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.) 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

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.*

SGV
Building a better working world

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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

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.

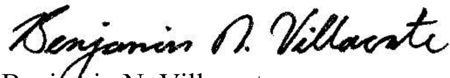
We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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
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
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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.

<u>Summary of Significant Accounting Policies</u>
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.

Offsetting of Financial Instruments
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.

Impairment of Financial Assets
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 (5th) 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.

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 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.

<u>Management's Use of Estimates</u>
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

<u>One Subic Oil</u>

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 (18th) 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 (5th) 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.

Guimaras Wind
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

	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)		

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.

The RE Act and FIT rules

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	Total
	Class A	Class B	Class C			
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**

		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							
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.