE Renewables and Viage of 42.21% and 6.06%, respectively.*
[(d)] *Accounted for as an investment in a joint venture as at December 31, 2019.*
[(e)] *Shortened corporate life to October 31, 2009. As at March 8, 2021, Asia Coal is still in the process of securing a tax clearance with the BIR in connection with the filing with the SEC of its application for dissolution.*
[(f)] *Ceased commercial operations. The investment is fully provided.*

All of the above investee companies were incorporated and are domiciled in the Philippines.

The carrying values of the Company's investments in subsidiaries, associates and joint ventures as at December 31 are as follows:

	2020	2019
Investments in subsidiaries:		
SLTEC	**₱11,539,516**	₱6,439,360
Guimaras Wind	**3,827,502**	3,827,502
ACE Endevor	**3,586,104**	–
Giga Ace 2, Inc	**3,144,252**	–
Giga Ace 1, Inc.	**2,586,376**	–
Giga Ace 3, Inc	**1,688,017**	–
ACE Renewables	**1,580,234**	–
MSEI	**1,208,265**	–
Bulacan Power	**701,722**	701,722
BCHC	**325,000**	10,000
ACEX [a]	**277,186**	277,186
MSPDC	**253,703**	–
Viage	**237,000**	–
CIPP	**151,530**	151,530
Bataan Solar Energy, Inc.	**99,990**	–
Northwind	**85,320**	–
ACTA	**72,977**	–
One Subic Oil [b]	**12,661**	12,661
Ingrid	**4,512**	–
Palawan55	**3,065**	3,065
ACES	**1,000**	250
Giga Ace 4	**75**	–
Giga Ace 5	**75**	–
Giga Ace 6	**75**	–
Giga Ace 7	**75**	–
Giga Ace 8	**75**	–
Giga Ace 9	**75**	–
Giga Ace 10	**75**	–
	31,386,457	11,423,276
Investments in associates:		
MGI	**404,550**	404,550
Asia Coal [c]	**620**	620
UAC [d]	**–**	–
	405,170	405,170
Interests in joint ventures:		
PWHC	**3,008,919**	–
ACTA	**–**	36,400
	3,008,919	36,400
Total	**34,800,546**	11,864,846
Adjustments reflected in other equity reserves (see Note 19)	**(804,074)**	–
	₱33,996,472	₱11,864,846

[a] Net of accumulated impairment loss amounting to ₱3.29 million.
[b] Net of accumulated impairment loss amounting to ₱17.34 million.
[c] Net of accumulated impairment loss amounting to ₱13.89 million.
[d] Net of accumulated impairment loss amounting to ₱12.22 million.

Movements in the costs of investments in subsidiaries, associates and joint ventures for the years ended December 31 are as follows:

	2020			
	Subsidiaries	**Associates**	**Joint Ventures**	**Total**
Cost:*				
Balance at beginning of year	**₱11,423,276**	**₱405,170**	**₱36,400**	**₱11,864,846**
Additions	**19,287,754**	**–**	**2,843,872**	**22,131,626**
Reclassifications	**36,400**	**–**	**(36,400)**	**–**
	₱30,747,430	**₱405,170**	**₱2,843,872**	**₱33,996,472**

	2019			
	Subsidiaries	Associates	Joint Ventures	Total
Cost:*				
Balance at beginning of year	₱5,145,030	₱405,170	₱3,486,123	₱9,036,323
Additions (see Note 31)	3,378,523	–	–	3,378,523
Reclassifications	3,224,723	–	(3,224,723)	–
Redemption of preferred shares	(325,000)	–	–	(325,000)
Sale of investments**	–	–	(225,000)	(225,000)
	₱11,423,276	₱405,170	₱36,400	₱11,864,846

**Movement of cost is gross of accumulated impairment losses in investments in subsidiaries and associates amounting to ₱46.74 million as at December 31, 2020 and 2019.*

***On June 19, 2019, the Company sold its 50% interest in PHINMA Solar to PHINMA Corporation for ₱218.3 million which resulted in a gain of ₱1.38 million.*

No additional impairment was recognized or reversed for the years ended December 31, 2020 and 2019. As at December 31, 2020 and 2019, the allowance for impairment losses amounted to ₱46.74 million.

Dividend income earned from subsidiaries, associates and joint ventures amounted to ₱1,416.76 million and ₱175.00 million in 2020 and 2019, respectively.

Investments in Subsidiaries

Transfer of ACEIC Subsidiaries through Share Swap

On October 9, 2019, the Company and ACEIC executed a Deed of Assignment whereby the ACEIC agreed to transfer and convey to the Company all its rights and interest in the Onshore Companies (Philippine Assets) for and in consideration for the issuance by ACEN of 6,185,182,288 common shares at ₱2.37 per common share or a total transfer value of ₱14,658.88 million in favor of the Company.

On November 13, 2019, the Company and ACEIC executed an Amended and Restated Deed of Assignment amending the Deed of Assignment dated October 9, 2019, to reflect the correct number of common shares of the Company in SLTEC, ACTA, and MSPDC.

On November 22, 2019, the Company filed with the SEC its application to increase its capital stock from 8,400.00 million consisting of 8,400.00 million common shares, to 24,400.00 million common shares.

On December 26, 2019, a Supplement to the Deed of Assignment was executed to incorporate specific regulatory requirements for the application for tax-free exchange ruling and confirm the percentage of ownership in MSEI.

On May 14, 2020, ACEN and ACEIC have agreed to further amend and restate the Amended Agreement to update Schedule 1 thereof, with the effectivity of said amendment to retract to the execution of the Original Deed on October 9, 2019 following the approval of the SEC of the increases in the capital stocks of ACE Endevor Inc. and ACE Renewables Philippines, Inc. and to further integrate the provisions of the Supplement.

On June 22, 2020, the application for the increase in the capital stock of the Company was approved by the SEC. The difference between the fair value of the issued shares and the agreed transfer value in the Deed of Assignment was booked as "Other equity reserves" (see Note 19).

On October 30, 2020, the Company received BIR Certification Ruling SN027-2020 relative to the tax-exempt transfer of shares of stocks made by ACEIC to ACEN pursuant to Section 40 € (2) of the National Internal Revenue Code of 1997, as amended. The Certification Ruling states that the property-for-share swap between ACEIC and ACEN covering the issuance of 6,185,182,288 common shares of ACEN in favor of ACEIC in exchange for ACEIC's shares of stock in select Onshore Companies (Philippine Assets), is not subject to income tax, capital gains tax, expanded withholding tax, donor's tax and value-added tax.

Below are the investments transferred from ACEIC to ACEN via share swap and the respective ownership interests acquired.

	Percentage of ownership acquired
Subsidiaries:	
SLTEC	35.00%
ACE Endevor	94.00
ACE Renewables	100.00
MSEI	96.00
MSPDC	36.37
Viage	100.00
ACTA	50.00
Northwind	19.52
Ingrid	100.00
Interest in joint venture -	
PWHC	42.74

SLTEC
On June 29, 2011, the Company entered into a 50-50 joint venture agreement with ACEIC to form SLTEC, the primary purpose of which is to generate, supply and sell electricity to the public through the operation of a 2 x 135 MW Circulating Fluidized Bed (CFB) Coal-fired Power Plant in Calaca, Batangas. SLTEC was incorporated and registered on July 29, 2011. The registered office address of SLTEC is KM. 117 National Road, Phoenix Industrial Park Phase II Puting Bato West, Calaca, Batangas.

On October 29, 2011, SLTEC signed the Omnibus Loan and Security Agreement with its local third-party creditor banks with the Company and ACEIC as Project Sponsors.

Under the terms of the Agreement, the Company shall:

- enter into supply agreements with end users sufficient to cover such capacity required by SLTEC to break-even for two years, within 18 months from first drawdown. The consequence of failure is a draw-stop, which means SLTEC will not be able to draw on the loan;
- commit to provide advances to SLTEC in proportion to the Company's equity interest in SLTEC to fund the project cost of the SLTEC power plant project;
- guarantee jointly with ACEIC to redeem the loan in the event that SLTEC defaults on the loan, and lenders are not able to consolidate title to the project site because title to the properties have not been issued; and,
- pledge its shares in SLTEC as security, and assign its offtake contracts to the lenders sufficient to cover such capacity required by SLTEC to break-even.

On April 24, 2015, Unit 1 commenced its commercial operations. Unit 2 of the power plant commenced its commercial operations on February 21, 2016.

On July 10, 2019, ACEIC and APHPC signed a share purchase agreement where ACEIC has the right to purchase APHPC's 20% interest in SLTEC. ACEIC paid the downpayment and gained control of SLTEC over said date.

On November 5, 2019, the Company signed a deed of assignment with ACEIC whereby ACEIC transferred its right to purchase APHPC's 20% ownership stake to the Company. As a result of the assignment of right, the Company exercised its right and purchased APHPC's 20% interest in SLTEC for a total consideration of ₱3.40 billion. The Company gained control of SLTEC as a result of the business combination and SLTEC became a subsidiary. As at December 31, 2019, ACEN owns 65% of SLTEC.

In 2020, the Company's interest in SLTEC increased to 100% as a result of the share swap with ACEIC.

ACE Endevor
ACE Endevor primary purpose is to engage in all aspects of exploration, assessment, development and utilization of renewable and other energy resources and storage of electricity. The acquisition of ACE Endevor provided the Company with renewable energy development, management and operations platform. ACE Endevor's principal place of business is 4th Floor 6750 Ayala Avenue Office Tower, Makati City.

In 2020, the Company made additional investment in ACE Endevor amounting to ₱441.91 million.

ACE Renewables
ACE Renewables is organized primarily to invest in financial instruments and engage in activities of a holding company. Principal place of business is 4th Floor 6750 Ayala Avenue Office Tower, Makati City.

As at December 31, 2020, ACE Renewables holds 42.21% investment in Northwind and 6% investment in ACE Endevor.

MSEI
MSEI is engaged in the construction and development of an 18-megawatt (MW) solar power plant project ("the Solar Farm"), located in the City of Bais, Province of Negros Oriental. The construction of the solar power plant project commenced on September 8, 2015 and was completed on February 27, 2016 and started its commercial operations on the same date. MSEI's principal place of business is Emerald Arcade, F.C Ledesma St, San Carlos City, Negros Occidental.

MSPDC
MSPDC engages in leasing, operating, managing and developing public or private lands. MSPDC's registered office address is at No. 56, Rodriguez Avenue, Brgy. 36, Bacolod City, Negros Occidental.

As at December 31,2020, ACEN has an indirect ownership in MSPDC of 29.63% through ACE Endevor.

Viage
Viage is organized primarily to engage in business of consultancy, advisory services and to hold general local and foreign investments, including but not limited to, the preparation of feasibility ad project studies, provision of industry advice and strategic plan. Viage's principal place of business is 4th Floor 6750 Ayala Avenue Office Tower, Makati City.

As at December 31, 2020, Viage holds a 6.06% investment in Northwind consisting of 310,399 common shares.

ACTA Power Corporation ("ACTA")
The Company has 50% interest in ACTA, a joint venture with ACEIC. ACTA is engaged in the business of owning, developing, constructing, operating and maintaining power generation facilities as well as generation and sale of electricity. ACTA was incorporated on February 9, 2012 and has not started commercial operations as at March 25, 2029. ACTA's principal place of business is 4th Floor 6750 Ayala Avenue Office Tower, Makati City .

On June 22, 2020, upon the effectivity of ACEN's share swap transaction with ACEIC, the Company's ownership interest in ACTA increased to 100%.

Northwind
Northwind owns and operates twenty-seven (27) wind turbines with a maximum generation capacity of 52 megawatts (MW). Northwind delivers all its generation to the national grid, via its own 57-kilometer 69Kvtransmission line from its plant site in Bangui, Ilocos Norte to the substation of NGCP in Laoag. Northwind's principal place of business is Sitio Suyo, Barangay Baruyen, Municipality of Bangui, Province of Ilocos Norte.

As at December 31,2020, ACEN has a direct ownership in Northwind of 19.52% and an indirect ownership of 42.21% and 6.06% through ACE Renewables and Viage.

Ingrid
Ingrid is engaged in operating and rehabilitation of energy systems and biodiesel project in the Province of Rizal, Philippines. Ingrid's principal place of business is 4th Floor 6750 Ayala Avenue Office Tower, Makati City.

On July 23, 2020, the Company and ACE Endevor signed a Shareholders' Agreement (the "Agreement") with APHPC and Marubeni Corporation, for the development, construction and operation of a 150 megawatt (MW) high-speed diesel power plant project in Brgy. Malaya, Pililla, Rizal (the "Ingrid Project"), which will provide ancillary services NGCP. The power plant is targeted to be completed in the first quarter of 2021.

The Ingrid Project will be through a Power Plant Lease Agreement from Aggreko International Projects Limited.

Under the Agreement, APHPC will acquire 50% of the voting shares and 50% of the economic rights in the Ingrid Project while the Company will hold 50% of the voting shares and 45% of the economic rights, with ACE Endevor having a 5% share of the economic rights in Ingrid.

On November 24, 2020, the PCC issued Decision No. 20-M-017/2020 finding that the transaction "will not likely result in substantial lessening of competition" and resolving "to take no further action with respect to the proposed transaction among APHPC, ACEN, Endevor and Ingrid".

As at December 31, 2020, there are no pending regulatory approvals and ACEN continues to account for Ingrid as a wholly-owned subsidiary. Further, ACEN has infused ₱570.00 million into Ingrid in addition to its initial ₱10.00 million equity to fund the construction of the project. Infusions from APHPC are to be received in the first quarter of 2021 following the agreement to set implementation date of the Shareholders' Agreement to 2021.

Giga Ace 1, Inc. and its investment in joint venture, PWHC
Giga Ace 1 is ACEN's wholly-owned subsidiary with the primary purpose of power generation. Giga Ace 1's principal place of business is 4th Floor 6750 Ayala Avenue Office Tower, Makati City.

PWHC is organized primarily to engage in the business of a holding company for renewable energy and other corporations. PWHC's principal place of business is 15th Floor Picadilly Star Building, 4th Avenue cor 27th Street, Bonifacio Global City, Taguig, Metro Manila.

On November 5, 2019, the Company's Executive Committee approved and authorized the share purchase agreement to acquire PINAI's ownership interest in PWHC, a holding company for North Luzon Renewable Energy Corp. ("NLR").

On November 14, 2019, ACEN signed a First Amended and Restated Share Purchase Agreement with the PINAI Investors for the acquisition of PINAI's indirect ownership interest in NLR.

PINAI effectively has a 31.01% preferred equity and 15.00% common equity ownership in NLR. NLR is a joint venture of ACEIC, UPC Philippines Wind Holdco I B.V., Luzon Wind Energy Holdings B.V. (DGA) and the PINAI Investors. NLR owns and operates an 81 MW wind farm in Pagudpud, Ilocos Norte, which started operations in November 2014. PWHC is the parent company of NLR. PhilWind directly and indirectly owns 66.69% of NLR, through its 38.00% direct interest and 28.69% indirect interest through its 100% wholly owned subsidiary, Ilocos Wind Energy Holding Co., Inc. ("Ilocos Wind").

On February 27, 2020, the Company purchased all the shares of PINAI Investors in PWHC for ₱2,573.30 million through its wholly-owned subsidiary Giga Ace 1, Inc.

The investment in PWHC is accounted for as an investment in joint venture as the relevant activities of PWHC and NLR require the unanimous consent of the stockholders.

In 2020, the Company's interest in PWHC increased to 69.81% as a result of the share swap with ACEIC

Giga Ace 2, Inc. ("Giga Ace 2") and its subsidiary, SACASOL
Giga Ace 2 is ACEN's wholly-owned subsidiary and the entity designated by ACEN to purchase the PINAI Investors' shares in SACASOL. Giga Ace 2's principal place of business is 4th Floor 6750 Ayala Avenue Office Tower, Makati City.

On December 2, 2019, ACEN signed a share purchase agreement with the PINAI Investors, for the acquisition of PINAI's ownership interest in SACASOL. SACASOL runs a 45-MW solar farm which is under the government's FIT regime. The Company's acquisition is in line with its strategy to expand its business operations in renewable energy ("RE") platform.

On February 13, 2020, the PCC ruled that ACEN's acquisition of the PINAI Investors' ownership interest in SACASOL "will not likely result in substantial lessening of competition" and resolved "to take no further action with respect to the proposed Transaction..."

On March 23, 2020, the acquisition of the PINAI Investors' ownership interest in SACASOL and payment of the purchase price in the amount of ₱2,981.86 million by Giga Ace 2 were completed.

Subsequently, the purchase price was adjusted to ₱3,088.11 million based on the provisions of the share purchase agreement. As at December 31, 2021, ACEN now indirectly owns 100% of equity interest in SACASOL.

Giga Ace 3, Inc. ("Giga Ace 3") and its subsidiary, ISLASOL
Giga Ace 3 is ACEN's wholly-owned subsidiary and the entity designated by ACEN to purchase the PINAI Investors' shares in ISLASOL. Giga Ace 3's principal place of business is 4th Floor 6750 Ayala Avenue Office Tower, Makati City.

ISLASOL owns and operates an 80-MW solar farm in Negros Occidental. The Company's acquisition is in line with its strategy to expand its business operations in RE platform.

On December 2, 2019, the following significant transactions were executed:

- ACEN and TLCTI Asia entered into Investment Agreement with the intention for them to own 66% and 34% voting interest, and 60% and 40% economic interest, respectively, in ISLASOL. The investment agreement details the series of undertakings, to wit:
    - acquisition by ACEN or its designee, as the case may be, of ISLASOL, in accordance with the terms and conditions of the share purchase agreement between the PINAI Investors and ACEN
    - creation by ISLASOL of a new class of shares ("Class E Redeemable Preferred Shares") by increasing its authorized capital stock from ₱6,917 million to ₱8,000 million. Class E Redeemable Preferred Shares shall have the same features as the other redeemable preferred shares of ISLASOL (that are not Class D redeemable preferred shares) and shall have voting rights.
    - subscription by TLCTI Asia to ISLASOL's Class E Redeemable Preferred Shares for a total subscription amount of ₱2,780 million, which includes a premium over par value amounting to ₱1,745 million. As at December 31, 2019, ISLASOL has outstanding notes payable to TLCTI Asia amounting to ₱2,140 million. This was settled in 2020.

- ACEN signed a share purchase agreement with the PINAI Investors for the acquisition of PINAI's 98% ownership interest in ISLASOL.

TLCTI Asia and ISLASOL amended the original loan agreement entered into on September 14, 2015 under which TLCTI Asia agreed to provide ISLASOL financing of up to ₱2.140 billion. Under the amended loan agreement, the residual amount of ₱1.745 billion shall be payable by ISLASOL to TLCTI Asia only in the event that ISLASOL is able to raise additional equity funding through primary issuance of shares.

On February 26, 2020, the PCC approved ACEN's acquisition of the PINAI Investors' ownership interest in ISLASOL.

On March 23, 2020, the acquisition of the PINAI Investors' ownership interest in ISLASOL and payment of the purchase price in the amount of ₱1,629.97 million by Giga Ace 3, Inc. ("Giga Ace 3") were completed. Subsequently, the purchase price was adjusted to ₱1,632.32 million, pursuant to the provisions of the share purchase agreement.

On March 30, 2020, a resolution to increase the authorized capital stock of ISLASOL was approved by its BOD and ratified by the stockholders. As at March 8, 2021, the SEC approval of ISLASOL's application for the increase in authorized capital stock is still pending.

Giga Ace 4, Inc., Giga Ace 5, Inc., Giga Ace 6, Inc., Giga Ace 7, Inc., Giga Ace 8, Inc., Giga Ace 9, Inc., Giga Ace 10, Inc.
These entities were incorporated and registered with the SEC on November 2019 and are engaged in power generation, both from renewable and non-renewable energy sources. The principal place of business is 4th Floor 6750 Ayala Avenue Office Tower, Makati City.

Bulacan Power and its subsidiary, One Subic Power
Bulacan Power, formerly PHINMA Power Generation Corporation, was incorporated and registered with the SEC on March 18, 1996. Bulacan Power is engaged in power generation. In October 2006, the PEMC approved Bulacan Power's application for registration as trading participant for both generation and customer categories in the WESM. Both ACEN and Bulacan Power obtained membership in the WESM which allows them to participate in electricity trading managed by PEMC, including selling of excess generation to the WESM. Effective December 26, 2013, Bulacan Power entered into a Power Administration and Management Agreement (PAMA) valid for ten (10) years with ACEN for the administration and management by ACEN of the entire capacity and net output of Bulacan Power starting 2014. In addition to the capacity fee, ACEN is billed by Bulacan Power for transmission and fuel costs. On January 12, 2018, Bulacan Power and the Company amended the PAMA, providing for a higher capacity rate based on nominated capacity and billing of fuel recovery and utilization fee. The new PAMA became effective starting March 26, 2018.

On July 23, 2019, the BDO and the stockholders approved the change of the corporate name to "Bulacan Power Generation Corporation". The amendment is pending SEC approval.

One Subic Power was incorporated and registered with the SEC on August 4, 2010 to engage in the business of owning, constructing, operating, developing and maintaining all types of power generation plants. On November 18, 2010, PHINMA Energy and One Subic Power entered into a PAMA wherein ACEN administers and manages the entire generation output of the 116 MW diesel power plant in Subic, Olongapo City. The PAMA became effective on February 17, 2011 and shall be valid throughout the term of the lease agreement with Subic Bay Metropolitan Authority (SBMA). On May 12, 2014, PHINMA Power purchased from Udenna Energy Corporation (UDEC) the entire outstanding shares of stock of One Subic Power. Prior to the acquisition, One Subic Power was a wholly owned subsidiary of UDEC, a company incorporated and domiciled in the Philippines.

CIPP
CIPP was incorporated and registered with the SEC on June 2, 1998. CIPP is a utilities enterprise, the primary purpose of which was to develop and operate a power supply and distribution system at Carmelray Industrial Park II Special Economic Zone in Calamba, Laguna. In April 2009, CIPP sold its distribution assets resulting in the cessation of CIPP's operations and separation of substantially all of its employees effective January 31, 2010. On February 22, 2010 and March 24, 2010, the Company's BOD and stockholders, respectively, approved the proposed merger of the Company and CIPP subject to the approval by the SEC. In December 2010, CIPP's BOD approved the transfer of its 21 MW bunker C-fired power plant from Laguna to Barangay Quirino, Bacnotan, La Union which was completed in 2012. In 2013, CIPP and the Company entered into a PAMA valid for ten (10) years for the latter's administration and management of the entire capacity and net output of CIPP. On January 12, 2018, CIPP and the Company amended the PAMA, providing for the same capacity rate based on nominated capacity and billing of fuel recovery and utilization fee. The new PAMA became effective starting March 26, 2018. As at March 8, 2021, the Company and CIPP have not filed their application for merger with the SEC and have deferred their plan for merger.

Guimaras Wind Corporation ("Guimaras Wind")
Guimaras Wind, formerly PHINMA Renewable Energy Corporation, was incorporated and registered with the SEC on September 2, 1994. It was established with the primary purpose of developing and utilizing renewable energy and pursuing clean and energy-efficient projects. On May 20, 2013, the Department of Energy (DOE) confirmed the Declaration of Commerciality of Guimaras Wind's 54 MW San Lorenzo Wind Power project (SLWP) in Guimaras. On October 7, 2014, the SLWP started delivering power to the grid and on February 16, 2015, Guimaras Wind received from the DOE the confirmation of start of Commercial Operations declared on December 27, 2014. On December 1, 2015, Guimaras Wind received its Certificate of Compliance from the Energy Regulatory Commission (ERC).

On December 26, 2019, the BDO and the stockholders approved the change of the corporate name to "Guimaras Wind Corporation." The amendment is pending SEC approval as at March 8, 2021.

In 2019, the Company redeemed a portion of its preferred shares in Guimaras Wind amounting to ₱325.00 million.

One Subic Oil
One Subic Oil, formerly Trans-Asia Gold and Minerals Development Corporation, was incorporated and registered with the SEC on July 2, 2007 to primarily engage in the business of mining and mineral exploration within the Philippines and other countries. On February 16, 2009, the BOD approved the suspension of exploration activities of One Subic Oil effective March 31, 2009. On August 9, 2017, One Subic Oil's BOD approved the amendment of the Articles of Incorporation to change the corporate name to One Subic Oil Distribution Corporation, to change its primary purpose to importation, storage, transportation, distribution and disposal of any and all kinds of fuel and petroleum products, and to change the principal office of the corporation to Causeway Extension, Subic Gateway District, Subic Bay Freeport Zone, Subic. The amended Articles of Incorporation were issued by the SEC on August 9, 2017. As at March 8, 2021, One Subic Oil has not started commercial operations for its petroleum distribution business.

As at December 31, 2020 and 2019, the Company's investment in One Subic Oil has an allowance for impairment loss amounting to ₱17.34 million.

ACEX and its subsidiary Palawan55
ACEX was incorporated and registered with the SEC on September 28, 1994. ACEX is engaged in oil exploration and well development. ACEX's principal place of business is at 4th Floor, 6750 Office Tower, Ayala Ave., Makati City.

On June 24, 2019, ACEN purchased PHINMA Inc.'s and PHINMA Corporation's combined stake in ACEX representing 25.28% ownership. This increased the Company's effective ownership in ACEX from 50.74% to 75.92%.

As at March 8, 2021, ACEX has not started commercial operations.

As at December 31, 2020 and 2019, the Company's investment in ACEX has an allowance for impairment loss amounting to ₱3.29 million.

Palawan55 was incorporated and registered with the SEC on November 16, 2012. Palawan55 is engaged in the development and utilization of crude oil, natural gas, natural gas liquids and other forms of petroleum. Palawan55's principal place of business is Level 11 PHINMA Plaza, 39 Plaza Drive, Rockwell Center, Makati City. As at March 8, 2021, Palawan55 has not started commercial operations.

BCHC
On December 12, 2019, the Company entered into a subscription agreement with BCHC to subscribe to the increase of BCHC's authorized capital stock, as follows:
i) 325,000,000 common shares with a par value of ₱0.10 per share, or for a total subscription price of ₱32.50 million; and
ii) 2,925,000 redeemable preferred shares B with a par value of ₱100.00 per share, or for a total subscription price of ₱292.50 million.

BCHC was incorporated and registered with the SEC on May 10, 2020. BCHC is engaged in the activities of a holding company and is non-operating as of date. BCHC has an existing land located in the province of Zambales amounting to ₱273.5 million. As at December 31, 2020, the Company has recorded investment in BCHC amounting to ₱325 million and advances to BCHC amounting to ₱250 million (representing excess of the subscription paid by the Company over the authorized capital stock of BCHC as at December 31, 2020) (see Note 14).

ACES
On November 18, 2019, the Company subscribed to 250,000 shares in ACES with a par value of ₱1.00 per share, or for a total subscription price of ₱0.25 million. ACES was incorporated and registered with the SEC on December 5, 2019. ACES is engaged in providing a full range of business process outsourcing services, such as, but not limited to, financial and general accounting/ bookkeeping services (without engaging in the practice of accountancy), information technology services, procurement services, sales administration services, human resources management, manpower related services and other related functions.

<u>Investments in Associates</u>

MGI
The Company subscribed to 25% of the capital stock of MGI which was incorporated and registered with the SEC on August 11, 2010, to implement the integrated development of the Maibarara geothermal field in Calamba, Laguna and Sto. Tomas, Batangas for power generation. MGI's registered business address is 7th F JMT Building, ADB Avenue, Ortigas Center, Pasig City.

On September 16, 2011, the Company entered into an ESA with MGI under which the Company will purchase the entire net electricity output of MGI's power plant for a period of 20 years at an agreed price, subject to certain adjustments (see Note 33). Commercial operations of MGI started in February 2014.

The Company is also a Project Sponsor for MGI's ₱2.40 billion Term Loan Facility for the 20 MW Maibarara Geothermal Power Plant and ₱1.40 billion Project Loan Facility for its 12 MW Maibarara Expansion Project. In the event of a default of MGI, as a Project Sponsor, the Company is obligated to:

- assign, mortgage or pledge all its right, title and/or interest in and its shares of stocks in MGI, including those that may be issued in the name of the Company;
- assign its rights and/or interests in the Joint Venture Agreement executed on May 19, 2010 with PNOC Renewables Corporation;
- secure the debt service reserve account (DSRA) with a standby letter of credit, when reasonably required and pursuant to the terms of the facilities;
- guarantee the completion of the projects and for this purpose, the Company undertakes to:

  i. contribute to MGI its pro-rata share of the funds necessary to enable MGI to complete the construction of its projects; and,
  ii. make cash advances or otherwise arrange to provide MGI with funds sufficient to complete construction, in the event that MGI does not have sufficient funds available to cover the full cost of constructing and completing the project due to costs overrun.

The loan covenants covering the outstanding debt of MGI include, among others, maintenance of debt-to-equity and debt-service ratios. As at December 31, 2020 and 2019, MGI is in compliance with the said loan covenants.

The Company received cash dividends from MGI amounting to ₱17.50 million and ₱25 million in 2020 and 2019, respectively.

11. **Financial Assets at Fair Value Through Other Comprehensive Income**

Details of the financial asset at FVOCI as at December 31, 2020 and 2019 are as follows:

Shares of stock - listed (see Note 31)	₱10
Golf club shares (see Note 31)	940
	₱950

The movements in net unrealized losses on financial assets at FVOCI for the years ended December 31, 2020 and 2019 are as follows:

	2020	2019
Balance at the beginning of year - net of tax	**(₱16,468)**	₱52,339
Changes upon adoption of PFRS 9 - net of tax:		
Unrealized loss recognized in other comprehensive income	–	(23,743)
Cumulative unrealized gain on disposal of equity instruments at FVOCI transferred to retained earnings	–	(45,064)
Balance at end of year - net of tax	**(16,468)**	(₱16,468)

Dividend income earned from financial assets at FVOCI amounted to nil and ₱5.54 million in 2020 and 2019, respectively.

12. **Deferred Exploration Costs**

Details of deferred exploration costs as at December 31, 2020 and 2019 are as follows:

Geothermal - SC 8 (Mabini, Batangas)	₱34,493
Petroleum/gas - SC 52 (Cagayan Province)	10,994
	45,487
Allowance for impairment losses	(45,487)
Net book value	₱–

Changes in the deferred exploration costs for the years ended December 31 are as follows:

	2020	2019
Cost:		
Balance at beginning of year	**₱45,487**	₱42,717
Cash calls	–	2,770
Balance at end of year	**45,487**	45,487
Accumulated impairment:		
Balance at beginning and end of year	**45,487**	10,994
Impairment (Note 22)	–	34,493
Balance at the end of the year	**45,487**	45,487
Net book value	**₱–**	₱–

The foregoing deferred exploration costs represent the Company's share in the expenditures incurred under petroleum and geothermal SCs with the DOE. The contracts provide for certain minimum work and expenditure obligations and the rights and benefits of the contractor. Operating agreements govern the relationship among co-contractors and the conduct of operations under an SC.

The following summarizes the status of the foregoing projects:

a. *SC 8 (Batangas - Mabini Geothermal Service Contract)*

In 2018, the Consortium held continuing IEC together with the DOE and PHIVOLCS to obtain support from the local government units towards lifting of the Cease-and-Desist Order.

On July 3, 2018, the Company formally notified Basic Energy, the Operator, of its withdrawal from the service contract and Joint Operating Agreement (JOA) for the block.

In August 2018, Basic Energy proposed to conduct the forward drilling program on its own, “Operation by Fewer than all the Parties: under the JOA) and carry the Company’s share of attendant costs. The Company expressed its willingness to consider the said proposal and requested Basic Energy’s key terms for the Company’s consideration.

In June 2019, the Company decided to push through with the withdrawal from the SC and JOA. As at December 31, 2019, the Company recognized full provision for probable loss on SC 8 amounting to ₱34.49 million.

b. *SC 52 (Cagayan Province)*

In 2016, the Company reclassified to receivables the option fee of ₱19.44 million recoverable upon expiration of the SC. The option fee was fully provided with an allowance for doubtful account.

Also, in 2016, the Company assessed and fully provided for probable losses for deferred exploration costs pertaining to SC 52 amounting to ₱10.99 million due to the expiration of its terms and subsequent denial of the DOE of the request for Force Majeure.

In December 2016, Frontier Oil, as instructed by the DOE, submitted certain documents in support of its request for Force Majeure. As at March 8, 2021, the requests for Moratorium and appeal for contract reinstatement are still pending DOE’s approval.

13. Right-of-Use Assets

The rollforward analysis of this account is as follows:

	2020	2019
As at January 1	**₱26,430**	₱–
New lease agreements	**9,185**	30,075
Amortization expense (Notes 22 and 24)	**(13,998)**	(3,645)
As at December 31	**₱21,617**	₱26,430

The Company’s right-of-use asset arose from the rental of office space in the 22nd Floor of Ayala Tower together with 8 parking slots entered into in 2018. On April 1, 2020, existing lease agreements of affiliates NLR and Northwind in 22nd Floor of Ayala Tower together with 4 parking slots were assigned to the Company.

As at December 31, 2020 and 2019, there was no indication of impairment on the right-of-use assets of the Company.

14. **Other Noncurrent Assets**

This account consists of:

	2020	2019
Deposit for future subscriptions (Note 28)	**₱1,263,940**	₱–
Advances to affiliates (Notes 28)	**669,963**	491,000
CWTs - net of current portion	**666,754**	860,026
Trade receivable - net (Note 18)	**571,714**	571,714
Receivables from third parties (Note 31)	**330,459**	333,333
Deposits (Note 31)	**98,363**	98,363
Derivative asset	**35,955**	–
	₱3,637,148	₱2,354,436

Deposit for future subscriptions consists of subscriptions to the following: Ingrid - ₱570.00 million, BCHC - ₱250.00 million, SolarAce1 - ₱180.00 million, ACES - ₱148.00 million, and AC Renewables - ₱115.94 million.

Advances to affiliates consist of advances to Ingrid and SolarAce1 amounting to ₱150.00 million and ₱519.96 million, respectively, intended for the purchase of shares (see Note 28).

CWTs represent amounts withheld by the Company's customers and are deducted from the Company's income tax payable.

Noncurrent trade receivable (see Note 18) related to receivable from the execution of the Multilateral Agreement.

Multilateral Agreement
Due to its interpretation of the WESM Rules, the PEMC allocates its uncollected receivables due from power purchasers in the WESM to the generators who sold power to the WESM. On December 23, 2013, the Supreme Court issued a 60-day Temporary Restraining Order ("TRO") enjoining the Manila Electric Company (MERALCO) and the ERC from implementing the Automatic Generation Rate Adjustment (AGRA) mechanism for the November 2013 billing period. The AGRA allows automatic pass through of the cost of power purchased from WESM. In turn, MERALCO did not pay PEMC a significant portion of its November and December 2013 power bills. PEMC in turn, did not pay the Company the full amount of its electricity sales. On April 22, 2014, the Supreme Court extended indefinitely the TRO it issued over the collection of the November 2013 power rate increase.

The ERC issued an Order (ERC Case No. 2014-021 MC) dated March 3, 2014 voiding the WESM prices of November and December 2013 power bills. As directed by ERC, PEMC recalculated the regulated prices and issued WESM adjusted power bills in March 2014 which the Company recorded resulting to an increase in receivables and net trading revenues.

Certain market players filed motions for reconsideration resulting in ERC's issuance of another Order dated March 27, 2014 for PEMC to provide market participants an additional forty-five (45) days, or up to May 12, 2014 to settle their WESM power bills covering the adjustments for the period October 26 to December 25, 2013. ERC extended the settlement of WESM power bills to a non-extendible period of thirty (30) days up to June 11, 2014 which resulted in a Multilateral Agreement where the WESM Trading Participants agreed to be bound to a payment schedule of six (6) months or twenty-four (24) months subject to certain conditions. The Company signed the Agreement on June 23, 2014. From 2014 to 2016, ACEN recorded collections amounting to

₱571.71 million against "Trade payable" presented under "Other noncurrent liabilities" pending the resolution of cases filed by certain market players with the Supreme Court.

In June 2016, the 24-month period of repayment prescribed; hence, the Company provided an allowance for credit losses related to the receivables under the Multilateral Agreement amounting to ₱7.00 million.

Receivables from third parties include interest-bearing receivables collectible until April 2021 and noninterest-bearing receivables from NGCP arising from the sale of transmission assets, which are collectible annually within three (3) years from the date of sale, discounted using the PHP BVAL Reference Rates on transaction date ranging from 2.14% - 4.56%.

Deposits pertain to deposits to distribution utilities.

Derivative assets pertains to coal swaps contracts with a bank used to hedge the risks associated with changes in coal prices (see Notes 31 and 32)

15. Accounts Payable and Other Current Liabilities

This account consists of:

	2020	2019
Nontrade payables	**₱2,040,434**	₱1,333,384
Due to related parties (Note 28)	**1,451,960**	625,195
Deferred output VAT	**799,339**	296,380
Trade payables	**710,936**	589,045
Accrued expenses (Note 31)	**320,573**	16,754
Accrued interest payable	**220,153**	105,174
Output VAT - net	**31,875**	–
Derivative liability (Notes 31 and 32)	**3,300**	21,060
Dividend payable	**1,678**	–
Others	**2,267**	3,232
	₱5,582,515	₱2,990,224

Nontrade payables include liabilities for various purchases such as acquisition of 20% interest in SLTEC (see Notes 10 and 18) and additions to property, plant and equipment and spare parts.

Deferred output VAT represents output VAT not yet collected as at year-end.

Trade payables refer to liabilities to suppliers of electricity and fuel purchased by the Company.

Accrued expenses include accruals for retirement benefits, sick and vacation leave, incentive pay and professional fees. This account also includes reimbursement to a customer and oil spill expenses for PB102 (see Note 22 and 35).

Output VAT - net pertains to VAT payable to the government related to uncollected amounts from the customers and those collected and due for remittance to the government. This account is presented net of input VAT.

Derivative liability pertains to freestanding forward currency contracts.

Others consist of liabilities to employees, statutory payables, deferred rent income and deposit payables.

Accounts payable and other current liabilities are noninterest-bearing and are normally settled on thirty (30) to sixty (60) day terms.

16. **Loans**

Long-term loans

As at December 31, this account consists of:

	2020	2019
Cost	**₱8,128,347**	₱8,634,812
Add premium on long-term loans (embedded derivative)	–	2,429
Less unamortized debt issue costs	**55,422**	60,691
	8,072,925	8,576,550
Less current portion of long-term loans (net of unamortized debt issue costs)	**191,200**	219,173
Noncurrent portion	**₱7,881,725**	₱8,357,377

Movements in derivatives and debt issue costs related to the long-term loans follow:

	Embedded Derivative	Debt Issue Costs
As at January 1, 2019	₱4,247	₱28,970
Additions	–	43,003
Amortization/ accretion*	(1,818)	(11,282)
As at December 31, 2019	₱2,429	₱60,691
Additions	**–**	**11,250**
Amortization/accretion*	**(2,429)**	**(16,519)**
As at December 31, 2020	**₱–**	**₱55,422**

**Included under "Interest and other financial charges" in the "Other income - net" account in the parent company statement of income (see Note 25).*

The relevant terms of the Company's long-term loans follow:

Description	Interest Rate (per annum)	Terms	**2020**	2019
₱5.00 billion loan with BDO	5.0505% per annum for the first 5 years; repricing for the succeeding 5 years is the average of the 5-year BVAL, three (3) days prior to Repricing Date, plus a margin of ninety basis points per annum (0.90%), with the sum divided by 0.95	Availed on November 15, 2019, payable in semi-annual installment within 10 years with final repayment on November 14, 2029; contains negative pledge	**₱4,908,487**	₱4,957,717

(Forward)

Description	Interest Rate (per annum)	Terms	2020	2019
₱7.00 billion loan with China Banking Corporation (CBC)	Fixed at a rate of 5.00% per annum which shall be payable at the end of the interest period of six months	Availed on July 10, 2020. First and second drawdown amounting to ₱0.50 billion and ₱1.00 billion have a term of one hundred twenty (120) months from and after the initial drawdown date. The payments shall be made in semi-annual principal installments commencing on the eighteenth (18th) month from the initial drawdown date; contains negative pledge.	**₱1,489,118**	₱–
₱1.18 billion loan with SBC	Fixed at a rate of 6.50% per annum which shall be payable at the end of the interest period of six months.	Availed on January 11, 2017 payable in semi-annual installments within 12.5 years to commence 6 months after the Drawdown Date and every 6 months thereafter with final repayment on July 11, 2029; contains negative pledge	**837,640**	904,018
₱1.18 billion loan with DBP	Fixed at a rate of 6.00% for the first 7 years; repricing for the last 5.5 years, the higher of 5-year PDST-R2 plus a spread of 1.625% or 6.25%	Availed on January 10, 2017 payable in semi-annual installments within 12.5 years to commence 6 months after the Drawdown Date and every 6 months thereafter with final repayment on July 10, 2029; contains negative pledge	**837,680**	904,004
₱1.50 billion loan with China Banking Corporation (CBC)	The higher of 7-year PDST-F at interest rate setting date which is one (1) banking day prior to issue date plus a spread of 1.625% or 5.675% for the first 7 years; repricing for the last 3 years, the higher of 3-year PDST-F plus a spread of 1.625% or initial interest rate	Availed on April 14, 2014, payable in quarterly installment within 10 years to commence 1 year after the first interest payment date with final repayment on April 30, 2024; contains negative pledge	–	1,358,728
₱0.50 billion loan with Banco De Oro Unibank, Inc. (BDO)	The higher of 7Y PDST-F at interest rate setting date which is one (1) banking day prior to issue date plus a spread of 1.625% or 5.8146% for the first 7 years; repricing for the last 3 years), the higher of 3-year PDST-F plus a spread of 1.625% or initial interest rate	Availed on July 30, 2014, payable in quarterly installments within 10 years to commence 1 year after the first interest payment date with final repayment on April 30, 2024; contains negative pledge	–	452,083
		Carrying value*	**₱8,072,925**	₱8,576,550

**Net of unamortized debt issue costs and embedded derivative of ₱55.42 million and ₱58.26 million in 2020 and 2019, respectively.*

In 2020 and 2019, principal repayments made relative to Company's loans amounted to ₱2,006.47 million and ₱1,094.06 million, respectively. The Company paid ₱11.25 million and ₱43.00 million debt issue costs for the ₱1,500 million and ₱5,000 million additional loans availed in 2020 and 2019, respectively

The long-term loans of the Company also contain prepayment provisions as follows:

Description	Prepayment provision
₱5.00 billion loan with BDO	Early redemption is at the option of the Borrower any time after the 4th Interest Payment Date. Prepayment shall be in integral multiples of ₱50 Million. Prepayment is not subject to penalty on the Repricing Date, else a prepayment premium of 3.0%, 2.5%, 2.0%, 1.0% and 0.5% is applied to the outstanding principal amounts prepaid from after the 4th to until before the 10th Interest Payment Date, from after the 10th to until before the 14th Interest Payment Date, from the 14th to until before the 16th Interest Payment Date, from the 16th to until before the 18th Interest Payment Date, and from the 18th to until before the 20th Interest Payment Date, respectively
₱1.50 billion loan with CBC	Early redemption is at the option of the issuer exercisable on an interest payment date every anniversary starting from the 7th year from Issue date. Prepayment amount is at par. Transaction cost is minimal.
₱0.50 billion loan with BDO	Early redemption is at the option of the issuer exercisable on an interest payment date every anniversary starting from the 7th year from Issue date. Prepayment amount is at par. Transaction cost is minimal.
₱1.18 billion loan with SBC	Early redemption is at the option of the issuer exercisable on an interest payment date at par plus break-funding cost. Transaction cost is minimal.
₱1.18 billion loan with DBP	Early redemption is at the option of the issuer exercisable on the interest repricing date (8th anniversary of the drawdown date). Prepayment amount is at par. If redemption is exercised on a date that is not the interest repricing date, prepayment amount is at par plus break-funding cost. Transaction cost is minimal.

The prepayment option on all loans were assessed as closely related and, thus, not required to be bifurcated.

In accordance with the terms of the Fixed Rate Corporate Notes Facility Agreement, the Company prepaid in full its ₱500.00 million corporate note with BDO on October 30, 2020 and its ₱1,500.00 million corporate note with CBC on December 14, 2020. The Company was able to get consent from both lenders to allow prepayment before the 7th anniversary of each respective corporate note without premium or penalty. In 2019, the Company prepaid ₱930.00 million of its long-term debt accordance with the terms of the Agreement with SBC.

Covenants
Under the loan agreements, the Company has certain restrictions and requirements principally with respect to maintenance of required financial ratios and material change in ownership or control.

Description	Covenants
₱5.00 billion loan with BDO	(a) Maximum Net Debt to Equity ratio of 3 times
₱1.50 billion loan with CBC	(a) Minimum DSCR of 1.0 times
	(b) Maximum Debt to Equity ratio of 1.5 times
₱0.50 billion loan with BDO	(a) Minimum DSCR of 1.0 times
	(b) Maximum Debt to Equity ratio of 1.5 times
₱1.18 billion loan with SBC	(a) Minimum DSCR of 1.0 times
	(b) Maximum Consolidated Debt to Equity ratio of 1.5 times
	(c) Minimum Current ratio of 1.0 times*
₱1.18 billion loan with DBP	(a) Minimum DSCR of 1.0 times
	(b) Maximum Consolidated Debt to Equity ratio of 1.5 times
	(c) Minimum Current ratio of 1.0 times*

***Applicable only if there's short-term borrowing*

In addition, there is also a restriction on the payment or distribution of dividends to its stockholders other than dividends payable solely in shares of its capital stock if payment of any sum due the lender is in arrears or such declaration, payment or distribution shall result in a violation of the financial ratios prescribed.

Loan Agreement with China Banking Corporation ("CBC")
On July 10, 2020, the Company entered into a new loan agreement with CBC for a maximum principal amount of ₱7.00 billion. The ₱7.00 billion shall be released in a maximum of seven (7) advances.

First drawdown was made on July 15, 2020 amounting to ₱500.00 million and the second drawdown was on August 24, 2020 amounting to ₱1,000.00 million. Both loans have a term of one hundred twenty (120) months from and after the initial drawdown date. The payments shall be made in semi-annual principal installments commencing on the eighteenth (18^{th}) month from the initial drawdown date. Each principal installment shall be payable on the principal repayment date which shall coincide with an interest payment date.

The loan facility contains a prepayment provision which allows the Company to make an optional prepayment, wholly or partially, starting the fifth (5^{th}) anniversary of the initial drawdown date and on every interest payment date thereafter. The amount payable to CBC shall consist of the principal amount of the loans being prepaid, accrued interest on such principal amount up to the voluntary prepayment date, any increase in applicable gross receipts tax ("GRT") as a result of such prepayment, and any applicable prepayment premium as indicated in the loan agreement. The prepayment option was assessed as closely related to the loan and, thus, was not bifurcated.

Loan covenants. The Company closely monitors its debt covenants and maintains a capital expenditure program and dividend declaration policy that keeps the compliance of these covenants into consideration.

In 2019, the Company signed and availed of a ₱5.0 billion term loan facility with BDO. In 2020, the Company signed a ₱7.0 billion facility with CBC where it drew ₱1.50 billion as at end 2020. Both loans are payable in semi-annual installments for 10 years. As compliance with the debt covenant, the Company's Net Debt to Equity ratio should be no more than 3 times. Also, the Company was able to obtain waivers of compliance from BDO, CBC, SBC, and DBP for the Debt Service Cover Ratio and

Debt-to-Equity ratio covenant testing for 2019 required by the terms of each respective Lender's loan agreement. The Company, therefore, classified the loans amounting to ₱8.36 billion as noncurrent as at December 31, 2019.

In 2020, ACEN was able to obtain waivers of compliance for the Debt Service Coverage Ratio, Debt-to-Equity ratio and Current ratio covenants on its legacy loans with SBC (₱1.18 billion) and DBP (₱1.18 billion) as required by the terms of each respective Lender's loan agreement. The waivers granted on the covenants for ACEN are valid until the next succeeding testing date. These ratios are computed based on the annual consolidated audited financial statements of ACEN, and the next testing date will be sometime during the first quarter of 2022, based on the 2021 consolidated audited financial statements. ACEN classified the loans amounting to ₱1.68 billion as noncurrent as at December 31, 2020.

Total interest expense recognized on long-term loans amounted to ₱507.66 million and ₱300.13 million in 2020 and 2019, respectively (see Note 25).

Short-term loan

This account consists of:

	2020	2019
Beginning balance	**₱–**	₱400,000
Availments	**10,506,500**	–
Payments	**(750,000)**	(400,000)
Foreign exchange adjustments	**(317,900)**	–
Ending balance	**₱9,438,600**	₱–

As at December 31, 2018, the Company has outstanding short-term loan amounting to ₱400.00 million which was obtained thru a promissory note to BDO Unibank Inc. on August 14, 2018 with a maturity date of February 8, 2019. Interest on principal amount is 5.25% per annum fixed for 31 days to be repriced every 30 to 180 days as agreed by the parties. This was subsequently extended on February 8, 2019 for six (6) months. As at December 31, 2019, the Company has paid out its short-term loan.

On March 20, 2020, the Company made an availment of a short-term loan from AC Renewables International Pte. Ltd. ("ACRI"), an entity under the common control of ACEIC, amounting to $100 million or ₱5,121.50 million. This is in accordance with the Facility Agreement signed by both parties on March 19, 2020. Under the terms of the Facility Agreement, the Company may draw under the facility provided that a promissory note payable to the order of ACRI and dated on the actual drawing date was delivered to the latter. The principal sum shall be subject to interest while outstanding at the rate of 1.702% p.a. and shall be payable on maturity on September 16, 2020. The loan was extended from September 16, 2020 to October 16, 2020 at a rate of 0.90%, and further extended from October 16, 2020 to March 20, 2021 at a rate 1.01%.

The carrying amount of the loan as at December 31, 2020 amounted to ₱4,803.60 million.

The Company has outstanding new short-term loans availed on various dates in September, October and December from BDO, SBC, RCBC and CBC amounting to ₱2,000.00 million, ₱800.00 million, ₱500.00 million and ₱1,335.00 million, respectively.

Below are the pertinent details of the loans from BDO, SBC, RCBC and CBC.

Bank	Date of Availment	Amount	Interest	Maturity
BDO	September 18, 2020	₱1,000,000,000	4.000%	March 17, 2021
SBC	September 18, 2020	800,000,000	3.750%	March 17, 2021
RCBC	October 8, 2020	500,000,000	3.750%	April 6, 2021
BDO	October 23, 2020	550,000,000	4.000%	March 31, 2021
BDO	October 28, 2020	450,000,000	4.000%	March 31, 2021
CBC	December 14, 2020	1,335,000,000	4.210%	March 12, 2021

In addition, the Company also availed short-term loans from Hongkong and Shanghai Banking Corporation (HSBC) amounting to ₱750.00 million during the period but were all subsequently paid in 2020.

In 2020 and 2019, the Company recognized interest expense amounting to ₱124.20 million and ₱7.02 million, respectively (see Note 25).

17. **Lease Liabilities**

The rollforward analysis of lease liabilities follows:

	2020	2019
As at January 1,	**₱24,108**	₱–
New lease agreements	**9,186**	27,323
Interest expense (Note 25)	**1,273**	454
Payments	**(8,733)**	(3,669)
As at December 31, 2020	**₱25,834**	₱24,108

In 2020, the current and noncurrent portion of lease liability amounted to ₱22.03 million and ₱3.81 million, respectively. In 2019, the current and noncurrent portion of lease liability amounted to ₱10.33 million and ₱13.78 million, respectively.

18. **Other Noncurrent Liabilities**

This account consists of:

	2020	2019
Trade payable (Notes 14 and 15)	**₱571,714**	₱571,714
Deposit payables (Note 33)	**162,465**	154,175
Nontrade payable (Note 12)	–	1,870,755
Others	–	7,807
	₱734,179	₱2,604,451

In 2019, nontrade payable amounting to ₱1,870.76 million pertains to the noncurrent portion of the amount payable to APHPC for the purchase of the additional 20% interest in SLTEC thru the assignment of ACEI to the Company of the Share Purchase Agreement executed by ACEI and APHPC. The amount is payable on September 30, 2021.

Deposit payables consist of security deposits from RES customers refundable at the end of the contract.

19. **Equity**

Capital Stock

Following are the details of the Company's capital stock:

	Number of Shares	
	2020	2019
Authorized capital stock - ₱1 par value	**24,400,000,000**	8,400,000,000
Issued and outstanding:		
Balance at beginning of year	**7,521,774,922**	4,889,774,922
Issuance during the year	**6,185,182,288**	2,632,000,000
Balance at end of year	**13,706,957,210**	7,521,774,922

The issued and outstanding shares as at December 31, 2020 and 2019 are held by 3,182 and 3,192 equity holders, respectively.

The following table presents the track record of registration of capital stock:

Year Approval	No. of shares Registered	No. of shares Issued	Par Value	Issue/ Offer Price
Prior to 2005*	1,000,000,000	**840,601,987	₱0.01/1.00	₱0.01/1.00
2005	1,000,000,000	264,454,741	1.00	1.00
2007	–	552,528,364	1.00	1.00
2008	–	4,713,558	1.00	1.00
2009	–	304,419	1.00	1.00
2010	–	2,022,535	1.00	1.00
2011	2,200,000,000	1,165,237,923	1.00	1.00
2012	4,200,000,000	2,027,395,343	1.00	1.00
2013	–	6,603,887	1.00	1.00
2014	–	1,283,332	1.00	1.00
2016	–	20,751,819	1.00	1.00
2017	–	3,877,014	1.00	1.00
2019	–	2,632,000,000	1.00	1.00
2020	16,000,000,000	6,185,182,288	1.00	1.00

**On April 7, 1997, par value was increased from ₱0.01 to ₱1.00.*
***Equivalent number of shares at ₱1.00 par.*

Additional Paid-in Capital

The share swap transaction provides that ACEN shall issue its own shares equivalent to 6,185,182,288 common shares at ₱2.37 per share as consideration in exchange for ACEIC's interest in the Onshore Companies, giving rise to additional paid-in capital presented in the equity of the Company as follows:

Equity instruments issued	6,185,182,288
Par value per share	₱1
Total value of common shares issued	₱6,185,182,288
Transfer value at ₱2.37 per share	14,658,882,023
Gross additional paid-in capital	8,473,699,735
Transaction costs	(94,782,260)
Additional paid-in capital	₱8,378,917,475

Transaction costs include documentary stamp taxes and SEC fees paid relevant to share issuance.

The Deed of Assignment also gave ACEN the right to receive any dividends accruing to ACEI from the date of the assignment which are treated as price adjustments to the share swap transaction. In 2020, ACEN received cash amounting to ₱145.01 million, ₱20.63 and ₱5.46 million representing ACEI's dividend income from PhilWind, NorthWind and MSPD, respectively. These were recorded as additional paid-in capital of ACEN.

Retained Earnings

The Company's retained earnings balance amounted to ₱5,230.27 million and ₱2,409.16 million as at December 31, 2020 and 2019, respectively. Retained earnings available for dividend declaration amounted to ₱4,693.54 million and ₱1,812.54 million as at December 31, 2020 and 2019, respectively.

Other Equity Reserves

This represents the impact of share swap transaction with ACEIC to acquire its ownership interest in the Onshore Companies in exchange for ACEN's issuance of additional primary shares via a tax-free exchange. The amount reflected in other equity reserves is the difference between the fair value of the issued shares and the agreed transfer value in the Deed of Assignment (see Note 10).

Dividends

On August 19, 2020, the BOD approved the declaration of cash dividends of four centavos (₱0.04) per share on the 13,692,457,210 issued and outstanding shares of the Company, or a total dividend amount of ₱547,698,288, paid on September 17, 2020 to the shareholders on record as at September 3, 2020.

There were no dividends declared in 2019.

Treasury Shares

On March 18, 2020, the BOD of the Company approved a share buy-back program to support its share prices through the repurchase in the open market of up to ₱1.00 billion worth of common shares beginning March 24, 2020. As at December 31, 2020, the cumulative number of shares repurchased is at 14.50 million for an aggregate repurchase price of ₱28.66 million.

20. **Revenue from Sale of Electricity**

The table presents the Company's revenue from different revenue streams.

	2020	2019
Revenue from power supply contracts	**₱16,685,730**	₱13,510,271
Revenue from power generation and trading and ancillary services	**217,670**	893,568
	₱16,903,400	₱14,403,839

<u>Meralco Baseload PSA</u>
On October 22, 2019, MERALCO and ACEN filed with the ERC a joint application for approval of its baseload Power Supply Agreement ("PSA"). Under the PSA, ACEN will supply, at a fixed rate, 200 MW baseload capacity to MERALCO for ten (10) years from the issuance by the ERC of a provisional approval. Hearings were conducted on January 14, 21, and 28, 2020.

On January 31, 2020, ACEN received a copy of the Order from the ERC, provisionally approving the baseload PSA between MERALCO and ACEN (the "PA Order"). Under the PA Order, the ERC granted a rate of ₱4.2366/kWh regardless of the plant capacity factor and not subject to any escalation rate.

On February 7, 2020, ACEN filed a Motion for Reconsideration and Urgent Re-evaluation of the Provisionally Approved Rates, arguing among others, for the implementation of the bid parameters of MERALCO, including the inclusion of the plant capacity factor in determining the rate, application of the proposed escalation rate, and retroactive application of the rates.

On May 13, 2020, ACEN received a copy of the Order of the ERC granting ACEN's Motion for Reconsideration ("Order Granting the MR"). The ERC, in its Order Granting the MR, approved a rate of ₱4.2366/kWh at 100% plant capacity factor, allowed 60% of the approved rate to escalate in accordance with ACEN's escalation schedule, and allowed a retroactive recovery of approved rate from December 26, 2019, among others. The Parties have already agreed on the amortization schedule and/or payment schedule for the collection of the retroactive differential adjustment amounting to ₱618.27 million (see Note 6).

<u>Meralco Mid-Merit PSA</u>
On October 22, 2019, MERALCO and ACEN filed with the ERC a joint application for approval of the mid-merit PSA. Under the PSA, ACEN will supply, at a fixed rate, 110 MW mid-merit capacity to MERALCO for five (5) years from the issuance by the ERC of a provisional approval. Hearings were conducted on December 3, 2019, January 14, 21, and 28, 2020.

On January 31, 2020, ACEN received a copy of the Order from the ERC, provisionally approving the mid-merit PSA between MERALCO and ACEN. Under the PA Order, the ERC granted a rate of ₱4.2366/kWh regardless of the plant capacity factor.

On February 07, 2020, ACEN filed a Motion for Reconsideration and Urgent Re-evaluation of the Provisionally Approved Rates, arguing among others, for the implementation of the bid parameters of MERALCO, including the inclusion of the plant capacity factor in determining the rate and retroactive application of the rates.

On June 1, 2020, ACEN received a copy of the Order of the ERC granting ACEN's Motion for Reconsideration. The ERC, in its Order Granting the MR, approved a rate of ₱4.8763/kWh at 60% plant capacity factor, and allowed a retroactive recovery of approved rate from January 30, 2020, among others. The Parties have already agreed on the amortization schedule and/or payment schedule for the collection of the retroactive differential adjustment amounting to ₱158.50 million (see Note 6).

Pre-termination fees
Revenues from power supply contract in 2020 include customer pre-termination fees of ₱289.08 million.

21. Cost of Sale of Electricity

This account consists of:

	2020	**2019**
Costs of power purchased (Note 30)	**₱12,201,559**	₱13,086,857
Fuel (Note 7)	**461,204**	1,153,243
Depreciation and amortization (Notes 9 and 24)	**52,732**	45,038
Repairs and maintenance	**36,941**	30,576
Contractor's fee	**25,200**	25,200
Insurance	**20,828**	12,052
Market fees	**14,250**	13,271
Taxes and licenses	**6,675**	2,471
Rent	**929**	1,175
Station used	**671**	85,621
Salaries (Note 23)	–	2,601
Pension and other employee benefits (Notes 23 and 27)	–	221
Others	**15,521**	14,229
	₱12,836,510	₱14,472,555

22. General and Administrative Expenses

This account consists of:

	2020	2019
Management and professional fees (Note 28)	**₱504,953**	₱72,341
Salaries and directors' fees (Notes 23 and 27)	**382,657**	108,469
Provision for impairment of property, plant and equipment (Note 9)	**270,528**	–
Taxes and licenses	**193,037**	119,424
Provision for probable losses	**95,150**	–
Pension and other employee benefits (Notes 23 and 27)	**52,146**	15,781
Insurance, dues and subscriptions	**35,922**	21,636
Depreciation and amortization (Notes 9, 13 and 24)	**28,732**	16,648

(Forward)

	2020	2019
Building maintenance and repairs	**₱26,974**	₱13,608
Rent	**10,246**	1,065
Transportation and travel	**9,948**	2,972
Bank charges	**7,640**	32,035
Donation and contribution	**6,900**	–
Advertising	**5,263**	2,501
Communications	**2,573**	3,033
Office supplies	**2,346**	2,841
Provision for credit losses (Note 6)	**873**	1,163
Meetings and conferences	**604**	2,932
Provision for probable losses on deferred exploration costs (Note 12)	**–**	34,493
Provision for inventory obsolescence (Note 7)	**–**	5,554
Others	**11,690**	7,245
	₱1,648,182	₱463,741

23. **Personnel Expenses**

This account consists of:

	2020	2019
Salaries and directors' fees included under:		
Cost of sale of electricity (Note 21)	**₱–**	₱2,601
General and administrative expenses (Note 22)	**382,657**	108,469
Pension and other employee benefits included under:		
Cost of sale of electricity (Notes 21 and 27)	**–**	221
General and administrative expenses (Notes 22 and 27)	**52,146**	15,781
	₱434,803	₱127,072

24. **Depreciation and Amortization**

This account consists of:

	2020	2019
Property, plant and equipment (Notes 9)	**₱67,466**	₱58,041
Right-of-use assets (Note 13)	**13,998**	3,645
	₱81,464	₱61,686
Cost of sale of electricity (Note 21)	**₱52,732**	₱45,038
General and administrative expenses (Note 22)	**28,732**	16,648
	₱81,464	₱61,686

25. **Other Income - Net**

This account consists of:

	2020	2019
Foreign exchange gain - net	**₱261,124**	₱1,636
Advisory services fee	**121,685**	–
Interest and other financial income	**46,346**	68,763
Loss on derivatives - net	**(3,393)**	(6,851)
Gain (loss) on sale/disposal of:		
Property, plant and equipment (Note 9)	**1,408**	294,100
Asset held for sale	–	14,289
Investments	–	(6,652)
Inventories	–	(461)
Others	**3,344**	15,987
	₱430,514	₱380,811

Interest and Other Financial Income
The details of interest and other financial income are as follows:

	2020	2019
Interest income on:		
Short-term deposits (Note 5)	**₱28,287**	₱52,219
Receivables from third parties	**14,029**	7,161
Cash in banks (Note 5)	**1,320**	374
Interest income not subject to final tax	**2,710**	1,477
Net gains on changes in fair value of financial assets at FVTPL	–	7,532
	₱46,346	₱68,763

Interest and Other Financial Charges
The details of interest and other financial charges are as follows:

	2020	**2019**
Interest expense on:		
Long-term loans* (see Note 16)	**₱507,658**	₱300,128
Short-term loans (see Note 16)	**124,199**	7,019
Amortization of discount on nontrade payable (see Notes 15 and 18)	**92,377**	16,118
Amortization of debt issue cost (see Note 16)	**16,519**	11,282
Lease obligation (see Note 17)	**1,273**	454
Receivables from third parties**	–	(3,579)
Others	**1,305**	51
	₱743,331	₱331,473

**Net of ₱2.43 million and ₱1.82 million in 2020 and 2019, respectively, representing the amortization of embedded derivative on long-term loans (see Note 16).*
***Refers to the day 1 difference on the receivables from third parties included under "Other noncurrent assets" (see Note 14).*

26. **Income Taxes**

a. The provision for income taxes consist of:

	2020	2019
Final taxes	**₱4,826**	₱10,515
MCIT	**88,800**	–
Deferred income taxes	**178,262**	(202,537)
	₱271,888	(₱192,022)

b. The components of the Company’s net deferred income tax assets as at December 31 are as follows:

	2020	2019
Deferred income tax assets on:		
Accrued expenses	**₱124,597**	₱61,814
NOLCO	**90,013**	459,737
MCIT	**88,800**	–
Allowance for impairment on property, plant and equipment	**83,429**	2,550
Allowance for credit losses	**32,440**	32,189
Allowance for probable losses on deferred exploration costs	**13,646**	13,646
Lease liabilities	**7,750**	7,233
Pension and other employee benefits	**5,792**	6,716
Unamortized discount on long-term receivables	**615**	1,852
Asset retirement obligation - liability	–	2,342
Others	**1,362**	1,410
	448,444	589,489
Deferred income tax liabilities on:		
Accrual of trading revenue	**(38,584)**	(63,584)
Unamortized interest cost on payable to APHPC	**(21,822)**	(50,773)
Unamortized debt issue cost	**(18,608)**	(14,557)
Right-of-use asset	**(6,485)**	(7,929)
Asset retirement obligation - asset	–	(274)
Others	**(850)**	(858)
Unrealized foreign exchange gain	**(88,843)**	–
	(175,192)	(137,975)
Presented in other comprehensive income		
Deferred tax asset:		
Derivative liability on hedging - OCI	–	6,318
Remeasurement loss on defined benefit obligation	**3,291**	773
	3,291	7,091
Deferred tax liability:		
Derivative asset on hedging - OCI	**(24,604)**	–
	(24,604)	–
Deferred income tax assets - net	**₱251,939**	₱458,605

In 2020, the Company recognized ₱377.78 million of deferred income tax assets on NOLCO to the extent that it is probable that sufficient taxable income will be available to allow all or part of deferred income tax assets to be utilized. Deferred income tax not recognized by the Company pertains to excess MCIT over RCIT and portion of NOLCO amounting to nil million and ₱8.33 million, and nil and 1,257.93 million as at December 31, 2020 and 2019, respectively.

The details of the Company's NOLCO and MCIT as at December 31, 2020 and 2019 are as follows:

NOLCO

Year Incurred	Amount	Applied	Expired	Balance	Expiry
2017	₱455,862	(₱455,862)	₱–	₱–	2020
2018	1,409,873	(1,409,873)	–	–	2021
2019	924,654	(624,612)	–	300,042	2022
	₱2,790,389	₱2,490,347	₱–	₱300,042	

Excess MCIT

Year Incurred	Amount	Applied	Expired	Balance	Expiry
2017	₱8,325	₱–	(₱8,325)	₱–	2020
2018	–	–	–	–	2021
2019	–	–	–	–	2022
2020	88,800	–	–	88,800	2023
	₱97,125	₱–	(₱8,325)	₱88,800	

c. The reconciliation between the effective income tax rates and the statutory income tax rate follows:

	2020	2019
Applicable statutory income tax rate	**30.00%**	(30.00%)
Decrease in tax rate resulting from:		
Dividend income exempt from tax	**(11.67)**	(17.38)
Interest income subjected to final tax	**(0.24)**	(3.55)
Movement in unrecognized DTA	**(10.43)**	(14.59)
Reversal of asset retirement obligation	**(0.07)**	–
Nondeductible expenses	**0.09**	1.73
Others	**(0.21)**	0.02
Effective income tax rate	**7.47%**	(63.77%)

27. Pension and Other Employee Benefits

The Company has a funded, noncontributory defined benefit retirement plan covering all of its regular and full-time employees.

Pension and other employee benefits consist of:

	2020	2019
Pension liability	**₱35,152**	₱17,761
Vacation and sick leave accrual	**7,201**	7,201
	42,353	24,962
Less current portion of vacation and sick leave accrual*	**825**	825
	₱41,528	₱24,137

**Included in "Accrued expenses" under "Accounts payable and other current liabilities" account in the parent company statements of financial position (see Note 15).*

Pension and other employee benefits included under "Cost of sale of electricity" and "General and administrative expenses" accounts in the parent company statements of income:

	2020	2019
Pension expense	**₱15,440**	₱7,329
Vacation and sick leave accrual	**–**	(8,368)
	₱15,440	(₱1,039)

A. Net Defined Benefit Liability

Changes in net defined benefit liability of funded plan in 2020 are as follows:

	Present Value of Defined Benefit Obligation	Fair Value of Plan Assets	Net Defined Benefit Liability
At January 1, 2020	**₱36,622**	**₱18,861**	**₱17,761**
Pension expense in parent company statement of income:			
Current service cost	**11,046**	**–**	**11,046**
Net interest	**1,806**	**923**	**883**
Past service cost	**3,511**	**–**	**3,511**
	16,363	**923**	**15,440**
Remeasurement loss (gain) in other comprehensive income:			
Return on plan assets (excluding amount included in net interest)	–	**(202)**	**202**
Experience adjustments	**(87)**	–	**(87)**
Changes in demographic assumptions	**(4,018)**	–	**(4,018)**
Actuarial changes arising from changes in financial assumptions	**12,301**	–	**12,301**
	8,196	**(202)**	**8,398**
Net acquired/(transferred) obligation	**2,171**	**(1,506)**	**3,677**
Benefits paid	**(7,420)**	**(7,420)**	–
Contributions	–	**10,124**	**(10,124)**
At December 31, 2020	**₱55,932**	**₱20,780**	**₱35,152**

Changes in net defined benefit liability of funded plan in 2019 are as follows:

	Present Value of Defined Benefit Obligation	Fair Value of Plan Assets	Net Defined Benefit Liability
At January 1, 2020	₱75,104	₱64,798	₱10,306
Pension expense in parent company statement of income:			
Current service cost	6,951	–	6,951
Net interest	3,804	3,426	378
	10,755	3,426	7,329
Remeasurement loss (gain) in other comprehensive income:			
Return on plan assets (excluding amount included in net interest)	–	(1,877)	1,877
Experience adjustments	(9,482)	–	(9,482)
Changes in demographic assumptions	(4,801)	(4,801)	–
Actuarial changes arising from changes in financial assumptions	7,731	–	7,731
	(6,552)	(6,678)	126
Benefits paid	(42,685)	(42,685)	–
At December 31, 2020	₱36,622	₱18,861	₱17,761

The maximum economic benefit available is a combination of expected refunds from the plan and reductions in future contributions.

The fair value of plan assets by each class as at December 31 is as follows:

	2020	2019
Investments in:		
Government securities	**₱17,044**	₱1,855
UITFs	**3,750**	5,465
Equity instruments	**–**	11,579
Receivables	**16**	18
Liabilities	**(30)**	(56)
	₱20,780	₱18,861

Investments in government securities, mutual funds and UITFs can be readily sold or redeemed. Marketable equity securities, which can be transacted through the PSE, account for less than 5% of plan assets; all other equity securities are transacted over the counter.

The plan assets include shares of stock of the Company with fair value of nil as at December 31, 2020 and 2019, respectively. The shares were acquired at a cost of ₱0.03 million in 2018. There are no restrictions or limitations on the shares and there was no material gain or loss on the shares for the years ended December 31, 2020 and 2019. The voting rights over the shares are exercised through the trustee by the Retirement Committee, the members of which are directors or officers of the Company.

The plan assets have diverse investments and do not have any concentration risk.

The cost of defined benefit pension plans and other post-employment benefits as well as the present value of the pension obligation are determined using actuarial valuations. The actuarial valuation involves making various assumptions.

The principal assumptions used in determining pension and post-employment benefit obligations for the defined benefit plans are shown below:

	2020	2019
Discount rate	**3.93%**	5.07%
Salary increase rate	**6.00%**	5.00%

There were no changes from the previous period in the methods and assumptions used in preparing sensitivity analysis.

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

		2020		2019	
			Increase (Decrease) in Pension Liability		Increase (Decrease) in Pension Liability
Discount rate	(Actual + 1.00%)	**4.93%**	**(₱6,253)**	6.07%	(₱3,726)
	(Actual – 1.00%)	**2.93%**	**7,516**	4.07%	4,548
Salary increase rate	(Actual + 1.00%)	**7.00%**	**7,509**	6.00%	4,672
	(Actual – 1.00%)	**5.00%**	**(6,378)**	4.00%	(3,894)

The management performs an Asset-Liability Matching (ALM) Study annually. The overall investment policy and strategy of the Company's defined benefit plans is guided by the objective of achieving an investment return which, together with contributions, ensures that there will be sufficient assets to pay pension benefits as they fall due while also mitigating the various risks of the plans. The Company's current strategic investment strategy consists of 66% of equity instruments, 35% fixed income instruments and 1% of debt instruments.

The Company expects to contribute ₱16.39 million to the defined benefit pension plan in 2021.

There are no minimum funding standards in the Philippines.

The following table sets forth the expected future settlements by Plan of maturing defined benefit obligation as at December 31, 2020:

	2020	2019
Less than one year	**₱1,812**	₱8,145
More than one year to five years	**22,467**	15,157
More than five years to 10 years	**33,501**	21,388
More than 10 years to 15 years	**67,272**	27,494
More than 15 years to 20 years	**83,172**	31,864
More than 20 years	**219,010**	213,710

As at December 31, 2020 and 2019, the average duration of the expected benefit payments were 18.92 years and 19.41 years, respectively.

B. Vacation and Sick Leave

The following tables summarize the components of vacation and sick leave expense (income) recognized in the parent company statement of income and the amounts recognized in the parent company statement of financial position.

	2019
Current service costs	₱472
Interest costs	1,147
Actuarial gain	(9,987)
	(₱8,368)

Changes in present value of the vacation and sick leave obligation are as follows:

	2020	2019
Balance at the beginning of year	**₱7,201**	₱15,784
Current service cost	–	473
Net interest	–	1,147
Actuarial gain	–	(9,987)
Benefits paid	–	(216)
Balance at the end of year	**₱7,201**	₱7,201

28. Related Party Transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence which include affiliates. Related parties may be individual or corporate entities.

Outstanding balances at year-end are unsecured and are expected to be settled in cash. There have been no guarantees provided or received for any related party receivables or payables.

No provision for credit losses was recognized for receivables from related parties in both 2020 and 2019. The assessment of collectability of receivables from related parties is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates. In the ordinary course of business, the Company transacts with subsidiaries, associates, affiliates, jointly-controlled entities and other related parties on advances, loans, reimbursement of expenses, office space rentals, management service agreements and electricity supply.

The balances of accounts and transactions pertaining to related parties as at and for the years ended December 31 are as follows:

2020

Company	Amount/ Volume	Nature	Outstanding Balance Receivable (Payable)	Terms	Conditions
Parent					
ACEIC					
Due from related parties	**₱3,677**	Retirement and gratuity share	**₱3,677**	Noninterest-bearing	Unsecured, no impairment
Due from related parties	**8,323**	Management income and share in expense	**8,173**	Noninterest-bearing	Unsecured, no impairment
Due to related parties	**357,799**	Management fee	**(270,562)**	Noninterest-bearing	Unsecured
Subsidiaries					
Bulacan Power					
Due from related parties	**213,944**	Sale of electricity	**83,044**	30-day, noninterest-bearing	Unsecured, no impairment
Due to related parties	**37,930**	Purchase of electricity	**(5,472)**	30-day, noninterest-bearing	Unsecured
Due to related parties	**20,177**	Pass through charges	**(10,544)**	30-day, noninterest-bearing	Unsecured
CIPP					
Due from related parties	**72,456**	Sale of electricity	**34,076**	30-day, noninterest-bearing	Unsecured, no impairment
Due to related parties	**18,121**	Purchase of electricity	**(95)**	30-day, noninterest-bearing	Unsecured
One Subic Power					
Due from related parties	**130,000**	Advances	**680,000**	Noninterest-bearing	Unsecured, no impairment
Due to related parties	**340,984**	Purchase of electricity	**(50,267)**	30-day, noninterest-bearing	Unsecured
Due from related parties	**276**	Miscellaneous	**276**	Noninterest-bearing	Unsecured, no impairment
SLTEC					
Due from related parties	**80,027**	Sale of electricity, rent, dividend and share in expenses	**68,718**	30-day, noninterest-bearing	Unsecured, with Impairment
Due to related parties	**40,600**	Management income	**(39,382)**	Noninterest-bearing	Unsecured
Due to related parties	**5,336,000**	Purchase of electricity	**(731,992)**	30-day, noninterest-bearing	Unsecured
Palawan55					
Due from related parties	**–**	Advances	**7,477**	Noninterest-bearing	Unsecured, no impairment
Due from related parties	**22,848**	Management income	**19,789**	Noninterest-bearing	Unsecured, no impairment
BCHC					
Due from related parties	**368**	Advances	**368**	Noninterest-bearing	Unsecured, no impairment
Deposits for future subscription	**250,000**	Investment	**250,000**	Noninterest-bearing	Unsecured
ACES					
Due to related parties	**60,200**	Management fees	**(59,950)**	On demand	Unsecured
Deposits for future subscription	**148,000**	Investment	**148,000**	Noninterest-bearing	Unsecured
ACEX					
Due from related parties	**145**	Advances	**245**	30-day, noninterest-bearing	Unsecured, no impairment
Bataan Solar					
Due from related parties	**146,846**	Advances	**146,846**	Noninterest-bearing	Unsecured, no impairment
GigaAce 4					
Due from related parties	**1,184**	Miscellaneous	**1,184**	Noninterest-bearing	Unsecured, no impairment
Due from related parties	**266,658**	Advances	**266,658**	Noninterest-bearing	Unsecured, no impairment

(Forward)

2020					
Company	Amount/ Volume	Nature	Outstanding Balance Receivable (Payable)	Terms	Conditions
NPDC					
Due from related parties	**₱23,500**	Management income	**₱5,699**	Noninterest-bearing	Unsecured, no impairment
Due to related parties	**1,140**	Professional fees	**(1,140)**	Noninterest-bearing	Unsecured
AC Renewables					
Due from related parties	**110,000**	Advances	**110,000**	Noninterest-bearing	Unsecured, no impairment
Due to related parties	**110,000**	Project funding	**(110,000)**	Noninterest-bearing	Unsecured
Deposits for future subscription	**115,940**	Investment	**115,940**	Noninterest-bearing	Unsecured
San Julio					
Due from related parties	**330**	Advances	**330**	30-day, noninterest-bearing	Unsecured, no impairment
Ingrid 4					
Due from related parties	**1,034**	Advances	**1,034**	Noninterest-bearing	Unsecured, no impairment
Due from related parties	**26,100**	Management income	**145**	Noninterest-bearing	Unsecured, no impairment
Due to related parties	**1,286**	Miscellaneous	**(1,286)**	Noninterest-bearing	Unsecured
Gigasol 3					
Due from related parties	**1,911,287**	Advances	**1,911,287**	Noninterest-bearing	Unsecured, no impairment
Pagudpud Wind					
Due from related parties	**129,080**	Advances	**129,080**	Noninterest-bearing	Unsecured, no impairment
Due to related parties	**(88,450)**	Project funding	**(88,450)**	Noninterest-bearing	Unsecured
Gigawind 02					
Due to related parties	**48**	Professional fees	**(48)**	Noninterest-bearing	Unsecured
Ingrid Power Holdings, Inc.					
Advances to affiliates - Noncurrent	–	Advances	**150,000**	Noninterest-bearing	Unsecured
Due from related parties	**149,000**	Advances	**149,000**	Noninterest-bearing	Unsecured, no impairment
Deposits for future subscription	**570,000**	Investment	**570,000**	Noninterest-bearing	Unsecured
SolarAce1 Energy Corp.					
Due from related parties	**2,693,513**	Advances	**2,693,513**	Subsequently on demand	Unsecured, no impairment
Advances to affiliates - Noncurrent	**519,963**	Advances	**519,963**	Noninterest-bearing	Unsecured, no impairment
Deposits for future subscription	**180,000**	Investment	**180,000**	Noninterest-bearing	Unsecured
Associates					
Asia Coal					
Due to related parties	–	Advances	**(254)**	Noninterest-bearing	Unsecured
MGI					
Due to related parties	**1,186,954**	Purchase of electricity	**(82,518)**	30-day, noninterest-bearing	Unsecured
Other Related Parties					
Presage Corporation					
Due from related parties	**48,991**	Advances	**48,991**	30-day, noninterest-bearing	Unsecured, no impairment
Stockholders					
Due to stockholders	–	Cash dividend	**(16,585)**	On demand	Unsecured
Due from related parties (see Note 6)			**₱6,369,610**		
Advances to affiliates (see Note 14)			**669,963**		
Deposits for future subscription (see Note 14)			**1,263,940**		
Due to related parties (see Note 15)			**(1,451,960)**		
Due to stockholders			**(16,585)**		

2019					
Company	Amount/ Volume	Nature	Outstanding Balance Receivable (Payable)	Terms	Conditions
Parent					
ACEIC					
Due to related parties	₱31,700	Management fee and other expenses	(₱8,399)	30-day, noninterest-bearing	Unsecured
Due from related parties	9	Travel and transportation expenses	9	30-day, noninterest-bearing	Unsecured
Due to related parties	638	Miscellaneous-guarantee fee	(354)	30-day, non-interest bearing	Unsecured
Investment in subsidiaries	340,000	Reimbursement of down payment to APHPC	–	Noninterest- bearing	Unsecured
Subsidiaries					
Bulacan Power					
Due from related parties	98,953	Sale of electricity	22,751	30-day, noninterest-bearing	Unsecured, no impairment
Due from related parties	2,828	Directors' bonus	2,828	30-day, noninterest-bearing	Unsecured, no impairment
Due from related parties	–	Share in expenses	1,096	30-day, noninterest-bearing	Unsecured, no impairment
Accounts receivable and other current asset	108	Rental income	–	30-day, noninterest-bearing	Unsecured, no impairment
Due to related parties	239,570	Purchase of electricity	(39,030)	30-day, noninterest-bearing	Unsecured
CIPP					
Due to related parties	74,336	Purchase of electricity	(16,884)	30-day, noninterest-bearing	Unsecured
One Subic Power					
Due from related parties	550,000	Accommodation	550,000	Noninterest-bearing	Unsecured
Due to related parties	170,837	Purchase of electricity	(24,851)	30-day, noninterest-bearing	Unsecured
SLTEC					
Due from related parties	38,527	Sale of electricity, rent, dividend and share in expenses	23,898	30-day, noninterest-bearing	Unsecured, with impairment
Accounts receivable and other current asset	520	Miscellaneous income	–	30-day, noninterest-bearing	Unsecured, with impairment
Accounts receivable and other current asset	19	Rental income	–	30-day, noninterest-bearing	Unsecured, with impairment
Due to related parties	4,734,906	Purchase of electricity	(377,208)	30-day, noninterest-bearing	Unsecured
Palawan55					
Due from related parties	7,477	Advances	7,477	30-day, noninterest-bearing	Unsecured
BCHC					
Advances to affiliates - Noncurrent	315,000	Advances	315,000	Subsequently on demand	Unsecured; unimpaired
ACES					
Due to related parties	250	Advances	(250)	On demand	Unsecured
ACEX					
Due from related parties	100	Advances	100	30-day, noninterest-bearing	Unsecured
Associates					
Asia Coal					
Due to related parties	–	Advances	(254)	Noninterest-bearing	Unsecured
MGI					
Due to related parties	1,139,163	Purchase of electricity	(157,965)	30-day, noninterest-bearing	Unsecured

(Forward)

2019					
Company	Amount/ Volume	Nature	Outstanding Balance Receivable (Payable)	Terms	Conditions
Other Related Parties					
Ingrid Power Holdings, Inc.					
Advances to affiliates – Noncurrent	₱150,000	Advances	₱150,000	Subsequently on demand	Unsecured; unimpaired
SolarAce1 Energy Corp.					
Advances to affiliates – Noncurrent	26,000	Advances	26,000	Subsequently on demand	Unsecured; unimpaired
Directors					
General and administrative expenses	6,165	Directors' fees and annual incentives	–	On demand	Unsecured
Stockholders					
Due to stockholders		Cash dividend	(16,594)	Payable on March 31, 2020; subsequently on demand	Unsecured
Due from related parties (see Note 6)			₱608,159		
Advances to affiliates – Noncurrent (see Note 14)			491,000		
Due to related parties (see Note 15)			(625,195)		
Due to stockholders			(16,594)		

ACEIC

The Company has a management contract with PHINMA, Inc. This Management Contract was assigned to ACEIC on June 25, 2018 through the executed Deed of Assignment. The management fees billed by ACEIC in 2020 and 2019 includes ₱84.38 million and ₱15.60 million which pertain to compensation of officers.

Also, for each coal swap transaction which the Company enters, ACEIC charges guarantee fee. It is payable 30 days post the confirmation of the transaction.

Bulacan Power

Bulacan Power leased and occupied part of the office space owned by the Company. On November 3, 2011, Bulacan Power granted the Company the right to utilize its generator node for the purpose of purchasing electricity that will be sold to a customer. Sales of electricity are based on WESM prices. On December 26, 2013, a PAMA valid for (10) ten years was entered into by and between Bulacan Power as generator and the Company as administrator, for the administration and management by the Company of the entire capacity and net output of Bulacan Power. On October 8, 2015, the Company entered into an O&M Agreement with Bulacan Power whereby in consideration for a fixed fee, Bulacan Power will provide technical services, expertise, management and manpower for the Company's power barges. On January 12, 2018, Bulacan Power and the Company amended the PAMA, providing for a higher capacity rate based on nominated capacity and billing of fuel recovery and utilization fee. The new PAMA became effective starting March 26, 2018 and valid for ten years and is subject to regular review.

Bulacan Power received cash dividend of ₱0.95 million in 2020 for its investments in the Company's stocks traded in the stock market.

CIPP

Effective January 1, 2013, CIPP granted the Company the right to utilize its generator node for the purpose of purchasing electricity that will be sold to the Company's customers. Sales of electricity are based on WESM prices. On June 26, 2013, a PAMA valid for ten (10) years was entered into by and between CIPP as generator and the Company as administrator, for the administration and management by the Company of the entire capacity and net output of CIPP. On January 12, 2018, CIPP and the Company amended the PAMA, providing for the same capacity rate based on nominated capacity and billing of fuel recovery and utilization fee. The new PAMA became effective starting March 26, 2018and valid for ten years and is subject to regular review.

One Subic Power
On November 18, 2010, the Company and One Subic Power entered into a PAMA. Under the terms of the PAMA, the Company will administer and manage the entire generation output of the 116 MW diesel power plant in Subic Bay Freeport Zone, Olongapo City. On September 2020, One Subic Power and the Company amended the PAMA increasing the capacity fee billed by One Subic Power from the Company and is applied retrospectively from January 1, 2020.

AC Enexor
The Company sells U.S. dollars to ACEX for payment of the latter's various expenses through the Company's banking facilities and accommodation of expenses.

SLTEC
The transactions with SLTEC include the sale and purchase of electricity (see Note 30), reimbursements of expenses and receipt of dividends (see Note 10). SLTEC became a subsidiary effective July 1, 2019.

SLTEC leased and occupied part of the office space owned by the Company. Monthly rent is based on a pre-agreed amount subject to 5% escalation rate per annum. The lease agreement is for a period of five years commencing on October 10, 2011. The contract ended on October 15, 2016 and it was not renewed.

MGI
The Company purchases the entire net electricity output of MGI (see Note 30). Other transactions with MGI include reimbursements of expenses and advances for future subscriptions. In 2019, the Company invested additional capital to MGI amounting to ₱12.50 million (see Note 10).

Asia Coal
Asia Coal is an investee which was provided with advances.

Palawan 55
The transactions with Palawan 55 include advances of the Company for working capital requirement and billing of Management Fees of which ₱19.79 million is still outstanding as at December 31, 2020.

BCHC
The transactions with BCHC include advances for working capital requirement and advances for investment.

ACES
The transactions with ACES include advances for working capital requirement and advances for investment.

ACEX
The transactions with ACEX includes advances for working capital requirement.

Bataan Solar
The transactions with Bataan Solar includes advances for working capital requirement.

GigaAce 4
The transactions with GigaAce 4 include advances for working capital and advances for investment and reimbursements of expenses.

NPDC
The transactions with NPDC includes billing of Management Fees and Professional Fees.

AC Renewables
The transactions with AC Renewables include advances for working capital requirement and advances for investment.

San Julio
The transactions with San Julio include advances for working capital requirement.

Ingrid4
The transactions with Ingrid 4 include advances of the Company for working capital requirement, reimbursements of expenses and billing of Management Fees of which ₱.15 million is still outstanding as at December 31, 2020.

Gigasol 3
The transactions with Gigasol 3 includes advances for working capital requirement.

Pagudpud Wind
The transactions with Gigasol 3 include advances for working capital requirement and project funding.

Gigawind 2
The transactions with Gigawind 2 include advances reimbursement of expenses.

Ingrid Power Holdings, Inc
The transactions with Ingrid Power Holdings, Inc. include advances include advances for working capital requirement and project funding.

SolarAce1
The transactions with SolarAce 1 include advances include advances for working capital requirement and project funding.

Indebtedness of or Advances to Related Parties
The Company, in the normal course of business, has transactions with its related parties consisting principally of advances for working capital requirement.

Retirement Fund
The fund is managed by a trustee under the PHINMA Jumbo Retirement Plan (see Note 27).

Stockholders
Dividends payable under "Due to stockholders" account in the statement of financial position amounted to ₱16.59 million and ₱16.65 million as at December 31, 2020 and 2019, respectively.

Identification, review and approval of related party transactions
All (1) SEC-defined material related party transactions, i.e., related party transaction/s, either individually or in aggregate over a twelve (12)-month period of the Company with the same related party, amounting to ten percent (10%) or higher of the Group's total consolidated assets based on its latest audited consolidated financial statements; and (2) any related party transaction/s that meet the threshold values approved by the Risk Management and Related Party Transactions Committee (the Committee), i.e., ₱50.00 million or five percent (5%) of the Group's total consolidated assets, whichever is lower, shall be reviewed by the Committee and approved by the BOD before its commencement, except transactions that are explicitly excluded/exempted by the SEC and transactions delegated to management.

For SEC-defined material related party transactions, the approval shall be by at least 2/.3 vote of the BOD, with at least a majority vote of the independent directors. In case that the vote of a majority of the independent directors is not secured, the material related party transactions may be ratified by the vote of the stockholders representing at least 2/3 of the outstanding capital stock.

For related party transactions that, aggregately within a 12-month period, breach the SEC materiality threshold, the same board approval would be required for the transaction/s that meets and exceeds the materiality threshold covering the same related party.

Compensation of Key Management Personnel
Compensation of key management personnel of the Company are as follows:

	2020	2019
Short-term employee benefits	**₱46,195**	₱33,460
Post-employment benefits	**2,532**	2,917
	₱48,727	₱36,377

The management fees billed by ACEIC in 2020 and 2019 include ₱84.38 million and ₱15.60 million respectively which pertain to compensation of officers.

29. **Earnings (Loss) per Share**

Basic and diluted earnings (loss) per share are computed as follows:

	2020	2019
	(In Thousands, Except for Number of Shares and Per Share Amounts)	
(a) Net income (loss)	**₱3,368,808**	(₱109,091)
Common shares outstanding at beginning of year (Note 19)	**7,521,744,992**	4,889,774,922
Weighted average number of shares:		
Shares issued during the year	**3,244,685,790**	1,316,000,000
Shares buyback during the year	**(10,428,663)**	–
(b) Weighted average common shares outstanding	**10,756,032,119**	6,205,774,922
Basic/Diluted Earnings (Loss) per share (a/b)	**₱0.31**	(₱0.02)

In 2020 and 2019, the Company does not have any potential common shares or other instruments that may entitle the holder to common shares. Consequently, diluted loss per share is the same as basic loss per share in 2020 and 2019.

30. Significant Laws, Contracts and Commitments

Electric Power Industry Reform Act (EPIRA)
R.A. No. 9136, the EPIRA, and the covering Implementing Rules and Regulations (IRR) provide for significant changes in the power sector which include, among others, the following:

(1) The unbundling of the generation, transmission, distribution and supply, and other disposable assets of the Company, including its contracts with independent power producers, and electricity rates;
(2) Creation of a WESM;
(3) Open and non-discriminatory access to transmission and distribution systems;
(4) Public listing of generation and distribution companies; and,
(5) Cross-ownership restrictions and concentrations of ownership.

The Company believes that it is in compliance with the applicable provisions of the EPIRA and its IRR.

Retail Competition and Open Access (RCOA)
Upon meeting all conditions set forth in the EPIRA, the ERC promulgated the Transitory Rules for the RCOA, by virtue of ERC Resolution No. 16 Series of 2012.

Through RCOA, licensed Electricity Suppliers, such as the Company, are empowered to directly contract with Contestable Customers (bulk electricity users with an average demand of 1 MW). This major development in the Power Industry enabled the Company to grow.

Secondary Price Cap
Significant events in November and December 2013 resulted in a surge of electricity prices that affected the end-consumers, which led the ERC to impose a supplemental regulatory cap, under the ERC Resolution No. 20, Series of 2014. The said resolution established a preemptive mitigating measure in the WESM meant to limit significant increases in the WESM prices.

This regulatory cap was made permanent and requires all trading participants in the WESM to comply. The Company is subject to this cap.

Power Purchase Agreement / Contract to Purchase Generated Electricity
The Company entered into contracts with SLTEC, MGI and third parties where the Company will purchase the entire or a portion of the net electricity output of the power plants for a period ranging from three (3) to twenty (20) years at an agreed price, subject to certain adjustments.

Administration and Management Agreement (AMA)
The Company entered into contract with SLTEC where the Company will purchase the entire net electricity output of SLTEC from April 24, 2015 to April 23, 2040 for Unit 1 and from February 21, 2016 to February 20, 2041 for Unit 2. The contract was amended effective August 26, 2020 to include the supply of the necessary coal to generate electricity at an agreed price, subject to certain adjustments.

Power Administration and Management Agreement (PAMA)
The Company entered into PAMAs with its subsidiaries Bulacan Power, CIPP and One Subic Power. Under the terms of the PAMA, the Company will administer and manage the entire generation output of the plants and will pay for all electricity delivered by the power plant based on a formula as set forth in the PAMA and shall be payable monthly or quarterly. The PAMAs with Bulacan Power and CIPP are valid for ten (10) years and are subject to regular review, while the PAMA with One Subic Power is valid throughout the life of the related Facilities Lease Agreement with Subic Bay Metropolitan Authority.

On January 12, 2018, the PAMAs of the Company with CIPP and Bulacan Power were amended, providing for certain capacity rates based on nominated capacity and billing of fuel recovery and utilization fee. The new PAMAs became effective starting March 26, 2019 and valid for ten years and are subject to regular review.

Ancillary Services Procurement Agreements (ASPA) with NGCP
On December 10, 2012, the Company executed an ASPA with NGCP. Under the ASPA, the power plants will provide contingency and dispatchable reserves to NGCP to ensure reliability in the operation of the transmission system and the electricity supply in the Luzon Grid for five (5) years upon the effectivity of the provisional approval or final approval issued by the ERC. ERC's provisional approval is extended every year.

Power Supply Agreement with MERALCO
Baseload Demand
On September 9, 2019, the bid submitted by the Company was declared as one of the best bids of MERALCO's 1200 MW. The Company will supply MERALCO a baseload demand of 200MW from December 26, 2020 until December 25, 2029 subject to the approval of the Energy Regulatory Commission. The Company received a copy of the provisional ERC approval for the contract on January 31, 2020 and the final approval on May 13, 2020 for the baseload.

Mid-merit Supply
On September 11, 2019, the bid submitted by the Company was declared as one of the best bids of MERALCO's 500 MW. The Company will supply MERALCO a baseload demand of 110MW from December 26, 2019 until December 25, 2024 subject to the approval of the Energy Regulatory Commission. The Company received copies of the provisional and final ERC approvals for the contract on January 31, 2020 and June 1, 2020, respectively.

ESAs / CSEs with Customers
The Company signed contracts to supply the energy requirements of various bilateral and RES contestable customers with a duration ranging from one to 15 years.

Service Contracts with the DOE
SC 14 (North Matinloc)
The Company holds a 6.103% participating interest in SC 14 Block B-1 which hosts the North Matinloc-2 (NM-2) production well. The well is producing on cyclical mode with rest period longer than the flow phase, to enable the reservoir to build up enough pressure to push the crude to surface. In 2016, the well produced a total of 9,123 barrels of crude oil for an average 760 barrels monthly production.

SC 664 (Mabinay, Negros Oriental)
On November 10, 2016, the DOE awarded Hydropower Service Contract 2016-06-664 ("Ilog") to the Company covering certain areas in Mabinay, Negros Oriental. The contract provides for a two-year Pre-Development Stage during which the Company shall evaluate the commercial feasibility of the project. Upon Declaration of Commerciality, the project shall proceed to the Development Stage which is valid for 25 years. As at March 8, 2021, all costs of the Ilog Hydro projects were not capitalized as these were costs incurred prior to exploration and development activities.

Solar Energy Service Contract (SESC) (Bugallon, Pangasinan)
On May 22, 2017, the DOE awarded a SESC to the Company, which grants the Company the exclusive right to explore, develop and utilize the solar energy resource in a 648-hectare area in the Municipality of Bugallon, Province of Pangasinan. Pre-development activities such as yield assessment, environmental impact study and system impact study are underway and are expected to be completed within the year. The Company hopes to construct a 45MW ground mount fixed-tilt grid tied solar PV plant in the service contract area. The term of the service contract is twenty-five (25) years, extendable for another 25 years. As at March 8, 2021, all costs of the Bugallon Solar project were not capitalized as these were costs incurred prior to exploration and development activities.

Solar Energy Service Contract (Lipa City and Padre Garcia, Batangas)
On July 18, 2017, the DOE awarded a SESC to the Company, which grants the Company the exclusive right to explore, develop and utilize the solar energy resource in a 486 hectare area in the City of Lipa and Municipality of Padre Garcia, Province of Batangas. The Company hopes to construct a 45MW ground mount fixed-tilt grid connected solar plant in the service contract area. All technical studies were completed and necessary permits were secured such as the ECC as well as local government endorsement. The term of the service contract is twenty-five (25) years, extendable for another 25 years. As at March 8, 2021, all costs of the Lipa and Padre Garcia Solar project were not capitalized as these were costs incurred prior to exploration and development activities.

Lease Commitments
Agreement on Assignment of Contract of Lease
On November 20, 2019, the Company, ACEIC, Ayala Land, Inc. (ALI) and Ayala Land Offices, Inc. entered an agreement on assignment of contract of lease. ACEIC assigned a portion of its office unit and parking slots effective September 1, 2019. The lease is until May 31, 2022. The lease is at a fixed monthly rate of ₱0.83 million and ₱0.01 million for the office unit and parking slots, respectively with an escalation rate of 5% every year, beginning on the second year. For the year-ended December 31, 2020, the Company recognized finance charges on the lease liabilities amounting to ₱1.27 million, included under "Interest and Other Financial Charges" account (see Note 25).

NorthWind's Contract of Lease for Rental of Office Space
In August 2017, NorthWind's Metro Manila Administrative Office transferred to Makati City. A new contract of lease was signed on September 18, 2017 with 6750 Ayala Avenue Joint Venture (AAJV) for a period of 5 years by NLR, an affiliate of NorthWind.

An Agreement on the Assignment of Lease was signed between NLR and NorthWind on November 20, 2017. NLR assigned half of the lease premises of 123.8 sq. meters to NorthWind, with a monthly rental of ₱0.12 million subject to 5% annual escalation rate.

In April 2020, NorthWind assigned the contract of lease with 6750 AAJV to ACEN.

Subscription Agreements

The Company's Agreement with Philippine Investment Alliance for Infrastructure ("PINAI") for North Luzon Renewable Energy Corporation ("NLREC") and Philippine Wind Holdings Corporation ("PhilWind") shares

On November 4, 2019, the Company's Executive Committee approved and authorized the share purchase agreement with the Philippine Investment Alliance for Infrastructure ("PINAI") to acquire PINAI's ownership interest in North Luzon Renewable Energy Corporation ("NLREC") and Philippine Wind Holdings Corporation ("PhilWind"), which was formally executed on November 5, 2019.

PINAI effectively has a 31% preferred equity and 15% common equity ownership in NLREC. NLREC is a joint venture of ACEIC, UPC Philippines, Luzon Wind Energy Holdings and PINAI. NLREC owns and operates an 81 MW wind farm in Pagudpud, Ilocos Norte, which started operations in November 2014. PhilWind is the parent company of NLREC. PhilWind directly and indirectly owns 67% of NLREC, through its 38% direct interest and 28.7% indirect interest through its 100% wholly-owned subsidiary, Ilocos Wind Energy Holding Co., Inc. Further discussion is included in Note 10.

The Company's Agreement with PINAI for ISLASOL and SACASOL shares

On December 3, 2019 the Company signed a share purchase agreement with PINAI collectively made up of Macquarie Infrastructure Holdings (Philippines) Pte. Limited, Langoer Investments Holding B.V., and the Government Service Insurance System, for the acquisition of PINAI's ownership interest in ISLASOL and SACASOL. On February 13, 2019, the PCC ruled that the PINAI sale of SACASOL shares "will not likely result in substantial lessening of competition" and resolved "to take no further action with respect to the Transaction" (see Note 10).

The Company's Agreement with Ingrid

On December 19, 2019, the Company signed a subscription agreement with Ingrid for 50,000 common shares and 5,651,000 redeemable preferred shares in Ingrid, at the subscription price of ₱4.9 million for the common shares and ₱565.10 million for the redeemable preferred shares. Ingrid is developing a 300-MW diesel power plant in Pililia, Rizal. Issuance of the shares is subject to the necessary regulatory approvals for increase of Ingrid's authorized capital stock and creation of new shares (see Note 10).

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31. **Financial Risk Management Objectives and Policies**

Objectives and Investment Policies

The funds of the entities held directly by the Company are managed by ACEIC's Risk, Corporate Finance, Investor Relations and Treasury Group (RCIT). All Cash investments of the Company are carried and governed by the following principles, stated in order of importance:

- Preservation of invested cash
- Liquidity of invested cash; and
- Yield on invested cash

Under no circumstance is yield to trump the absolute requirement that the principal amount of investment be preserved and placed in liquid instruments.

RCIT manages the funds of the Company and invests them in highly liquid instruments such as short-term deposits, marketable instruments, corporate promissory notes and bonds, government bonds, and trust funds denominated in Philippine peso and U.S. dollar. It is responsible for the sound and prudent management of the Company's financial assets that finance the Company's operations and investments in enterprises.

RCIT focuses on the following major risks that may affect its transactions:

- Foreign exchange risk
- Credit or counterparty risk
- Liquidity risk
- Market risk
- Interest rate risk
- Equity price risk
- Commodity price risk

Professional competence, prudence, clear and strong separation of office functions, due diligence and use of risk management tools are exercised at all times in the handling of the funds of the Company.

Risk Management Process

Foreign Exchange Risk
The Company defines Foreign Exchange Risk as the risk of realizing reduced operating cash flows and/or increasing the volatility of future earnings from movements in foreign exchange. The risk is measured based on potential downside impact of market volatility to operating cash flows and target earnings.

Foreign exchange risk is generally managed in accordance with the Natural Hedge principle and further evaluated through:
- Continual monitoring of global and domestic political and economic environments that have impact on foreign exchange;
- Regular discussions with banks to get multiple perspectives on currency trends/forecasts; and
- Constant updating of the foreign currency holdings gains and losses to ensure prompt decisions if the need arises.

In the event that a Natural Hedge is not apparent, the Company endeavors to actively manage its open foreign currency exposures through:

- Trading either by spot conversions; and
- Entering into derivative forward transactions on a deliverable or non-deliverable basis to protect values

The Company's significant foreign currency-denominated financial assets and financial liabilities as at December 31, 2020 and 2019 are as follows:

	2020		2019	
	US Dollar (US$)	**Sing. Dollar (S$)**	US Dollar (US$)	Sing. Dollar (S$)
Financial Assets				
Cash and cash equivalents	**$8,028**	**$–**	$13,565	$–
Receivables	**36,627**	**–**	–	–
Foreign currency-denominated assets	**$44,655**	**$–**	$13,565	$–
Financial Liabilities				
Accounts payable and other current liabilities	**($851)**	**–**	–	($34)
Short-term loan	**(100,000)**			
	($100,851)	**–**	–	($34)
Net foreign currency denominated assets (liabilities)	**($56,196)**	**$–**	$13,565	($34)
Philippine peso equivalent	**(₱2,699,656)**	**₱–**	₱688,288	₱1,275

In translating foreign currency-denominated financial assets and financial liabilities into Philippine peso amounts, the exchange rate used were ₱48.04 to US$1.00 as at December 31, 2020 and ₱50.74 to US$1.00 and ₱37.49 to S$1.00 as at December 31, 2019.

The following tables demonstrate the sensitivity to a reasonably possible change in the exchange rate, with all other variables held constant, of the Company's profit before tax (due to the changes in the fair value of monetary assets and liabilities) in 2020 and 2019. The possible change are based on the survey conducted by management among its banks. There is no impact on the Company's equity other than those already affecting the profit or loss. The effect on profit before tax already includes the impact of derivatives.

Year	**Increase (Decrease) in Foreign Exchange Rate**	**US$**	**Sing$**
2020	**(₱0.50)**	**₱28,098**	**₱–**
	(1.00)	**56,196**	**–**
	0.50	**(28,098)**	**–**
	1.00	**(56,196)**	**–**
2019	(₱0.50)	(₱6,783)	(₱16.80)
	(1.00)	(13,565)	(33.61)
	0.50	6,783	16.80
	1.00	13,565	33.61

Credit or Counterparty Risk

The Company defines Credit or Counterparty Risk as the risk of sustaining a loss resulting from a counterparty's default to a transaction entered with the Company.

Credit or counterparty risk is managed through the following:

- Investments are coursed through or transacted with duly accredited domestic and foreign banks subject to investment limits per counterparty as approved by the Board.
- Discussions are done on every major investment by RCIT before it is executed subject to the Chief Financial Officer (CFO) approval. Exposure limits are tracked for every transaction and a RCIT Finance Managers supervises major transaction executions.

- Market and portfolio reviews are done at least once a week and as often as necessary should market conditions require. Monthly reports are given to the CFO with updates in between these reports as needed.
- A custodian bank for Philippine peso instruments and foreign currency instruments has been appointed based on its track record on such service and the bank's financial competence.

With respect to credit risk arising from the receivables of the Company, the Company's exposures arise from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

	2020					
	Neither Past Due nor Impaired			**Past Due but not**	**Past Due Individually**	
	Class A	**Class B**	**Class C**	**Impaired**	**Impaired**	**Total**
Receivables:						
Current						
Trade	**₱3,128,937**	**₱–**	**₱–**	**₱644,362**	**₱32,935**	**₱3,806,234**
Due from related parties	**6,221,453**	**–**	**–**	**137,897**	**10,260**	**6,369,610**
Others	**17,171**	**–**	**–**	**–**	**63,199**	**80,370**
Noncurrent						
Trade	**–**	**–**	**–**	**571,714**	**–**	**571,714**
Receivables from affiliates	**–**	**669,963**	**–**	**–**	**–**	**669,963**
Receivables from third parties	**–**	**330,459**	**–**	**–**	**–**	**330,459**
	₱9,367,561	**₱1,000,422**	**₱–**	**₱1,353,973**	**₱106,394**	**₱11,828,350**

	2019					
	Neither Past Due nor Impaired			Past Due but not	Past Due Individually	
	Class A	Class B	Class C	Impaired	Impaired	Total
Receivables:						
Current						
Trade	₱1,460,970	₱–	₱–	₱541,464	₱32,062	₱2,034,496
Due from related parties	597,899	–	–	–	10,260	608,159
Others	8,904	–	–	7,738	63,199	79,841
Noncurrent						
Trade	–	–	–	571,714	–	571,714
Receivables from affiliates	–	491,000	–	–	–	491,000
Receivables from third parties	–	333,333	–	–	–	333,333
	₱2,067,773	₱824,333	₱–	₱1,120,916	₱105,521	₱4,118,543

The Company uses the following criteria to rate credit risk as to class:

Class	Description
Class A	Customers with excellent paying habits
Class B	Customers with good paying habits
Class C	Unsecured accounts

With respect to credit risk arising from the other financial assets of the Company, which comprise cash and cash equivalents, short-term investments, financial assets at FVOCI and derivative instruments, the Company's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

The Company's assessments of the credit quality of its financial assets are as follows:

- Cash and cash equivalents, short-term investments, and derivative assets were assessed as high grade since these are deposited in or transacted with reputable banks, which have low probability of insolvency.

- Listed and unlisted financial assets at FVOCI were assessed as high grade since these are investments in instruments that have a recognized foreign or local third-party rating or instruments which carry guaranty or collateral.

There are no significant concentrations of credit risk within the Company.

Maximum exposure to credit risk of financial assets not subject to impairment
The gross carrying amount of financial assets not subject to impairment also represents the Company's maximum exposure to credit risk related to the financial assets at FVOCI amounting to ₱0.95 million as at December 31, 2020 and 2019.

Maximum exposure to credit risk of financial assets subject to impairment
The gross carrying amount of financial assets subject to impairment are as follows:

	2020	2019
Financial Assets at Amortized Cost (Portfolio 1)		
Cash in banks and cash equivalents	**₱1,128,437**	₱6,102,537
Short-term investments	**–**	100,000
Under “Receivables”:		
Trade receivables	**3,806,234**	2,034,496
Due from related parties	**6,369,610**	608,159
Others	**80,370**	79,841
Under “Other Current Assets”:		
Refundable deposits	**95,006**	42,882
Under “Other Noncurrent Assets”:		
Trade receivables	**571,714**	571,714
Receivables from third parties	**330,459**	333,333
Refundable deposits	**98,364**	98,363
	₱12,480,194	₱9,971,325

The Company’s maximum exposure to credit risk are as follows:

	2020					2019
	12-month	**Lifetime ECL**			**Total**	Total
Grade	**Stage 1**	**Stage 2**	**Stage 3**	**Simplified Approach**		
High	**₱1,128,437**	**₱–**	**₱–**	**₱11,246236**	**₱12,374,673**	₱9,870,851
Standard	–	–	–	–	–	–
Substandard	–	–	–	–	–	–
Default	–	–	–	**105,521**	**105,521**	110,568
Gross carrying amount	**1,128,437**	–	–	**11,351,757**	**12,480,194**	9,971,325
Less loss allowance	–	–	–	**106,394**	**106,394**	105,521
Carrying amount	**₱1,128,437**	**₱–**	**₱–**	**₱11,245,363**	**₱12,373,800**	₱9,865,804

Liquidity Risk
Liquidity risk is defined as the risk that the Company may not be able to settle or meet its obligations on time or at a reasonable price.

Liquidity risk is managed through:

- Asset and Liability Management principle. Short-term assets are used to fund short-term liabilities while major investments, capital expenditures and long-term assets are funded by long-term liabilities.

- Detailed cash flow forecasting and continuous monitoring of the weekly and monthly cash flows as well as frequent updates of the annual plans of the Company.
- Investment maturities being spread on a weekly, monthly, and annual basis as indicated in the Company's plans. Average duration of investments do not exceed one (1) year.
- Setting up working capital lines to address unforeseen cash requirements that may cause pressure to liquidity.

The tables below summarize the maturity profile of the Company's financial liabilities as at December 31 based on contractual undiscounted payments:

	2020					
	On Demand	**Less than 3 Months**	**3 to 12 Months**	**1 to 5 Years**	**More than 5 years**	**Total**
Accounts payable and other current liabilities[a]:						
Trade and nontrade accounts payable	**₱16,585**	**₱739,760**	**₱1,995,025**	**₱–**	**₱–**	**₱2,751,370**
Due to related parties	–	**1,451,960**	–	–	–	**1,451,960**
Accrued interest	–	**220,153**	–	–	–	**220,153**
Accrued expenses[b]	–	**318,928**	**820**	–	–	**319,748**
Derivative liability	–	**3,300**	–	–	–	**3,300**
Dividend payable	**1,678**	–	–	–	–	**1,678**
Due to stockholders	**16,585**	–	–	–	–	**16,585**
Short-term loan[c]	–	**8,053,430**	**1,526,792**	–	–	**9,580,222**
Long-term loans[c]	–	**157,442**	**461,115**	**2,561,020**	**8,351,703**	**11,531,280**
Lease liability[d]	**5,779**	**2,819**	**12,678**	**3,256**	–	**24,532**
Other noncurrent liabilities	–	–	–	–	**162,465**	**162,465**
	₱40,627	**₱10,947,792**	**₱3,996,430**	**₱2,564,276**	**₱8,514,168**	**₱26,063,293**

[a] *Excludes output VAT amounting to ₱831.21 million as at December 31, 2020 (see Note 15).*
[b] *Excludes current portion of vacation and sick leave accruals amounting to ₱0.83 million as at December 31, 2020 (see Note 15).*
[c] *Includes contractual interest payments.*
[d] *Gross contractual payments.*

	2019					
	On Demand	Less than 3 Months	3 to 12 Months	1 to 5 Years	More than 5 years	Total
Accounts payable and other current liabilities[a]:						
Trade and nontrade accounts payable	₱–	₱896,322	₱1,026,107	₱–	₱–	₱1,922,429
Due to related parties	–	625,195	–	–	–	625,195
Accrued interest	–	105,173	–	–	–	105,173
Accrued expenses[b]	–	10,704	5,225	–	–	15,929
Derivative liability	–	21,060	–	–	–	21,060
Due to stockholders	16,594	–	–	–	–	16,594
Long-term loans[c]	–	99,378	631,385	4,574,502	6,987,736	12,293,001
Lease liability[d]	–	2,752	8,577	13,918	–	25,247
Other noncurrent liabilities	–	–	–	2,604,451	–	2,604,451
	₱16,594	₱1,760,584	₱1,671,294	₱7,192,871	₱6,987,736	₱17,629,079

[a] *Excludes output VAT amounting to ₱296.38 million as at December 31, 2019 (see Note 15).*
[b] *Excludes current portion of vacation and sick leave accruals amounting to ₱0.83 million as at December 31, 2019 (see Note 15).*
[c] *Includes contractual interest payments.*
[d] *Gross contractual payments.*

As at December 31, the profile of financial assets used to manage the Company's liquidity risk is as follows:

	2020				
	On Demand	**Less than 3 Months**	**3 to 12 Months**	**Over 12 Months**	**Total**
Loans and receivables:					
Current					
Cash in banks and cash equivalents	**₱1,128,437**	**₱–**	**₱–**	**₱–**	**₱1,128,437**
Receivables:					
Trade	**676,424**	**3,129,810**	**–**	**–**	**3,806,234**
Due from related parties	**148,157**	**6,221,453**	**–**	**–**	**6,369,610**
Others	**63,199**	**17,171**	**–**	**–**	**80,370**
Refundable deposits*	**–**	**–**	**95,006**	**–**	**95,006**
Derivative asset*	**–**	**46,059**	**–**	**–**	**46,059**
Noncurrent					
Trade receivables	**571,714**	**–**	**–**	**–**	**571,714**
Receivables from third parties	**–**	**–**	**–**	**330,459**	**330,459**
Refundable deposits**	**–**	**–**	**–**	**98,364**	**98,364**
Derivative asset**	**–**	**–**	**–**	**35,955**	**35,955**
Financial assets at FVOCI:					
Quoted	**–**	**–**	**–**	**10**	**10**
Unquoted	**–**	**–**	**–**	**940**	**940**
	₱2,587,931	**₱9,414,493**	**₱95,006**	**₱465,728**	**₱12,563,158**

**Included in "Other current assets" account.*
***Included in "Other noncurrent assets" account.*

	2019				
	On Demand	Less than 3 Months	3 to 12 Months	Over 12 Months	Total
Loans and receivables:					
Current					
Cash in banks and cash equivalents	₱6,102,537	₱–	₱–	₱–	₱6,102,537
Short term investments	–	100,000	–	–	100,000
Receivables:					
Trade	573,526	1,460,970	–	–	2,034,496
Due from related parties	10,260	597,899	–	–	608,159
Others	70,937	8,904	–	–	79,841
Refundable deposits*	–	–	42,882	–	42,882
Noncurrent					
Trade receivables	578,712	–	–	–	578,712
Receivables from third parties	–	–	–	333,333	333,333
Refundable deposits**	–	–	–	98,363	98,363
Derivative asset*	–	33	–	–	33
Financial assets at FVOCI:					
Quoted	–	–	–	10	10
Unquoted	–	–	–	940	940
	₱7,335,972	₱2,167,806	₱42,882	₱432,646	₱9,979,306

**Included in "Other current assets" account.*
***Included in "Other noncurrent assets" account.*

Market Risk

Market risk is the risk that the value of an investment will decrease due to drastic adverse market movements that consist of interest rate fluctuations affecting bid values or fluctuations in stock market valuation due to gyrations in offshore equity markets or business and economic changes. Interest rate, foreign exchange rates and risk appetite are factors of a market risk as the summation of the three defines the value of an instrument or a financial asset.

As at December 31, 2020, the Company has already liquidated all outstanding investment in marketable securities and will discontinue investing in highly volatile financial instruments to keep a risk-averse position.

Interest Rate Risk
Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. As at December 31, 2020 and 2019, the Company has fixed rate financial instruments measured at fair value.

The Company's exposure to interest rate risk relates primarily to long-term debt obligations that bear floating interest rate. The Company generally mitigates risk of changes in market interest rates by constantly monitoring fluctuations of interest rates and maintaining a mix of fixed and floating interest-bearing loans. Specific interest rate risk policies are as follows:

In 2014, the Company also availed a total of peso-denominated ₱3.00 billion corporate notes and loan agreements from CBC, SBC and BDO to be used to fund its projects and working capital. SBC has a term of five (5) years with quarterly payments starting on the 5th quarter drawdown. Both BDO and CBC have a term of ten (10) years with quarterly payments starting on the 5th quarter drawdown having fixed interest rates to be repriced for the last three (3) years.

On June 28, 2019 and July 08, 2019, the Company prepaid its floating rate debt with SBC and BDO amounting to ₱0.93 million and ₱0.40 million, respectively. This is in line with the Company's objective to mitigate uncertainties in its earnings and cash flows.

In 2019, the Company availed a ₱5.00 billion loan with BDO with a term of ten (10) years payable in semi-annual installments. The loan has a fixed interest rate for the first five (5) years and is subject to be repriced for the succeeding five (5) years.

On July 10, 2020, the Company entered into a term loan agreement with CBC amounting to ₱7.00 billion. The loan has a term of ten (10) years with an option to choose the pricing structure prior to each drawdown. As at December 31, 2020, the Company has drawn ₱1.50 billion and is subject to a fixed interest rate of 5% for ten (10) years with no repricing. The undrawn portion of the term loan facility amounting to ₱5.50 billion is still subject to interest rate risk depending on the pricing structure to be selected once drawdown is made

The following table sets out the carrying amount, by maturity of the Company's financial assets that are exposed to interest rate risk:

	2020						
	Interest Rates	**Within 1 Year**	**More than 1 year to 2 years**	**More than 2 years to 3 years**	**More than 3 years to 4 years**	**Beyond 4 years**	**Total**
Long-term loans							
CBC	**5.10%**	**₱25,347**	**₱31,272**	**₱30,968**	**₱30,731**	**₱623,657**	**₱741,975**
CBC	**5.10%**	**45,139**	**62,544**	**61,935**	**61,462**	**1,247,315**	**1,478,394**
BDO	**5.17%**	**301,828**	**299,170**	**296,512**	**294,517**	**5,903,715**	**7,095,743**
DBP	**6.09%**	**121,101**	**121,381**	**121,381**	**130,746**	**602,341**	**1,096,950**
SBC	**6.59%**	**125,142**	**125,130**	**124,812**	**133,782**	**609,353**	**1,118,219**
Special savings account (SSA) - Peso	**0.375 – 0.75%**	**186,618**	**–**	**–**	**–**	**–**	**186,618**
Special savings account (SSA) - Dollar	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Short-term investments	**–**	**–**	**–**	**–**	**–**	**–**	**–**

	2019						
	Interest Rates	Within 1 Year	More than 1 year to 2 years	More than 2 years to 3 years	More than 3 years to 4 years	Beyond 4 years	Total
Long-term loans							
BDO	5.81 - 6.55%	9,363	9,338	9,318	9,297	412,321	449,637
CBC	5.68 - 7.13%	29,949	28,550	27,958	27,906	1,243,933	1,358,296
DBP	6.00 - 6.09%	66,332	71,194	75,879	80,569	609,767	903,741
SBC	6.50 - 6.59%	66,385	71,122	75,875	80,634	609,740	903,756
BDO	4.98 - 5.05%	47,144	47,573	47,858	48,116	4,742,648	4,933,339
Special savings account (SSA) - Peso	2.75 - 4.10%	5,179,917	–	–	–	–	5,179,917
Special savings account (SSA) - Dollar	1.425 - 1.75%	13,550	–	–	–	–	13,550
Short-term investments	–	100,000	–	–	–	–	100,000

Interest on financial instruments classified as fixed rate is fixed until the maturity of the instrument.

The other financial instruments of the Company that are not included in the above table are noninterest-bearing investments and are therefore not subject to interest rate volatility.

The following tables demonstrate the sensitivity to a reasonably possible change in the interest rates, with all other variables held constant, of the Company's profit before tax for the years ended December 31, 2020 and 2019. The possible change are based on the survey conducted by management among its banks. There is no impact on the Company's equity other than those already affecting the profit or loss.

	2020	
	Increase (Decrease) in Basis Points	**Increase (Decrease) in Income Before Tax**
Long-term loan	**58**	**(63,730)**
	(58)	**63,730**
SSA – Peso	**58**	**1,358**
	(58)	**(1,358)**
SSA – Dollar	**58**	–
	(58)	–
Short-term investments	**58**	–
	(58)	–

	2019	
	Increase (Decrease) in Basis Points	Increase (Decrease) in Income Before Tax
Long-term loan	25	(₱10,855)
	(25)	10,855
SSA – Peso	25	12,950
	(25)	(12,950)
SSA – Dollar	25	1,719
	(25)	(1,719)
Short-term investments	25	250
	(25)	(250)

Equity Price Risk

Equity price risk is the risk to earnings or capital arising from changes in stock exchange indices relating to its quoted equity securities. The Company's exposure to equity price risk relates primarily to its financial assets at FVOCI.

As at December 31, 2020, the Company has already liquidated all outstanding investment in marketable securities and will discontinue investing in highly volatile financial instruments to keep a risk-averse position.

Cash flow hedges

Commodity Price Risk

The Company defines Commodity Price Risk as the risk of realizing reduced profit margins and/or increasing the volatility of future earnings that are affected by the pricing variability and uncertainty in coal supply and any associated foreign exchange risk. The risk is measured based on potential downside impact of market volatility to target earnings.

To manage Commodity Price Risk, the Company develops a Coal Hedging Strategy aimed to:

- Manage the risk associated with unexpected increase in coal prices which affect the target Profit & Loss of the Company
- Determine the Hedge Item and appropriate Hedging Instrument to use, including but not limited to price, amount and tenor of the hedge to reduce the risk to an acceptable level
- Reduce Mark-to-Market impact of hedges by qualifying the hedging transaction for hedge accounting

Only the Company's Chief Executive Officer and Chief Finance Officer are authorized to make coal hedging decisions for the Company. All executed hedges go through a stringent approval process to justify the tenor, price and volume of the hedge to be undertaken.

Monitoring and assessment of the hedge effectiveness and Coal Hedging Strategy is reviewed quarterly during the Company's Finance Committee (FINCOM). Continuation, addition, reduction and termination of existing hedges are decided by the FINCOM and any material change in permissible hedging instrument, counterparties and limits are elevated to the Board for approval.

The Company purchases coal and bunker fuel oil on an ongoing basis for its operating activities in the thermal energy power generators, composed of SLTEC and other diesel power plants (CIPP, One Subic Power, Bulacan Power). The increased volatility in coal and fuel oil price over time led to entering in commodity swap contracts. The forecasted volumes are determined based on each plant's projected operating capacity, plant availability, required monthly consumption and storage capacity.

These contracts are expected to reduce the volatility attributable to price fluctuations. Hedging the price volatility of forecast coal and bunker fuel oil purchases is in accordance with the risk management strategy outlined by the Board.

There is an economic relationship between the hedged items and the hedging instruments as the terms of the foreign exchange and commodity swap contracts match the terms of the expected highly probable forecast transactions (i.e., notional amount and expected payment date). The Company has established a hedge ratio of 1:1 for the hedging relationships as the underlying risk of the foreign exchange and commodity swap contracts are identical to the hedged risk components. To test the hedge effectiveness, the Company uses the hypothetical derivative method and compares the changes in the fair value of the hedging instruments against the changes in fair value of the hedged items attributable to the hedged risks.

The hedge ineffectiveness can arise from:

- Differences in the timing of the cash flows of the hedged items and the hedging instruments
- Different indexes (and accordingly different curves) linked to the hedged risk of the hedged items and hedging instruments
- The counterparties' credit risk differently impacting the fair value movements of the hedging instruments and hedged items
- Changes to the forecasted amount of cash flows of hedged items and hedging instruments

The Company is holding the following foreign exchange and commodity swap contracts:

	Maturity						
	< 1 month	1-3 months	4-6 months	7-9 months	10-12 months	>12 months	Total
As at December 31, 2020							
Foreign exchange forward contracts							
Notional amount ($000)	**$–**	**$100,000**	**$–**	**$–**	**$–**	**$–**	**$100,000**
Average forward rate ($/₱)	**–**	**48.24**	**–**	**–**	**–**	**–**	**–**
Commodity swap contracts - Coal							
Notional amount (in Metric Tons)	**27,500**	**–**	**49,500**	**49,500**	**49,500**	**145,500**	**321,500**
Notional amount (in $000)	**$144**	**–**	**$272**	**$291**	**$258**	**$742**	**$1,707**
Average hedged rate ($ per Metric ton)	**$74.45**	**–**	**$75.41**	**$74.73**	**$75.28**	**$73.29**	**–**
As at December 31, 2019							
Foreign exchange forward contracts							
Notional amount ($000)	–	970	–	–	–	–	970
Average forward rate ($/₱)	–	50.84	–	–	–	–	
Commodity swap contracts - Coal							
Notional amount (in Metric Tons)	–	–	–	30,000	90,000	15,000	135,000
Notional amount (in $000)	–	–	–	$74	$303	$37	$414
Average hedged rate ($ per Metric ton)	–	–	–	$73.50	$74.50	$76.00	–

The Company had fuel oil hedges entered in 2020 but were all settled during the year.

The impact of the hedging instruments on the statements of financial position is, as follows:

	Notional amount	Carrying amount	Line item in the statement of financial position	Change in fair value used for measuring ineffectiveness for the year
As at December 31, 2020				
Foreign exchange forward contracts	**$100,000**	**(₱3,300)**	Accounts payable and other current liabilities	**(₱3,300)**
Commodity swap contracts - Coal	**1,707**	**82,014**	Other current and noncurrent assets	**72,150**
As at December 31, 2019				
Foreign exchange forward contracts	$970	₱33	Other current assets	₱33
Commodity swap contracts - Coal	414	(21,060)	Accounts payable and other current liabilities	(14,742)

The impact of hedged items on the statements of financial position is, as follows:

	Change in fair value used for measuring ineffectiveness	Cash flow hedge reserve	Cost of hedging reserve
As at December 31, 2020			
Coal purchases	**₱72,151**	**₱57,409**	**–**
Highly probable forecast purchases	**(3,300)**	**–**	**–**
As at December 31, 2019			
Coal purchases	(₱14,742)	(₱14,742)	–
Highly probable forecast purchases	33	–	–

The effect of the cash flow hedge in the statements of comprehensive income is, as follows:

	Total hedging gain/(loss) recognized in OCI	Ineffectiveness recognized in profit or loss	Line item in parent company statements of comprehensive income	Cost of hedging recognized in OCI	Amount reclassified from OCI to profit or loss	Line item in the statement of profit or loss
As at December 31, 2020						
Foreign exchange forward contracts	**₱–**	**(₱3,300)**	**Other income (expense)**	**–**	**–**	**–**
Commodity swap contracts - Coal	**72,151**	**–**	**–**	**–**	**–**	**–**
As at December 31, 2019						
Foreign exchange forward contracts	₱–	₱33	Other income (expense)	–	–	–
Commodity swap contracts - Coal	(14,742)	–	–	–	–	–

Monitoring of Risk Management Process

Risk management is regarded as a core competency, thus review of processes and approval processes including periodic audit are practiced and observed as follows:

- Monthly Treasury meetings are scheduled where approved strategies, limits, mixes are challenged and rechallenged based on current and forecasted developments on the financial and political events.
- Weekly portfolio reports are submitted to the Management Committee that includes an updated summary of global and domestic events of the past month and the balance of the year.
- Annual teambuilding sessions are organized as a venue for the review of personal goals, corporate goals and professional development.
- One on one coaching sessions are scheduled to assist, train and advise personnel.
- Periodic review of Treasury risk profile and control procedures.
- Periodic specialized audit is performed to ensure active risk oversight.

Capital Management

The primary objective of the Company’s capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value.

The Parent manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders, issue new shares or acquire long-term debts.

The Parent monitors capital using a gearing ratio of debt to equity and net debt to equity. Debt consists of short-term and long-term debt of the company. Net debt includes short-term and long-term debt less cash and cash equivalents, short-term investments and restricted cash. The Parent considers as capital the total equity.

	2020	2019
Short-term debt (Note 16)	**₱9,438,600**	₱–
Long-term debt (Note 16)	**8,072,925**	8,576,550
Total debt	**17,511,525**	8,576,550
Less:		
Cash and cash equivalent (Note 5)	**1,128,751**	6,102,639
Short-term investments	–	100,000
Net debt	**16,382,774**	2,373,911
Total equity	**26,72,136**	9,981,686
Debt to equity	**65.41%**	85.92%
Net debt to equity	**61.19%**	23.78%

The Parent Company closely monitors its debt covenants and maintains a capital expenditure program and dividend declaration policy that keeps the compliance of these covenants into consideration.

The following debt covenants are being complied with by the Company as part of maintaining a strong credit rating with its creditors:

CBC and BDO
(a) Minimum DSCR of 1.0 times after Grace Period up to Loan Maturity
(b) Maximum Debt to Equity ratio of 1.5 times
SBC
(c) Minimum DSCR of 1.0 times after Grace Period up to Loan Maturity
(d) Maximum Debt to Equity ratio of 2.0 times
(e) Minimum Current ratio of 1.0 times

32. **Fair Values**

The table below presents the carrying values and fair values of the Company's financial assets and financial liabilities, by category and by class, as at December 31, 2020 and 2019.

	2020			
		Fair value		
	Carrying Value	**Quoted Prices in Active Markets (Level 1)**	**Significant Observable Input (Level 2)**	**Significant Unobservable Input (Level 3)**
Assets:				
Financial assets at FVOCI	**₱950**	**₱10**	**₱940**	**₱–**
Derivative assets*	**82,014**	**–**	**82,014**	**–**
Refundable deposits*	**193,369**	**–**	**–**	**193,369**
Receivables from third parties	**330,459**	**–**	**–**	**330,459**
	₱606,792	**₱10**	**₱82,954**	**₱523,828**
Liabilities:				
Long-term loans	**₱8,072,925**	**₱–**	**₱–**	**₱8,977,383**
Deposit payable & other liabilities**	**162,464**	**–**	**–**	**162,464**
Lease liability	**25,834**	**–**	**–**	**13,978**
Derivative liability	**3,300**	**–**	**3,300**	**–**
	₱8,264,523	**₱–**	**₱3,300**	**₱9,153,825**

** Included under "Other current assets" and "Other noncurrent assets" accounts.*
*** Included under "Accounts payable and other current liabilities" and "Other noncurrent liabilities" accounts.*

	2019			
		Fair value		
	Carrying Value	Quoted Prices in Active Markets (Level 1)	Significant Observable Input (Level 2)	Significant Unobservable Input (Level 3)
Assets:				
Financial assets at FVOCI	₱950	₱10	₱940	₱–
Derivative assets*	33	–	33	–
Refundable deposits*	141,245	–	–	141,245
Receivables from third parties	333,333	–	–	333,333
	₱475,561	₱10	₱973	₱474,578
Liabilities:				
Long-term loans	₱8,576,550	₱–	₱–	₱8,576,550
Deposit payable & other liabilities**	157,408	–	–	157,408
Derivative liability	21,060	–	21,060	–
	₱8,755,018	₱–	₱21,060	₱8,733,958

** Included under "Other current assets" and "Other noncurrent assets" accounts.*
*** Included under "Accounts payable and other current liabilities" and "Other noncurrent liabilities" accounts.*

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

Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities

Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices)

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The following methods and assumptions are used to estimate the fair values of each class of financial instruments:

Cash and Cash Equivalents, Short-term Investment, Receivables, Accounts Payable and Other Current Liabilities (excluding Statutory Payables), Due to Stockholders and Short-term loan
The carrying amounts of cash and cash equivalents, short-term investments, receivables, accounts payable and other current liabilities (excluding statutory payables) and due to stockholders approximate their fair values due to the relatively short-term maturities of these financial instruments.

Financial Assets at FVOCI
Quoted market prices have been used to determine the fair values of quoted financial assets at FVOCI. In 2020 and 2019, the fair values of financial assets at FVOCI are determined based on the discounted free cash flows of the investee.

Refundable Deposits, Receivables from Third Parties, and Deposits Payable and Other Liabilities
Estimated fair value is based on present value of future cash flows discounted using the prevailing PHP BVAL reference rates that are specific to the tenor of the instruments' cash flows at the end of the reporting period.

Long-Term Loans
The estimated fair value is based on the discounted value of future cash flows using the prevailing credit adjusted risk-free rates that are adjusted for credit spread. Interest rates used in discounting cash flows ranged from 3.38% to 5.38% and 4.92% to 5.96% as at December 31, 2020 and 2019, respectively.

Lease liabilities
Estimated fair value of lease liabilities is based on the present value of future cash flows, discounted using the prevailing risk-free rates that are specific to the tenor of the instruments' cash flows at the end of the reporting period. The discount rates used were 1.77% and 3.78% as at December 31, 2020 and 2019, respectively.

Derivative asset and liability
The fair value of the derivative asset and liability is determined using valuation techniques with inputs and assumptions that are based on market observable data and conditions and reflect appropriate risk adjustments that market participants would make for risks existing at the end of each reporting period.

33. Operating Segments

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the parent company financial statements.

The scope of the operating segments has been modified following the changes in the organization due to various acquisitions (see Notes 1 and 10).

- Petroleum has been aggregated with a new segment "Parent and Others". This segment now includes ACEN parent.
- Power segment has been renamed to "Philippines" and now includes the Retail Electricity Supply (RES) or Commercial Operations.

2019 comparative segment information has been restated.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the parent company financial statements. The chief operating decision-maker (CODM) has been identified as the chief executive officer. The CODM reviews the Company's internal reports in order to assess performance of the Company.

Revenue from one customer amounted to ₱8,545 million and ₱133.85 million in 2020 and 2019, respectively, arising from sales in the Philippines segment.

No operating segments have been aggregated to form the above reportable operating segments.

The following tables regarding operating segments present revenue and income information for the years ended December 31, 2020 and 2019 and assets and liabilities as at December 31, 2020 and 2019:

	2020		
	Parent and others	**Philippines**	**Segment Total**
Revenue	**₱1,534,805**	**₱16,903,400**	**₱18,438,205**
Costs and expenses	**1,493,426**	**12,991,266**	**14,484,692**
Interest and other finance charges	**(743,331)**	–	**(743,331)**
Interest and other financial income	**46,346**	–	**46,346**
Other income - net	**258,315**	**125,853**	**384,168**
Net (loss) income before income tax	**(397,291)**	**4,037,987**	**3,640,696**
Provision for (benefit from) income tax	**271,888**	–	**271,888**
Segment (loss)/ income	**(₱669,179)**	**₱4,037,987**	**₱3,368,808**
Operating assets	**₱44,553,712**	**₱6,181,768**	**₱50,735,480**
Operating liabilities	**20,381,684**	**3,581,660**	**23,963,344**
Capital expenditures	**₱45,982**	**₱69,208**	**₱115,190**
Capital disposals	**144**	**4,229**	**4,373**
Investments and advances	**35,260,412**	**–**	**35,260,412**
Depreciation and amortization	**23,598**	**57,866**	**81,464**

	2019		
	Parent and others	Philippines	Segment Total
Revenue	₱182,006	₱14,403,839	₱14,585,845
Costs and expenses	301,774	14,634,522	14,936,296
Interest and other finance charges	(331,473)	–	(331,473)
Interest and other financial income	68,763	–	68,763
Other income - net	299,556	12,492	312,048
Net loss before income tax	(82,922)	(218,191)	(301,113)
Provision for (benefit from) income tax	(192,022)	–	(192,022)
Segment (loss)/ income	₱109,100	(₱218,191)	(109,091)
Operating assets	₱20,658,409	₱3,575,071	₱24,233,480
Operating liabilities	11,994,225	2,257,568	14,251,793
Capital expenditures	₱16,310	₱45,227	₱61,537
Capital disposals	248,863	63	248,926
Investments and advances	11,864,846	–	11,864,846
Depreciation and amortization	16,961	44,725	61,686

34. **Supplemental Cash Flow Information**

The following table shows the Company's non-cash investing and financing activities and corresponding transactions' amounts for the years ended December 31:

	2020	2019
Non-cash investing activities:		
Acquisition of investments through share swap	**₱13,854,808**	₱–
Addition to right-of-use assets	**9,185**	30,075
Reclassifications to investments in subsidiaries	–	3,224,723
Payable to APHPC for purchase of interest in SLTEC (Note 12)	–	2,890,755
Payable for additions to property, plant and equipment (Note 9)	–	44,360

Movement in the Company's liabilities from financing activities are as follows

	January 1, 2020	**Availments**	**Payments**	**Others**	**December 31, 2020**
Current portion of:					
Short-term loan	**₱–**	**₱10,506,500**	**(₱750,000)**	**(₱317,900)**	**₱9,438,600**
Interest payable	**105,174**	–	**(471,159)**	**586,138**	**220,153**
Long-term loans	**219,173**	–	**(219,173)**	**191,200**	**191,200**
Lease liability	**10,333**	–	**(8,733)**	**20,428**	**22,028**
Due to stockholders	**16,594**	–	–	–	**16,585**
Dividends payable	–	–	**(547,698)**	**547,698**	–
Noncurrent portion of:					
Long-term loans	**8,357,377**	**1,500,000**	**(1,798,542)**	**(177,110)**	**7,881,725**
Lease liability	**13,775**	–	–	**(9,969)**	**3,806**
Total liabilities from financing activities	**₱8,722,426**	**₱12,006,500**	**(₱3,795,305)**	**₱840,485**	**₱17,774,097**

	January 1, 2019	Availments	Payments	Others	December 31, 2019
Current portion of:					
Short-term loan	₱400,000	₱–	(₱400,000)	₱–	₱–
Long-term loans	157,684	–	(157,684)	219,173	219,173
Due to stockholders	16,651	–	–	(57)	16,594
Lease liability	–	–	–	10,333	10,333
Interest payable	46,507	–	(249,555)	308,222	105,174
Noncurrent portion of:					
Long-term loans	4,546,463	5,000,000	(979,377)	(209,709)	8,357,377
Lease liability	–	–	(3,215)	16,990	13,775
Total liabilities from financing activities	₱5,167,305	₱5,000,000	(1,789,831)	₱344,952	₱8,722,426

Others includes the amortization of debt issue costs, interest expense, foreign exchange gains/losses and the effect of reclassification of non-current portion to current due to passage of time.

35. **Contingencies**

Tax Assessment
On August 20, 2014, the Company distributed cash and property dividends in the form of shares in PHINMA Petroleum after securing SEC's approval of the registration and receipt of Certificate Authorizing Registration (CAR) from the BIR.

On October 22, 2014, the Company received from the BIR a Formal Letter of Demand (FLD), assessing the Company for a total donor's tax due of ₱157.75 million inclusive of penalty and interest up to September 30, 2014.

On November 21, 2014, the Company and its independent legal counsel filed an administrative protest in response to the FLD, on the following grounds:

1) The dividend distribution is a distribution of profits by the Company to its stockholders and not a "disposition" as contemplated under Revenue Regulations Nos. 6-2008 and 6-2013 which would result in the realization of any capital gain of the Company;
2) The Company did not realize any gain or increase its wealth as a result of the dividend distribution; and,
3) There was no donative intent on the part of the Company.

On May 27, 2015, the Company received from the BIR a Final Decision on Disputed Assessment (FDDA) dated May 26, 2015, denying the protest.

On June 25, 2015, the Company filed with the CTA a Petition for Review seeking a review of the FDDA and requesting the cancellation of the assessment.

In its decision dated September 28, 2018, the CTA Third Division granted ACEN's petition and ordered the cancellation and withdrawal of the FLD (the "CTA Third Division Decision"). On January 18, 2019, the CTA denied the Commissioner of Internal Revenue's ("CIR") motion for reconsideration ("CTA Resolution"). On February 22, 2019, the CIR filed a petition for review with the CTA *en banc* seeking the reversal of the CTA Third Division's Decision and CTA Resolution. On July 21, 2020, the CTA *en banc* upheld the CTA Third Division Decision and denied the CIR's petition. The CIR filed a motion for reconsideration dated August 26, 2020. In response, ACEN filed its Comment/ Opposition. As at March 8, 2021, the CIR's motion for reconsideration has not been resolved by the CTA *en banc*.

Power Barge 102 Oil Spill
ACEN's Power Barge ("PB") 102 located in Barrio Obrero, Iloilo City, accidentally discharged fuel oil in the afternoon of July 3, 2020. Based on the investigation, there was an explosion in one of the barge's fuel tanks which ruptured the hull of the barge and resulted in the oil spill. Bulacan Power, the operator and maintenance services provider of PB 102, immediately activated containment protocols. With the assistance of the Philippine Coast Guard ("PCG") and industry and community partners, the leakage was substantially contained within the same day. After containment, ACEN, through Bulacan Power, and the PCG immediately started recovery of the spilled fuel oil with recovery capacity being accelerated with the deployment of additional oil skimming equipment. ACEN also engaged Harbor Star Shipping Services, Inc. ("Harbor Star"), a leading maritime services provider, to complete the clean-up of both the waters and the coastline.

ACEN has notified the insurers of PB 102 about the event, and discussions are ongoing in this regard. As at March 8, 2021, the Company has incurred ₱50.20 million in fuel loss, community assistance oil containment and recovery expenses, net of insurance proceeds. The Company will continue to take measures to mitigate the environmental impact of the spill and to fully cooperate with authorities to address all relevant concerns.

On July 28, 2020, the Company received a Resolution dated July 27, 2020 issued by the Department of Environment and Natural Resources - Environmental Management Bureau ("DENREMB") Region VI, in relation to Notice of Violation No. 20-NOVW-0630-164, for possible violation of Section 27(a) of DENR Administrative Order 2005-10, the Implementing Rules and Regulations of the Philippine Clean Water Act of 2004 (Republic Act or "RA No. 9275"), in connection with the oil spill involving PB 102 which occurred on July 3, 2020.

Possible payment of fines to be determined by the Pollution Adjudication Board, are in the range of (1) ₱10,000 to ₱200,000 per day from the time of the incident (July 3, 2020) until full recovery of the discharged fuel (July 13, 2020), for alleged violation of RA 9275; and (2) ₱50,000 to ₱1,000,000 or imprisonment of not less than one (1) year but not more than six (6) years, or both, for alleged violation of Section 4 of PD 979.

The Company has contested this Resolution and filed a Motion for Reconsideration

The Company has received claims for compensation for property damages and loss of livelihood from claimants in Iloilo and Guimaras which were allegedly affected by the oil spill. The claims undergo validation before they are paid.

Compliance with Must Offer Rule
On October 4, 2018, the Company received a letter from PEMC for pending investigation of trading intervals covering periods from 2014 to 2018. The scope of the investigation covers possible non-compliance with the Must Offer Rule (MOR) and with the Real-Time Dispatch (RTD) or System Operator Instructions. As at March 8, 2021, the investigation is still ongoing.

Refund of Market Transaction Fee from PEMC
On July 9, 2020, the ERC issued its Decision on ERC Case 2015-160 RC ordering PEMC to refund the over collection in the Market Transaction Fee (MTF) in 2016 and 2017. The ERC determined the over collection by getting the variance between the MTF collected in 2016 and 2017, and the ERC-Approved Budget of PEMC for the same period. The total refund was determined at ₱433.20 million which shall be apportioned among all the Luzon and Visayas participants. The ERC has directed PEMC to implement the refund over twelve (12) months beginning the next billing month upon receipt of the relevant Decision.

The PEMC filed a motion for reconsideration with the ERC, which motion remains pending.

36. **Impact of the Coronavirus Disease 2019 (COVID-19) Outbreak**

In December 2019, an outbreak of the novel coronavirus ("COVID-19") occurred in China and spread to other countries, including the Philippines. On March 10, 2020 the World Health Organization characterized COVID-19 as a pandemic. As of March 8, 2021, the Philippine Department of Health ("DOH") reported 597,763 cases of COVID-19 nationwide with 12,521 deaths attributed to COVID-19.

The Philippines remains vulnerable to exposure and spread of the disease for the following reasons: (a) the considerable number of Overseas Filipino Workers ("OFWs") globally; (b) the impact of international travel which raises the probability of transmission; and (c) lack of the necessary infrastructure to contain the spread of the disease. In response to the recent outbreak of COVID-19, the Philippines has imposed travel bans on several affected countries, which may have an adverse impact on ACEN's suppliers' ability to deliver, which could delay the construction of ACEN's projects.

In a move to contain the COVID-19 outbreak, on March 13, 2020, the Office of the President of the Philippines issued a Memorandum directive to impose stringent social distancing measures in the National Capital Region effective March 15, 2020. On March 16, 2020, Presidential Proclamation No. 929 was issued, declaring a State of Calamity throughout the Philippines for a period of six months and imposed an enhanced community quarantine throughout the island of Luzon until April 12, 2020, unless earlier lifted or extended. On March 24, 2020. Congress passed Republic Act No. 11469, the Bayanihan to Heal as One Act (the "Bayanihan Act") into law, which confers emergency powers on the President of the Philippines. On June 25, 2020, the Bayanihan Act measures implemented to address the pandemic in the Philippines expired without extension or replacement. On September 11, 2020, Republic Act No. 11494, the Bayanihan to Recover as One Act (the "Bayanihan 2 Act") was signed into law by President Duterte. The Bayanihan 2 Act seeks to provide a stimulus package to struggling sectors as part of the country's COVID-19 response and recovery plan, and to review the government's implementation of programs related to the pandemic. Similar to the Bayanihan Act, the Bayanihan 2 Act confers emergency powers to President Duterte, which was in effect until December 19, 2020. Such powers include the authority to adopt measures to "conserve and regulate the distribution and use of power, fuel, energy and water, and ensure adequate supply of the same." The Bayanihan 2 Act also imposes a minimum 30-day grace period for the payment of electricity and other utilities falling due within the period of community quarantine without penalty and further provides that such payments may be settled on a staggered basis in no fewer than three monthly installments. On November 17, 2020, House Bill No. 8031 or the Bayanihan to Arise as One Act, was filed which proposes to extend the effectivity of Bayanihan 2 Act until June 4, 2021 to ensure its full implementation. On December 29, 2020, the Congress passed Republic Act No. 11519, extending the availability of appropriations under Bayanihan 2 until June 30, 2021.

The Company has identified the following factors and uncertainties resulting from COVID 19. These factors and uncertainties include, but are not limited to:

- the severity and duration of the pandemic, including whether there is a "second wave" or "third wave" or other additional periods of increases or spikes in the number of COVID-19 cases in future periods in areas in which the Company operates;
- the duration and degree of governmental, business or other actions in response to the pandemic, including but not limited to quarantine, stay-at-home or other lockdown measures as well as measures taken by the Company's regulators;
- restrictions on operations up to and including complete or partial closure of offices, plants and other facilities;
- economic measures, fiscal policy changes, or additional measures that have not yet been effected;

- the health of, and effect of the pandemic on, the Company's personnel and the Company's ability to maintain staffing needs to effectively operate its power generation portfolio;
- evolving macroeconomic factors, including general economic uncertainty, unemployment rates, and recessionary pressures;
- impacts - financial, operational or otherwise - on the Company's supply chain, including manufacturers, suppliers and third-party contractors, particularly for ongoing maintenance and construction of certain plants and facilities;
- volatility in the credit and financial markets during and after the pandemic;
- the impact of any litigation or claims from customers, suppliers, regulators or other third parties relating to COVID-19 or the Company's actions in response thereto;
- the pace of recovery when the pandemic subsides; and
- the long-term impact of the pandemic on the Company's businesses.

These uncertainties have caused disruptions to businesses and economic activities, and its impact on businesses continue to evolve. In particular, the enhanced community quarantine and various degrees of community quarantine imposed across the Philippines have affected and could adversely impact (a) the completion of ACEN's projects as construction is not an activity given priority under the government guidelines, (b) demand for ACEN's product, as industries, offices, and shopping malls account for the bulk of energy consumption, (c) WESM prices as demand for electricity is lower, and (d) ability to collect from its customers, which could negatively impact its cash flows. The outbreak of COVID-19 and the measures to contain this increase in severity, have had an adverse effect on economic activity in the Philippines and could materially and adversely affect ACEN's business, financial condition and results of operations. However, because of such uncertainties and factors beyond its control, the Company is unable to predict the impact that COVID-19 will have going forward on its businesses, results of operations, cash flows, and financial condition

Even as quarantine measures continue at the current time, with various levels of restrictions applicable to certain areas, DOE recognized that energy utilization is a basic necessity and is vital to the society. To this end, DOE allows the movement of energy related goods and the movement of energy related personnel subject to adherence to necessary public health precautions prescribed by the DOH. As such, the Company's operating plants continue to produce power.

37. Events After the Reporting Period

Below are the events after the reporting period which are treated as non-adjusting events as at December 31, 2020.

Acquisition by the Company of Shares in Solar Philippines Central Luzon Corporation
On January 22, 2021, ACEN signed a Deed of Absolute Sale of Shares with Solar Philippines Power Project Holdings, Inc. ("SP") for the acquisition by ACEN of SP's 0.24 million common shares in Solar Philippines Central Luzon Corporation ("SPCLC") with a par value of ₱1.00 per share or a total par value of ₱0.24 million.

On the same date, ACEN signed a Subscription Agreement with SPCLC for the subscription by ACEN to 0.38 million common shares with a par value of ₱1.00 per share or a total par value for a total subscription price of ₱0.38 million, to be issued out of the unissued authorized capital stock of SPCLC.

The acquisition will allow ACEN to have a significant ownership interest in SPCLC and is meant to implement the joint venture between ACEN and SP for the development of solar power projects in the Philippines.

SPCLC is a special purpose vehicle for the development and operation of solar power projects.

Completion of SRO
During the Rights Offer Period from January 18, 2021 to January 22, 2021, ACEN sold, by way of SRO, a total of 2,267,580,434 Common Shares at an Offer Price of ₱2.37 per share to eligible stockholders of record as at January 13, 2021.

There were 2,094,898,876 shares and 172,681,558 shares sold in first round and second round allocation, respectively. The Rights Shares was listed with the PSE on January 29, 2021.

The resulting total outstanding shares after the SRO is 15,960,037,644.

Shareholders' Agreement among ACEN, ACE Endevor, and Citicore Solar Energy Corporation
On February 4, 2021, ACEN and ACE Endevor signed a Shareholders' Agreement with Citicore Solar Energy Corporation ("CSEC"), and Greencore Power Solutions 3, Inc. ("Greencore"), for the development, construction, and operation of a PV Solar Power Plant in Arayat and Mexico, Pampanga, Philippines with an installed nominal capacity of 50 MWac (72MWdc) (the "Project"). The Project is scheduled to start operations in November 2021.Under the Shareholders' Agreement, CSEC will have 50% of the shares in Greencore, the special purpose vehicle of the Project, while ACEN and ACE Endevor will hold a 45% and 5% interest, respectively. ACEN has agreed to provide a term loan facility to Greencore to finance the construction of the Project. Greencore and its shareholders agreed to execute the necessary loan and security agreement for this purpose.

Subscription by ACEN to shares of Greencore
On February 4, 2021, ACEN signed a subscription agreement with Greencore for the subscription by ACEN to 2,250,000 common shares (the "Subscription Shares") with a par value of P 1.00 per share or a total par value of P 2,250,000.00 (the "Subscription Price"), to be issued out of the unissued authorized capital stock of Greencore. The subscription will be used by Greencore to partially fund the development and construction of a PV Solar Power Plant in Arayat and Mexico, Pampanga, Philippines with an installed nominal capacity of 50 MWac (72MWdc). ACEN has fully paid the Subscription Price.

Term Loan Facility with Greencore
On February 4, 2021, ACEN signed an Omnibus Agreement with Greencore, ACE Endevor and CSEC for the financing of Greencore's 50MWac (72MWdc) PV Solar Power Plant in Arayat and Mexico, Pampanga, and associated facilities.

Under the Omnibus Agreement, ACEN will be extending a term loan facility to Greencore in the amount of up to ₱2.675 billion to finance the design, engineering, financing, construction, procurement and supply, manufacturing, commissioning, start up, testing, delivery, ownership, operation and maintenance of the power plant, which is expected to be operational in November 2021. The loan will be secured by (1) a real estate mortgage over Greencore's real assets in favor of ACEN, (2) a mortgage and pledge over the shareholding of the shareholders of Greencore in favor of ACEN, and (3) the cashflows of the project.

House of Representatives ratifies Corporate Recovery and Tax Incentives for Enterprises (“CREATE”) Act
The House of Representatives on February 3, 2021 ratified the bicameral conference committee report on the proposed CREATE Act. The bicameral committee has reconciled the provisions of House Bill No. 4157 and Senate Bill No. 1357 or the two chambers’ respective versions of CREATE Act, previously called the Corporate Income Tax and Incentives Reform Act (CITIRA) bill. The measure seeks to reform corporate income taxes and incentives in the country.

The chamber approved the final version of the CREATE bill, which seeks to lower corporate income tax from 30% to 25% for large corporations and 20% for small and medium corporations, to align the income tax rates with the ASEAN region’s average rate and that of neighboring countries.

As at report date, the Company is assessing the possible impact of the Act, should it pass into Law, subsequently.

ACEN’s planned Follow-On Offering (“FOO”)
On December 17, 2020, the Board approved the conduct of an FOO and delegated authority to the Executive Committee to determine the final issue price and pricing for the shares to be issued. On February 4, 2021, acting on the authority delegated by the Board, ACEN’s Executive Committee approved an FOO price range of 6.00-8.20 per share for up to 2,000,000,000 common shares (primary). On February 16, 2021, ACEN submitted a registration statement for up to 2,430,248,617 common shares (primary and secondary shares with over-allotment) with the SEC.

The FOO is planned to be conducted by the middle of 2021.

38. Supplementary Information Required Under Revenue Regulations (RR) No. 15-2010

In compliance with the Bureau of Internal Revenue (BIR) RR No. 15-2010, following are the information on the taxes and licenses fees that the Company reported and/or paid for the year (presented in full amounts):

a. VAT

Details of the Company’s net sales/receipts, output VAT and input VAT accounts are as follows:

Output VATs
Net sales/receipts and output VAT declared in the Company’s VAT returns filed for the period follows:

	Net Sales/Receipts	Output VAT
Taxable sales:		
Sale of services	₱12,260,452,104	₱1,471,254,252
Sale of goods	255,108	30,613
	12,260,707,212	1,471,284,865
Zero-rated sales	912,599,219	–
Exempt sales	200,481,160	–
	₱13,373,787,591	₱1,471,284,865

Zero-rated sales consist of sale of power to PEZA and sale of power generated from renewable sources of energy under Republic Act (R.A.) No. 9513.

Exempt sales represent collections allocated to universal charges, franchise tax and benefits to host communities and sales under Presidential Decree No. 87 which are not subject to VAT.

The Company's sale of services and rental income which are subjected to VAT are based on actual collections received, hence, may not be the same as amounts accrued in the parent company statement of income.

Input VAT

The amount of VAT Input taxes claimed broken down into:

Beginning of the year	₱37,926,443
Deferred on capital goods exceeding 1 million from previous period	714,242
Current year's purchases:	
Services under cost of goods sold	1,121,303,116
Goods other than for resale or manufacture	84,242,415
Importations other than capital goods	4,412,955
Capital goods subject to amortization	1,050,730
Total available input tax	1,249,649,901
Less:	
Deferred on capital goods exceeding 1 million for the succeeding period	1,249,611
Input VAT applied against output VAT	1,247,645,047
Allocable to exempt sales	755,243
Balance at December 31, 2020	₱–

b. Landed Costs of Importation

Total landed costs of importation amounted to ₱36,582,198 in 2020, ₱586,276 of which pertain to customs duties, tariff and other fees. These were all paid as at December 31, 2020.

c. Other Taxes and Licenses

This includes all other taxes, local and national, including real property taxes, licenses and permit fees.

Details of other taxes and license fees are as follows:

Local	
Business permits	₱110,700,949
Community tax certificates	10,500
Professional tax	–
Other taxes and licenses	4,544,514
	₱115,255,963

National	
Gross receipts taxes on loans	₱18,779,934
Documentary stamp taxes (DST)	64,879,583
Fringe benefits tax	797,232
BIR Annual Registration	500
	₱84,457,258

d. DST

The Company's DST for the year ended December 31, 2020 is as follows:

DST on:	
Loans	₱57,442,677
Others	7,436,906
	₱64,879,583

DST on the ₱1.5 billion long term debt availed on July 10, 2020 amounting to ₱11.25 million is recorded as debt issue costs which is deducted from the loan balance for reporting purposes and amortized over the term of the loan. DST on share issuance resulting from the share swap transaction between ACEN and ACEIC executed on June 22, 2020 amounting to ₱61.85 million was recorded as additional paid-in-capital.

e. Withholding Taxes

Details of withholding taxes are as follows:

	Paid	Balance as at December 31, 2020
Withholding taxes on compensation and benefits	₱60,124,131	₱3,248,613
Expanded withholding taxes	151,042,346	42,850,133
Final withholding taxes	17,885,010	4,619,069
Fringe benefits	564,382	232,850
	₱229,615,869	₱50,950,665

f. Tax Assessments and Cases

i. The Company was assessed by the local government of Makati City in the amount of ₱2,436,220 for alleged deficiency taxes, fees and charges for the calendar years 2004 to 2007. The Company filed a complaint for the cancellation of the assessment on December 17, 2009. The Makati City Regional Trial Court (RTC) issued a decision dismissing the Company's complaint, to which the Company timely filed a Motion for Reconsideration on December 12, 2013. In an Order dated May 2, 2014, the Makati City RTC reconsidered its decision and cancelled the assessment. Local government of Makati City filed a Motion for Reconsideration of the said Order, which was denied by the Makati City RTC. Since Makati City has not appealed the Order, it has become final and executory.

ii. On August 20, 2014, the Company distributed cash and property dividends in the form of shares in ACEX after securing SEC's approval of the registration and receipt of Certificate Authorizing Registration (CAR) from the BIR.

On October 22, 2014, the Company received from the BIR a Formal Letter of Demand (FLD), assessing the Company for a total donor's tax due of ₱157.75 million inclusive of penalty and interest up to September 30, 2014.

On November 21, 2014, the Company and its independent legal counsel filed an administrative protest in response to the FLD, on the following grounds:

1) The dividend distribution is a distribution of profits by the Company to its stockholders and not a "disposition" as contemplated under Revenue Regulations Nos. 6-2008 and 6-2013 which would result in the realization of any capital gain of the Company;

2) The Company did not realize any gain or increase its wealth as a result of the dividend distribution; and,
3) There was no donative intent on the part of the Company.

On May 27, 2015, the Company received from the BIR a Final Decision on Disputed Assessment (FDDA) dated May 26, 2015, denying the protest.

On June 25, 2015, the Company filed with the CTA a Petition for Review seeking a review of the FDDA and requesting the cancellation of the assessment. In its decision dated September 28, 2018, the CTA cancelled and withdrew the FLD. On January 18, 2019, the CTA denied the BIR's motion for reconsideration. On February 22, 2020, BIR filed its petition for review seeking CTA's reversal of its decision on September 28, 2019 and its resolution on January 18, 2020. In response, the Company filed its Comment/Opposition. The CTA referred the case for mediation. However, the parties had no agreement to mediate so CTA submitted the case for decision on July 10, 2019. On October 13, 2020, CTA En Banc issued a resolution stating that the Motion for Reconsideration and Motion to Release Surety Bond are now submitted for resolution. As at March 8, 2021, there still has been no resolution issued by the CTA en Banc on the foresaid motions.