C O V E R   S H E E T

for

AUDITED FINANCIAL STATEMENTS

SEC Registration Number

C S 2 0 1 6 2 7 3 0 0

COMPANY NAME

SOLAR PHILIPPINES NUEVA ECIJA CORPORATION (A Wholly Owned Subsidiary of Solar Philippines Power Project Holdings, Inc.)

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

20TH FLOOR, PHILAMLIFE TOWER, 8767 PASEO DE ROXAS, 1226 MAKATI CITY

Form Type	Department requiring the report	Secondary License Type, If Applicable
AIFS	CRMD	Certificate of Permit to Offer Securities for Sale

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

Company's Email Address	Company's Telephone Number	Mobile Number
spnec@solarphilippines.ph	(02) 8817-2585	09988889326

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
16	First Monday of May	06/30

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
Hazel Iris P. Lafuente	hazel@solarphilippines.ph	(02) 8817-2585	09178816684

CONTACT PERSON's ADDRESS

20th Floor, Philamlife Tower, 8767 Paseo de Roxas, Makati City

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

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

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INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Stockholders
Solar Philippines Nueva Ecija Corporation
20th Floor Philamlife Tower
8767 Paseo de Roxas
Makati City

Opinion

We have audited the accompanying interim financial statements of Solar Philippines Nueva Ecija Corporation (the Company, a subsidiary of Solar Philippines Power Project Holdings, Inc.), which comprise the interim statements of financial position as at March 31, 2022 and June 30, 2021, and the interim statements of comprehensive income, interim statements of changes in equity and interim statements of cash flows for the nine-month periods ended March 31, 2022 and 2021, and notes to the interim financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying interim financial statements present fairly, in all material respects, the financial position of the Company as at March 31, 2022 and June 30, 2021, and its financial performance and its cash flows for nine-month periods ended March 31, 2022 and 2021 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 Interim Financial Statements* section of our report. We are independent of the Company in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit of the interim 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 interim financial statements of the current period. These matters were addressed in the context of our audit of the interim financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For the 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 Interim 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 interim financial statements. The results of our audit procedures, including the procedures performed to address the matter below, provide the basis for our audit opinion on the accompanying interim financial statements.

Impairment Assessment of Deposits for Land Acquisition

As of March 31, 2022, the Company has deposits with a carrying value of ₱564.7 million for the acquisition of parcels of land. Under PAS 36, *Impairment of Assets*, an entity shall assess at the end of each reporting period whether there is any indication that an asset may be impaired. Management's assessment of impairment considers information from various sources, including those about the land acquisition process and the related requirements, the current status of land acquisition, the timeline of activities and factors that may affect the timing of completion of the transaction. We considered this as a key audit matter because of the materiality of the amount involved, and the significant management judgment required in assessing whether there is any indication of impairment.

The related disclosures on the Company's deposits for land acquisition are included in Notes 3 and 7 to the interim financial statements.

<u>Audit Response</u>

We obtained management's assessment on whether there is any indication that the deposits for land acquisition may be impaired. We read the memorandum of agreements entered into by the Company with its affiliates and obtained an understanding of the significant provisions relevant to the assessment, such as the subject properties, payment terms, and rights and obligations of the contracting parties. In addition, we obtained confirmation from the affiliates on the deposits paid by the Company, and inquired of the land acquisition process and the related requirements, the current status of land acquisition, the timeline of activities and factors that may affect the timing of completion of the transaction, and evaluated how management considered these information in their impairment assessment.

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

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

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

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

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

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

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

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

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the interim 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 Jhoanna Feliza C. Go.

SYCIP GORRES VELAYO & CO.

Jhoanna Feliza C. Go
Partner
CPA Certificate No. 0114122
Tax Identification No. 219-674-288
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
SEC Partner Accreditation No. 1414-AR-2 (Group A)
October 15, 2019, valid until October 14, 2022
SEC Firm Accreditation No. 0001-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
BIR Accreditation No. 08-001998-103-2019, November 7, 2019, valid until November 6, 2022
PTR No. 8853497, January 3, 2022, Makati City

May 19, 2022

SOLAR PHILIPPINES NUEVA ECIJA CORPORATION
(A Subsidiary of Solar Philippines Power Project Holdings, Inc.)

INTERIM STATEMENTS OF FINANCIAL POSITION

	March 31, 2022	June 30, 2021
ASSETS		
Current Assets		
Cash in banks (Note 4)	**₱2,134,667,531**	₱351,251
Other current assets (Note 5)	**728,476**	776,092
Total Current Assets	**2,135,396,007**	1,127,343
Noncurrent Assets		
Right-of-use assets (Note 12)	**289,620,678**	297,751,234
Deposits for land acquisition (Note 7)	**564,686,591**	537,000,000
Advances to contractors (Note 6)	**382,640,706**	–
Construction in progress (Notes 1 and 12)	**9,793,975**	–
Deferred income tax asset - net (Note 11)	**10,466,264**	–
Other noncurrent assets	**23,630,800**	1,370,284
Total Noncurrent Assets	**1,280,839,014**	836,121,518
TOTAL ASSETS	**₱3,416,235,021**	₱837,248,861
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and accrued expenses (Notes 8, 9 and 13)	**₱8,380,622**	₱6,728,056
Due to related parties (Notes 9 and 13)	**22,792,348**	22,792,348
Current portion of lease liabilities (Notes 12 and 13)	**14,004,465**	14,004,465
Total Current Liabilities	**45,177,435**	43,524,869
Noncurrent Liabilities		
Lease liabilities - net of current portion (Notes 12 and 13)	**284,688,334**	275,521,361
Deferred income tax liability - net (Note 11)	**–**	904,291
Total Noncurrent Liabilities	**284,688,334**	276,425,652
Total Liabilities	**329,865,769**	319,950,521
Equity (Note 10)		
Capital stock	**812,435,001**	542,435,000
Additional paid-in capital	**2,347,338,021**	–
Deficit	**(73,403,770)**	(25,136,660)
Total Equity	**3,086,369,252**	517,298,340
TOTAL LIABILITIES AND EQUITY	**₱3,416,235,021**	₱837,248,861

See accompanying Notes to Interim Financial Statements.

SOLAR PHILIPPINES NUEVA ECIJA CORPORATION
(A Subsidiary of Solar Philippines Power Project Holdings, Inc.)

INTERIM STATEMENTS OF COMPREHENSIVE INCOME
FOR THE NINE-MONTH PERIODS ENDED MARCH 31, 2022 AND 2021

	2022	2021
INTEREST INCOME (Note 4)	**₱319,592**	₱1,683
EXPENSES		
Management fee (Note 9)	18,000,000	–
Taxes and licenses	11,815,163	26,862
Interest accretion of lease liabilities (Note 12)	9,142,009	3,505,689
Filing fees	8,174,350	–
Amortization of right-of-use assets (Note 12)	5,420,370	1,597,423
Professional fees	4,825,000	943,889
Bid-related costs	1,084,000	1,909,091
Others	1,496,365	609,467
	59,957,257	8,592,421
LOSS BEFORE INCOME TAX	**59,637,665**	8,590,738
PROVISION FOR (BENEFIT FROM) INCOME TAX - DEFERRED (Note 11)	**(11,370,555)**	3,702,303
NET LOSS	**48,267,110**	12,293,041
OTHER COMPREHENSIVE INCOME	–	–
TOTAL COMPREHENSIVE LOSS	**₱48,267,110**	₱12,293,041
Basic/Diluted Loss Per Share (Note 14)	**₱0.0073**	₱2.5655

See accompanying Notes to Interim Financial Statements.

SOLAR PHILIPPINES NUEVA ECIJA CORPORATION
(A Subsidiary of Solar Philippines Power Project Holdings, Inc.)

INTERIM STATEMENTS OF CHANGES IN EQUITY
FOR THE NINE-MONTH PERIODS ENDED MARCH 31, 2022 AND 2021

	Capital Stock				
	Subscribed	Subscription Receivable	Additional Paid-in Capital	Deficit	Total
Balances at July 1, 2021	₱542,435,000	₱–	₱–	(₱25,136,660)	₱517,298,340
Issuance of shares of stock (Note 10)	270,000,001	–	2,329,338,021	–	2,599,338,022
Additional paid-in capital (Note 10)	–	–	18,000,000	–	18,000,000
Total comprehensive loss for the period	–	–	–	(48,267,110)	(48,267,110)
Balances at March 31, 2022	₱812,435,001	₱–	₱2,347,338,021	(₱73,403,770)	₱3,086,369,252
Balances at July 1, 2020	₱250,000	(₱187,500)	₱–	(₱15,374,983)	(₱15,312,483)
Collection of subscription receivable	–	187,500	–	–	187,500
Issuance of shares of stock	750,000	–	21,250,000	–	22,000,000
Total comprehensive loss for the period	–	–	–	(12,293,041)	(12,293,041)
Balances at March 31, 2021	₱1,000,000	₱–	₱21,250,000	(₱27,668,024)	(₱5,418,024)

See accompanying Notes to Interim Financial Statements.

SOLAR PHILIPPINES NUEVA ECIJA CORPORATION
(A Subsidiary of Solar Philippines Power Project Holdings, Inc.)

INTERIM STATEMENTS OF CASH FLOWS
FOR THE NINE-MONTH PERIODS ENDED MARCH 31, 2022 AND 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before income tax	**(₱59,637,665)**	(₱8,590,738)
Adjustments for:		
Interest accretion of lease liabilities (Note 12)	**9,142,009**	3,505,689
Amortization of right-of-use assets (Note 12)	**5,420,370**	1,597,423
Interest income (Note 4)	**(319,592)**	(1,683)
Unrealized foreign exchange loss	**10,385**	–
Provision for impairment of input VAT	–	109,091
Operating loss before working capital changes	**(45,384,493)**	(3,380,218)
Decrease (increase) in other current assets	**47,616**	(261,735)
Increase (decrease) in accounts payable and accrued expenses	**1,652,566**	(65,510)
Cash used in operations	**(43,684,311)**	(3,707,463)
Interest received	**319,592**	1,683
Net cash flows used in operating activities	**(43,364,719)**	(3,705,780)
CASH FLOWS FROM INVESTING ACTIVITIES		
Decrease (increase) in:		
Advances to contractors (Note 5)	**(382,640,706)**	–
Deposits for land acquisition (Note 6)	**(27,686,591)**	(267,000,000)
Construction in progress (Notes 1 and 12)	**(2,520,149)**	–
Right-of-use assets (Note 12)	–	(18,684,347)
Other noncurrent assets	**(22,260,516)**	11,266
Net cash flows used in investing activities	**(435,107,962)**	(285,673,081)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of shares of stock, net of transaction costs (Note 10)	**2,599,338,022**	290,435,000
Additional capital contribution (Note 10)	**18,000,000**	–
Payment of lease liability (Note 12)	**(4,538,676)**	–
Collection of subscription receivable	–	187,500
Net advances from related parties	–	4,992,468
Net cash flows from financing activities	**2,612,799,346**	295,614,968
EFFECTS OF EXCHANGE RATE CHANGES ON CASH	**(10,385)**	–
NET INCREASE IN CASH	**2,134,316,280**	6,236,107
CASH AT JULY 1	**351,251**	137,533
CASH AT MARCH 31 (Notes 4 and 13)	**₱2,134,667,531**	₱6,373,640

See accompanying Notes to Interim Financial Statements.

NOTES TO INTERIM FINANCIAL STATEMENTS

1. Corporate Information

(a) Organization

Solar Philippines Nueva Ecija Corporation (the Company) was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on November 23, 2016, primarily to construct, erect, assemble, commission, operate and maintain power-generating plants, installations, shops, laboratories, pipelines, repair shops, electrical works, power houses, warehouses, terminals, and related facilities for the conversion of renewable energy into usable form fit for electricity generation and distribution; to promote and undertake research, development, utilization, manufacture, sale, marketing, distribution and commercial application of new, renewable, non-conventional and environment-friendly energy sources and systems including but not limited to solar, wind, water, heat, steam, ocean, tidal, biomass, biogas, chemical, mechanical, electrical, synthetic, agricultural, and other natural, fossil or non-fossil fuel based, artificial, organic or otherwise, and of energy systems that use new, renewable and any energy resources applying new and efficient energy conversion and/or utilization technologies for commercial application; and to perform other ancillary and incidental activities as may be provided by and under contract with the Government of the Republic of the Philippines, or any subdivision, instrumentality or agency thereof, or any government-owned and controlled corporation, or other entity engaged in the development, supply and distribution of renewable energy. As of December 26, 2021, the Company has begun preliminary site works and site clearing operations. In March 2022, the Company has made advance payments for the procurement of solar photovoltaic (PV) modules and mounting structures. As of May 19, 2022, the Company has not yet started commercial operations.

The Company is a subsidiary of Solar Philippines Power Project Holdings, Inc. (SPPPHI or Parent Company), a corporation organized in the Republic of the Philippines, which is also the Company's ultimate parent company.

(b) Initial Public Offering (IPO)

The Company filed an application with the SEC for the registration and an application with the Philippine Stock Exchange, Inc. (PSE) for the listing of all its issued and outstanding stock on July 29, 2021 and August 20, 2021, respectively.

On November 29, 2021, the SEC and the PSE approved the application of the Company for the listing of its 8,124,350,005 common shares on the Main Board of the PSE.

On December 17, 2021, the Company successfully completed the IPO in the Philippines of 8,124,350,005 common stocks at an IPO price of ₱1 per share. The common stocks of the Company are currently listed and traded on the Main Board of the PSE under the stock symbol "SPNEC" (see Note 10).

(c) The Project

On August 22, 2017, Solar Philippines Commercial Rooftop Projects, Inc. (SPCRPI), an affiliate of the Company, was awarded Solar Energy Service Contract (SESC) No. 2017-06-404 for the exclusive right to explore and develop the Sta. Rosa Nueva Ecija 2 Solar Power Project (the Project), wherein SPCRPI shall undertake exploration, assessment, harnessing, piloting and other studies of the solar energy resources in Santa Rosa, Peñaranda and San Leonardo, Nueva Ecija. On December 29, 2017, SPCRPI executed a Deed of Assignment transferring all its rights and obligations provided under the SESC No. 2017-06-404 to the Company.

On February 23, 2018, the Department of Energy (DOE) acknowledged and approved the Deed of Assignment between SPCRPI and the Company. Further, on that same day, the DOE issued and approved a new Certificate of Registration (COR) under the name of the Company which recognizes the Company as a Renewable Energy (RE) developer.

The Project is a 500 megawatt peak (MWdc) solar power plant project located in Nueva Ecija and is divided into two (2) Phases. The first phase of the Project is a 225 MWdc solar power plant (Phase 1) in Barangay Las Piñas, Peñaranda, Nueva Ecija with sub-phases of Phase 1A at 50 MWdc and Phase 1B at 175 MWdc. The Company targets that Phase 1A shall be commissioned by the end of 2022 while Phase 1B is planned to be commissioned by early 2023 or within nine months of closing financing for Phase 1B. Moving forward, the Company plans to construct an additional 275 MWdc (Phase 2) after it has commissioned Phase 1.

On August 20, 2019, the Company has declared commerciality which the DOE confirmed via the release of the Certificate of Confirmation of Commerciality ("COCOC") last November 15, 2021.

On December 27, 2021, the Company has begun construction of Phase 1A.

(d) Principal Office Address

The registered business address of the Company is at 20th Floor, Philamlife Tower, 8767 Paseo de Roxas, Makati City, Philippines 1226. The principal place of business based in the Articles of Incorporation is 112 Legaspi Street, Legaspi Village, Brgy. San Lorenzo, Makati City.

(e) Change in Fiscal Year

On March 29, 2021, the Board of Directors (BOD) approved the change in the Company's fiscal year from January 1 to December 31 each year to July 1 to June 30 each year. On April 6, 2021, the Company filed its application for the change in fiscal year with the SEC and was approved on April 14, 2021.

The complete requirements for the change in accounting purposes were submitted to the Bureau of Internal Revenue (BIR) on May 20, 2021 and was subsequently approved on August 26, 2021.

(f) Authorization for the Issuance of the Interim Financial Statements

The interim financial statements of the Company as of March 31, 2022 and for the nine-month periods ended March 31, 2022 and 2021 were authorized for issue by the BOD on May 19, 2022.

2. **Basis of Preparation, Statement of Compliance and Summary of Significant Accounting Policies**

Basis of Preparation
The interim financial statements of the Company have been prepared using the historical cost basis and are presented in Philippine Peso (₱), which is also the Company's functional currency. All amounts are rounded to the nearest ₱, unless otherwise indicated.

The accompanying interim financial statements as of March 31, 2022 and June 30, 2021, and for the nine-month periods ended March 31, 2022 and 2021 have been prepared for inclusion in the prospectus in relation to the planned stock rights offering (SRO) of the Company.

Statement of Compliance
The interim financial statements of the Company are prepared in compliance with Philippine Financial Reporting Standards (PFRSs) as issued by the Philippine Financial Reporting Standards Council and adopted by the Philippine SEC.

New Standards, Interpretations and Amendments
The accounting policies adopted are consistent with those of the previous financial year. The Company has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Summary of Significant Accounting Policies

Current versus Noncurrent Classification
The Company presents assets and liabilities in the interim statement of financial position based on the current/non-current classification. An asset is current when it is:

- expected to be realized or intended to be sold or consumed in the normal operating cycle;
- expected to be realized within twelve months after the reporting period;
- held primarily for the purpose of trading; or
- Cash or cash equivalents unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as noncurrent.

A liability is current when:

- It is expected to be settled in normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve (12) months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve (12) months after the reporting period.

The Company classifies all other liabilities as noncurrent.

Deferred income tax assets and liabilities are classified as non-current assets and liabilities, respectively.

Cash in banks
Cash in the interim statement of financial position comprise cash in banks.

Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at amortized cost, fair value through other comprehensive income (FVOCI), or fair value through profit or loss (FVPL).

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. The Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at FVPL, transaction costs.

In order for a financial asset to be classified and measured at amortized cost or FVOCI, it needs to give rise to cash flows that are "solely payments of principal and interest (SPPI)" on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognized on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

Subsequent Measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortized cost (debt instruments)
- Financial assets at FVOCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at FVOCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at FVPL

Financial assets at amortized cost (debt instruments)

The Company measures financial assets at amortized cost if both of the following conditions are met:

- the financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- 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.

Financial assets at amortized cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognized in the interim statement of comprehensive income when the asset is derecognized, modified or impaired.

The Company's financial assets at amortized cost include cash in banks and cash bond deposit included under other current assets as of March 31, 2022 and June 30, 2021 (see Notes 4, 5 and 13).

The Company has no financial assets at FVOCI and FVPL.

Financial liabilities
Loans and borrowings
Financial liabilities are classified in this category if these are not held for trading or not designated as at FVPL upon the inception of the liability. These include liabilities arising from operations or borrowings.

Loans and borrowings are initially recognized at fair value of the consideration received, less directly attributable transaction costs. After initial recognition, such loans and borrowings are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any related issue costs, discount or premium. Gains and losses are recognized in the interim statement of comprehensive income when the liabilities are derecognized, as well as through the amortization process.

The Company's loans and borrowings include "Accounts payable and accrued expenses", excluding payable to employees and government agencies, "Due to related parties" and "Lease liabilities" as of March 31, 2022 and June 30, 2021 (see Notes 8, 9, 12 and 13).

As of March 31, 2022 and June 30, 2021, the Company has no financial liabilities at FVPL.

Derecognition of Financial Assets and Liabilities
Financial asset
A financial asset (or, where applicable, a part of a financial asset or part of a group of financial assets) is derecognized when:

- the right to receive cash flows from the asset has expired; or
- the Company retains the right to receive cash flows from the asset, but has assumed obligation to pay them in full without material delay to a third party under a "pass-through" arrangement and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained the risks and rewards of the asset but has transferred the control of the asset.

Where the Company has transferred its right to receive cash flows from an asset or has entered into a "pass-through" arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Company's continuing involvement in the asset.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Financial liability
A financial liability is derecognized when the obligation under the liability is discharged or cancelled or has expired. Where 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 exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the interim statement of comprehensive income.

Impairment of Financial Assets
The Company recognizes an allowance for expected credit losses (ECLs) for all financial assets except debt instruments held at FVPL. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original EIR. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

Offsetting Financial Instruments
Financial assets and financial liabilities are offset and the net amount reported in the interim statement of financial position, if and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. The Company assesses that it has a currently enforceable right of offset if the right is not contingent on a future event, and is legally enforceable in the normal course of business, event of default, and event of insolvency or bankruptcy of the Company and all of the counterparties.

Fair Value Measurement
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 to the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a nonfinancial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the Company's interim financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities;

- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the interim financial statements on a recurring basis, the Company determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

Advances to Contractors

Advances to contractors pertain to advance payments made for purchases of solar photovoltaic (PV) modules and mounting structures, and other construction materials and equipment items. Advances to contractors is measured on initial recognition at cost, and is reclassified to the proper asset or expense account and deducted from the contractor's billings as specified on the provision of the contract.

Property, Plant and Equipment

Property, plant and equipment is stated at cost less accumulated depreciation, amortization and impairment in value, if any. The initial cost of property, plant and equipment consist of the purchase price including import duties, borrowing costs (during construction period) and other costs directly attributable to bringing the assets to its working condition and location for its intended use. Cost also includes the cost of replacing part of the property, plant and equipment, and the borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of property, plant and equipment are required to be replaced at intervals, the Company recognizes such parts as individual assets with specific useful lives, depreciation and amortization. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the property, plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in profit or loss as incurred. 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 and amortization of an item of property, plant and equipment begin 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 and amortization cease at the earlier of the date that the item is classified as held for sale (or included in a disposal group that is classified as held for sale) in accordance with PFRS 5, *Noncurrent Assets Held for Sale and Discontinued Operations*, and the date the asset is derecognized. Leasehold improvements are amortized over the lease term or the economic life of the related asset, whichever is shorter.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

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 profit or loss in the year the asset is derecognized.

The useful lives of property, plant and equipment are reviewed at each financial year-end and adjusted, prospectively, if appropriate.

Construction in progress represents structures under construction and is stated at cost, net of accumulated impairment losses, if any. This includes costs of construction and other direct costs. Costs also include interest on lease liability and amortization of right-of-use assets incurred during the construction period. Construction in progress is not depreciated until such time that the assets are put into operational use.

It is the Company's policy to classify ROU assets as part of property, plant and equipment. The Company recognizes ROU assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). ROU assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The initial cost of ROU assets includes the amount of lease liabilities recognized, initial direct costs incurred, lease payments made at or before the commencement date less any lease incentives received and estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

Unless the Company is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized ROU assets are depreciated on a straight-line basis over the shorter of their estimated useful life and the lease term. ROU assets are subject to impairment (refer to Impairment of Nonfinancial Assets policy).

Input Value-Added Tax (VAT)
Input VAT represents the VAT due or paid on purchases of goods and services that the Company can claim against any future liability to the BIR for output VAT from sale of goods and services. Input VAT is stated at cost less accumulated impairment losses, if any.

Deposits for Land Acquisition
Deposits for land acquisition pertain to non-refundable deposits and payments made in relation to the acquisition of parcels of land and are stated at the amount paid less any impairment in value. Upon successful transfer of title to the Company, the deposits for land acquisition will be reclassified to land as part of property, plant and equipment.

Impairment of Nonfinancial Assets
The Company assesses at each reporting date whether there is an indication that these nonfinancial assets may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company estimates these nonfinancial assets' recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and 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. Where 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 discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the year in which it arises. In the case of input VAT, an allowance is provided for any portion of the input VAT that cannot be claimed against output VAT or recovered as tax credit against future income tax liability.

An assessment is made at each reporting date to determine whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Company makes an estimate of recoverable amount. Any previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the interim statement of comprehensive income.

Capital Stock
Capital stock is measured at par value and is classified as equity for all stocks issued.

Additional paid-in capital (APIC)
When the shares are sold at premium, the difference between the proceeds and the par value is credited to the APIC account.

Direct costs incurred related to equity issuance, such as underwriting, accounting and legal fees, printing costs and taxes are chargeable to the APIC account. If APIC is not sufficient, the excess is charged against the "Equity reserve" account.

Retained Earnings (Deficit)
Retained earnings (deficit) represent the cumulative balance of periodic net income or loss, prior period adjustments, effect of changes in accounting policy and other capital adjustments. When the retained earnings account has a debit balance, it is called "deficit". A deficit is not an asset but a deduction from equity.

Leases
The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception. 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.

The Company assesses at contract inception all arrangements to determine whether it is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Company as a Lessee
The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

i) ROU assets
Refer to ROU assets policy.

ii) Lease liabilities
At the commencement date of the lease, the Company recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably

certain to be exercised by the Company and payments of penalties for terminating a lease, if the lease term reflects the Company exercising the option to terminate.

The variable lease payments that do not depend on an index or a rate are recognized as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short-term leases
The Company applies the short-term lease recognition exemption to its short-term leases of vehicle (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). Lease payments on short-term leases is recognized as expense on a straight-line basis over the lease term.

Interest Income
Interest income is recognized as interest accrues, using the EIR method, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset.

Expenses
Expenses are decreases in economic benefits during the accounting period in the form of outflows or decrease of assets or incurrence of liabilities that result in decreases in equity, other than those relating to distributions to equity participants, and are recognized when these are incurred. Expenses are generally recognized when the services are used, or the expenses arise.

Provisions
Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expenses relating to any provision are presented in profit or loss, net of any reimbursement.

If the effect of the time value of money is material, provisions are made by discounting the expected future cash flows at a pre-tax rate that reflects the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as an interest expense.

Income Taxes
Current Income Tax
Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the countries where the Company operates and generates taxable income.

Current income tax relating to items recognized directly in equity is recognized in equity and not in profit or loss. Management periodically evaluates positions taken in the income tax returns with respect to situations in which applicable income tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred Income Tax
Deferred income tax is provided using the balance sheet liability method on temporary differences between the income tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred income tax liabilities are recognized for all taxable temporary differences.

Deferred income tax assets are recognized for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred income tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carryforward of unused tax credits and unused tax losses 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 profit 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 profits 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 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 other comprehensive income (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 tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Earnings (Loss) Per Share (EPS)
Basic EPS is computed by dividing net income for the year attributable to common shareholders of the Company with the weighted average number of common shares outstanding during the year, after giving retroactive effect to any stock dividends or stock splits, if any, declared during the year.

Diluted EPS is computed in the same manner, with the net income for the year attributable to common shareholders of the Company and the weighted average number of common shares outstanding during the year, adjusted for the effect of all dilutive potential common shares. As of March 31, 2022 and June 30, 2021, the Company does not have any dilutive potential common shares. Hence, diluted EPS is the same as basic EPS.

Operating Segments
The Company's operating businesses are organized and managed separately according to the business units. The Company has no operating segments as it has not yet commenced its commercial operations as of March 31, 2022 and June 30, 2021.

Contingencies
Contingent liabilities are not recognized in the interim financial statements. These are disclosed in the notes unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the interim financial statements but are disclosed in the notes when an inflow of economic benefits is probable.

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

Future Changes in Accounting Policies
Pronouncements issued but not yet effective are listed below. Unless otherwise indicated, the Company does not expect that the future adoption of the said pronouncements to have a significant impact on its interim financial statements. The Company intends to adopt the following pronouncements when they become effective.

Effective beginning on or after July 1, 2023
- Amendments to PFRS 3, *Reference to the Conceptual Framework*
- Amendments to PAS 16, *Plant and Equipment: Proceeds before Intended Use*
- Amendments to PAS 37, *Onerous Contracts – Costs of Fulfilling a Contract*
- *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*
    - Amendments to PFRS 9, *Financial Instruments*, *Fees in the '10 per cent' test for derecognition of financial liabilities*
    - Amendments to PAS 41, *Agriculture, Taxation in fair value measurements*

Effective beginning on or after July 1, 2024
- Amendments to PAS 12, *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*
- Amendments to PAS 8, *Definition of Accounting Estimates*
- Amendments to PAS 1 and PFRS Practice Statement 2, *Disclosure of Accounting Policies*

Effective beginning on or after July 1, 2025
- Amendments to PAS 1*, Classification of Liabilities as Current or Non-current*

Effective beginning on or after July 1, 2026
- PFRS 17, *Insurance Contracts*

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*

3. **Significant Accounting Estimate and Assumption**

The Company's interim financial statements prepared in accordance with PFRSs require management to make judgments and estimates that affect amounts reported in the interim financial statements and related notes. The judgments and estimates used in the interim financial statements are based upon management's evaluation of relevant facts and circumstances as of the date of the Company's interim financial statements. Actual results could differ from such estimates.

Judgments and estimates are continually evaluated and are based on historical experiences and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The items are those matters which the Company assess to have significant risks arising from estimation uncertainties:

Judgment

In the process of applying the Company's accounting policies, management has made the following judgment, apart from those involving estimations, which have the most significant effect on the amounts recognized in the interim financial statements. This judgment is based upon management's evaluation of relevant facts and circumstances as of the date of the interim financial statements.

Assessing Impairment of Deposits for Land Acquisition

The Company assesses at each financial reporting date whether there is indication that the deposits for land acquisition may be impaired. Management's assessment of impairment considers information from various sources, including those about the land acquisition process and the related requirements, the current status of land acquisition, the timeline of activities and factors that may affect the timing of completion of the transaction.

As of March 31, 2022 and June 30, 2021, management has assessed that there were no indicators that the deposits for land acquisition may be impaired. The carrying value of deposits for land acquisition amounted to ₱564.7 million and ₱537.0 million as of March 31, 2022 and June 30, 2021, respectively (see Note 7).

Estimates

Estimating useful lives of ROU Assets

The Company estimates the useful lives of ROU assets based on the period over which each asset is expected to be available for use and on the collective assessment of industry practices, internal evaluation and experience with similar arrangements. The estimated useful life is revisited at the end of each financial reporting period and updated if expectations differ materially from previous estimates.

The carrying amount of ROU assets amounted to ₱289.6 million and ₱297.8 million as of March 31, 2022 and June 30, 2021, respectively (see Note 12).

Estimating Impairment of Nonfinancial Assets

The Company assesses impairment of nonfinancial assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

The factors that the Company considers important which could trigger an impairment review include the following:

- Significant underperformance relative to expected historical or projected future operating results;
- Significant changes in the manner of use of the acquired assets or the strategy for overall business; and
- Significant negative industry or economic trends including impact of COVID-19 pandemic.

An impairment loss is recognized whenever the carrying amount of an asset exceeds its recoverable amount. The estimated recoverable amount is the higher of an asset's fair value less costs to sell and value in use. The fair value less costs to sell is the amount obtainable from the sale of assets in an arm's length transaction while value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life.

For impairment loss on specific assets, the recoverable amount represents the fair value less costs to sell.

The carrying amounts of assets that are subject to impairment testing when impairment indicators are present (such as obsolescence, physical damage, significant changes to the manner in which the asset is used, worse than expected economic performance, or other external indicators) are as follows:

	March 31, 2022	June 30, 2021
Right-of-use assets (Note 12)	**₱289,620,678**	₱297,751,234
Deposits for land acquisition (Note 7)	**564,686,591**	537,000,000
Advances to contractors (Note 6)	**382,640,706**	–
Construction in progress (Notes 1 and 12)	**9,793,975**	–
Other noncurrent assets	**23,630,800**	1,370,284
Balances at end of period	**₱1,270,372,750**	₱836,121,518

There were no indicators of impairment of nonfinancial assets in 2022.

Estimating the Realizability of Deferred Income Tax Assets
Deferred income tax asset is recognized for all deductible temporary differences to the extent that it is probable that sufficient future taxable income will be available in the future against which the deductible temporary differences can be utilized. Significant management estimate is required to determine the amount of deferred income tax asset that can be recognized, based upon the likely timing and level of future taxable income together with future tax planning strategies. The carrying value of recognized deferred income tax assets amounted to ₱31.0 million and ₱28.9 million as of March 31, 2022 and June 30, 2021, respectively (see Note 11).The Company did not recognize deferred income tax assets on the carryforward benefits of unused net operating loss carryover (NOLCO) amounting to ₱169.0 million and ₱19.1 million as of March 31, 2022 and June 30, 2021, respectively, as management believes that there is no sufficient future taxable income to allow all or part of the deductible temporary difference to be utilized before its expiration (see Note 11).

4. Cash in Banks

Cash in banks earn interest at the respective bank deposit rates. Total interest earned on cash in banks, net of final tax, amounted to ₱319,592 and ₱1,683 for the nine-month periods ended March 31, 2022 and 2021, respectively.

Cash in banks include the balance of escrow account where the net proceeds of the IPO are deposited. As provided in the escrow agreement, the escrow agent shall release to the Company the offer proceeds within five (5) banking days from the receipt of an instruction letter from the Company directing such release and certifying that the amount released shall be used solely in accordance with the purpose stated in the use of proceeds of IPO.

In the event of any change in the use of proceeds, the Company shall provide the escrow agent with a copy of the certification by the Company's corporate secretary of the board resolution approving such new use of proceeds and a certification by the Company's corporate secretary that the new use of proceeds has been disclosed to the PSE in accordance with applicable PSE rules.

5. Other Current Assets

	March 31, 2022	June 30, 2021
Cash bond deposit (Note 12)	**₱552,038**	₱552,038
Others	**176,438**	224,054
	₱728,476	₱776,092

Others include advances to employees of the Parent Company.

6. Advances to Contractors

Advances to contractors pertain to advance payments made for purchases of solar photovoltaic (PV) modules and mounting structures, other construction materials.

As of March 31, 2022 and June 30, 2021, advance payments made by the Company to contractors amounted to ₱382.6 million and nil, respectively.

7. Deposits for Land Acquisition

Memorandum of Agreement (MOA) with Provincia Investments Corporation (PIC)
On February 20, 2021, the Company entered into a MOA with an affiliate, PIC, which MOA was later amended on March 3, 2021, to secure land for future expansion in excess of the capacity contemplated for the Project. The MOA covers certain parcels of land with a total area of 68.621 hectares.

MOA with Lupang Hinirang Holdings Corporation (LHHC)
On April 19, 2021, the Company entered into a MOA with an affiliate, LHHC, to secure land for future expansion in excess of the capacity contemplated for the Project. The MOA covers certain parcels of land with a total area of 56.81 hectares.

Contracts to Sell with Various Landowners
In 2022, the Company entered into Contracts to Sell (CTS) with various landowners for the acquisition of parcels of land intended for the expansion of the Project. These CTS covers certain parcels of land with a total area of 201.3244 hectares.

The advance payments made by the Company to PIC, LHHC and various landowners totaling to ₱564.7 million and ₱537.0 million, respectively, are presented as “Deposits for land acquisition” as of March 31, 2022 and June 30, 2021 (see Note 9).

8. Accounts Payable and Accrued Expenses

	March 31, 2022	June 30, 2021
Accounts payable (Note 9)	**₱5,680,000**	₱3,880,000
Withholding tax payable	**2,666,334**	73,080
Accrued expenses	**23,559**	2,771,054
Other payables	**10,729**	3,922
	₱8,380,622	₱6,728,056

Accounts payable are non-interest bearing and are normally settled within one year. Withholding tax payable pertains to withholding taxes on professional fees. Accrued expenses consist of accrual for professional fees.

9. Related Party Transactions

Parties are considered to be related if, among others, 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, the parties are subject to common control or the party is an associate or a joint venture.

Affiliates are related entities of the Company by virtue of common ownership and representation to management where significant influence is apparent.

Except as otherwise indicated, the outstanding accounts with related parties shall be settled in cash. The transactions are made at terms and prices agreed upon by the parties.

a. The Company, in the normal course of business, has cash advances transactions with its Parent Company, SPPPHI and an affiliate for administrative requirements.

	Transactions during the nine-month periods ended March 31		Outstanding balance as of			
	2022	2021	**March 31, 2022**	June 30, 2021	Terms	Conditions
Due to related parties:						
Parent:						
SPPPHI						
Cash advances	**₱–**	₱6,966,300	**₱22,792,348**	₱22,792,348	Due and demandable; non-interest bearing	Unsecured
Accounts payable (Note 8)						
SPPPHI						
Management fee	**₱18,000,000**	₱–	**₱–**	₱3,880,000	Due and demandable; non-interest bearing	Unsecured

b. On February 20, 2021, the Company entered into a MOA with PIC, which was later amended on March 3, 2021, to secure land covering a total area of 68.621 hectares for a total amount of ₱267.0 million (see Note 7).

c. On April 19, 2021, the Company entered into a MOA with LHHC to secure land covering a total area of 56.81 hectares for a total amount of ₱270.0 million (see Note 7).

d. On January 11, 2021, a Deed of Assignment was entered between the Company, as the assignee, and the Parent Company, as the assignor, whereby, the Parent Company assigned to the Company all of its rights and obligations under the September 6, 2016 lease agreement covering a total land area of 169.9 hectares, among others, and the Company accepted and assumed all of the said rights and obligations thus assigned, pursuant to the said Deed of Assignment (see Note 12).

e. On April 30, 2021, the Company entered into a Management Service Agreement (MSA) with the Parent Company to provide executive and leadership support and execute its strategic direction while managing its business operations for a period from May 1, 2021 to April 30, 2023, renewable upon mutual agreement of both parties, for a monthly fee of ₱2.0 million.

   The Management Service Agreement covers all necessary administrative and advisory services on management, investment and technical matters involving the Company's operations, including but not limited to human resources, legal, finance, and information technology.

f. The Company has no employees as of March 31, 2022 and June 30, 2021. Prior to May 2021, the administrative and finance functions of the Company were being handled by the Parent Company at no cost to the Company. Starting May 2021, the key administrative and finance functions are performed by SPPPHI through the MSA. Management fee recognized for the nine-month periods ended March 31, 2022 amounted to ₱18.0 million.

10. **Equity**

Capital Stock and Additional Paid-in Capital

The details of the Company's capital stock as of March 31, 2022 and June 30, 2021 are as follows:

	March 31, 2022		June 30, 2021	
	Shares	**Amount**	Shares	Amount
Common shares – ₱0.1 par value per share				
Authorized	**10,000,000,000**	**₱1,000,000,000**	10,000,000,000	₱1,000,000,000
Issued and outstanding:				
Balances at beginning of period	**5,424,350,000**	**₱542,435,000**	10,000,000	₱1,000,000
Issuance of shares during the period	**2,700,000,005**	**270,000,001**	5,414,350,000	541,435,000
Balances at end of period	**8,124,350,005**	**₱812,435,001**	5,424,350,000	₱542,435,000

In July 2021, the Company issued five (5) shares to the new directors.

In July 2021 and November 2021, the Company entered into a Memorandum of Agreement with its Parent Company, whereby the Parent Company provided ₱16.0 million and ₱2.0 million, respectively, representing additional payment for shares previously issued. This was recognized as additional paid-in capital under equity.

On December 17, 2021, the Company completed its IPO and was listed in the PSE under the stock symbol "SPNEC". The Company issued 2,700,000,000 new common shares for a total consideration of ₱2,700.0 million, or at ₱1.00 per share. This resulted to an additional paid-in capital of ₱2,329.3 million, net of transaction costs amounting to ₱100.7 million.

Increase in Authorized Capital Stock
On January 10, 2022, the BOD of the Company approved amendments in the Company's Articles of Incorporation to increase the authorized capital stock from ₱1.0 billion divided into 10.0 billion common shares at ₱0.1 per share, to ₱5.0 billion divided into 50.0 billion common shares at ₱0.1 per share. This was subsequently approved by the stockholders of the Company on March 7, 2022. The proposal to increase the Company's authorized capital stock would enable the Company to acquire other solar projects and fund the expansion of its portfolio, with any such transactions subject to further approvals by the Corporations stockholders.

As of May 19, 2022, the Company is in the process of filing the required documents with the SEC.

Stock Rights Offering and Share Swap
On February 14, 2022, the BOD of the Company approved the conduct of a Stock Rights Offering (SRO) where eligible stockholders would have the opportunity to subscribe to shares, subject to terms to be determined by management and relevant regulatory requirements and approvals.

On February 24, 2022, the BOD of the Company approved the acquisition of 100% of the outstanding shares of SPPPHI and affiliates in various entities ("Solar Philippines Assets") including but not limited to:

- Solar Philippines Calatagan Corporation
- Solar Philippines Tarlac Corporation
- Solar Philippines Tanauan Corporation
- Terra Solar Philippines, Inc.
- SP Holdings, Inc.
- Solar Philippines Batangas Baseload Corporation
- Solar Philippines Tarlac Baseload Corporation
- Solar Philippines Central Luzon Corporation
- Solar Philippines South Luzon Corporation
- Solar Philippines Southern Tagalog Corporation
- Solar Philippines Eastern Corporation
- Solar Philippines Western Corporation
- Solar Philippines Visayas Corporation
- Solar Philippines Central Visayas Corporation
- Solar Philippines Southern Mindanao Corporation
- Solar Philippines Batangas Corporation
- Solar Philippines Retail Electricity, Inc.
- Laguna Solar Rooftop Corporation
- Solar Philippines Rooftop Corporation
- Solar Philippines Commercial Rooftop Projects, Inc.

The Company would acquire the Solar Philippines Assets through an asset-for-share swap, with SPPPHI subscribing to 24,373,050,000 shares of the Company at ₱2.50 per share ("Share Swap"). This Share Swap is supported by a third-party valuation and fairness opinion by FTI Consulting Philippines, Inc., an independent valuation and fairness opinion provider accredited with the SEC and PSE. The Solar Philippines Assets would serve as the Company's subscription payment for the increase in its authorized capital stock from 10 billion common shares to 50 billion shares.

On March 7, 2022, the stockholders of the Company approved the following resolutions:

- Increase of the Company's authorized capital stock from ₱1 billion divided into 10 billion common shares to ₱5.0 billion divided into 50 billion common shares, the amendment of the Articles of Incorporation, and the Share Swap between the Company and SPPPHI and their affiliates;
- Approval of the waiver of any requirement that a rights or public offering is first undertaken prior to a share swap notwithstanding that the share swap price is at a premium to the weighted average price of the shares; and
- Reiteration of the approval of the share swap between SPNEC and its parent and affiliates.

On March 28, 2022, pursuant to the approval of its BOD, SPNEC confirmed its plan to file the SRO based on its current unissued authorized capital stock of 1,875,649,995 shares, at an entitlement ratio of 1 share for every 1.28 shares held (from its current public float of 2,399,614,000 shares), at an offer price range that has been fixed at ₱1.60 to ₱1.76 per share, with the middle of this range being ₱1.68 per share

As of May 19, 2022, the Company is in the process of filing the required documents with the SEC.

Pledge of Company's Shares owned by the Parent Company
On June 25, 2021, the Parent Company executed a pledge over all the Company's shares it holds to secure a loan by its affiliate, PIC, from AC Energy Corporation. The stock certificates of the Company's shares pledged were delivered to and is in the custody of the lender. The lender has agreed to provisionally return the stock certificates representing the pledged shares and to have the same placed under escrow for the exclusive purpose of enabling the IPO.

11. Income Taxes

The Company has no provision for current income tax for the nine-month periods ended March 31, 2022 and 2021 since it is in gross loss and net tax loss positions.

The Company became subject to minimum corporate income tax for the taxable year 2021, which is the fourth taxable year immediately following the year of the Company's registration with the BIR as provided under the law. The Company was registered with the BIR on April 6, 2017.

The reconciliation of income tax benefit at the statutory income tax rates to the provision for (benefit from) income tax are as follows:

	For the Nine-Month Periods Ended March 31	
	2022	2021
Income tax benefit at statutory income tax rates	**(₱5,963,767)**	(₱859,074)
Adjustments for:		
Transaction costs charged to APIC	**(10,066,198)**	–
Movements in unrecognized deferred income tax assets	**4,691,369**	4,461,042
Interest income subjected to final tax	**(31,959)**	(8)
Nondeductible expenses	–	100,343
Provision for (benefit from) income tax	**(₱11,370,555)**	₱3,702,303

The components of the Company's recognized deferred income tax assets and liabilities follow:

	March 31, 2022	June 30, 2021
Deferred income tax asset on lease liability	**₱31,026,757**	₱28,870,833
Deferred income tax liability on ROU asset	**(20,560,493)**	(29,775,124)
Net deferred income tax asset (liability)	**₱10,466,264**	(₱904,291)

As of March 31, 2022, the Company has NOLCO for which no deferred income tax assets have been recognized as follows:

Year Incurred	Valid Until	Amount
July 2021 to March 2022	June 30, 2027	₱150,595,533
January to June 2021	June 30, 2026	6,762,211
2020	December 31, 2025	7,162,169
2019	December 31, 2022	4,464,964
		₱168,984,877

The movements in NOLCO are as follows:

	March 31, 2022*	June 30, 2021
Balances at beginning of period	**₱19,078,574**	₱12,316,363
Additions	**150,595,533**	6,762,211
Expirations	**(689,230)**	–
Balances at end of period	**₱168,984,877**	₱19,078,574

**The beginning of period applicable for March 31, 2022 is July 1, 2021 as a result of the change in fiscal year (see Note 1).*

No deferred income tax asset was recognized on the carryforward benefits of NOLCO as of March 31, 2022 and June 30, 2021 amounting to ₱169.0 million and ₱19.1 million, respectively, as management estimates that there would be no sufficient future taxable income yet to allow all or part of the deductible temporary difference to be utilized prior to their expiration.

Bayanihan to Recover as One Act (Bayanihan 2)
On September 30, 2020, the BIR issued Revenue Regulations (RR) No. 25-2020 implementing Section 4 of Bayanihan 2 which states that the NOLCO incurred for taxable years 2020 and 2021 can be carried over as a deduction from gross income for the next five (5) consecutive taxable years immediately following the year of such loss.

Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act
President Rodrigo Duterte signed into law on March 26, 2021 the CREATE Act to attract more investments and maintain fiscal prudence and stability in the Philippines. Republic Act (RA) 11534 or the CREATE Act introduces reforms to the corporate income tax and incentives systems. The CREATE Act took effect on April 11, 2021 which is 15 days after its publication in a newspaper of general circulation on March 27, 2021.

The following are the key changes to the Philippine tax law pursuant to the CREATE Act which have an impact on the Company:

- Effective July 1, 2020, regular corporate income tax (RCIT) rate is reduced from 30% to 25% for domestic corporations. For domestic corporations with net taxable income not exceeding ₱5 million and with total assets not exceeding ₱100 million (excluding land on which the business entity's office, plant and equipment are situated) during the taxable year, the RCIT rate is reduced to 20%.

- MCIT rate reduced from 2% to 1% of gross income effective July 1, 2020 to June 30, 2023.

As of March 31, 2022, the CREATE Act is considered substantively enacted applying PAS 12, *Income Taxes*. Accordingly, the Company is subject to a lower corporate income tax rate of 25% effective July 1, 2020 to operations not covered by the Renewable Energy (RE) Law. For activities covered by the RE Law, the 10% statutory rate applies.

12. Leases

a. In 2019, the Company entered into a land lease agreement with various landowners to develop solar farm projects in Peñaranda, Nueva Ecija for a total area of 95.8 hectares. The land was made available for use on January 1, 2019 with a one (1) year rent-free period plus 25-year term. Further, the lease is subject for renewal of 5 years upon mutual agreement by parties. The land lease agreement has an annual rent of ₱45,000 per hectare, net of tax, and is subject to an increase of 5% in rental payments after every five (5) years.

b. On January 11, 2021, a Deed of Assignment was entered between the Company, as the assignee, and the Parent Company, as the assignor, whereby, the Parent Company assigned all of its rights and obligations under the September 6, 2016 lease agreement for certain parcels of land with a total area 179.6 hectares in Peñaranda, Nueva Ecija. The Company accepted and assumed all of the said rights and obligations thus assigned, in pursuance of the said Deed of Assignment. The annual rental increased from ₱50,000 per hectare per year, net of tax, to ₱55,000 per hectare per year, net of tax, which shall be subject to an escalation of 10.0% every five (5) years from the start date. Further, as agreed by the parties, the lease of the updated total land area of 169.9 hectares commenced in March 2021.

c. In May 2021, the Company entered into a land lease agreement with various landowners to develop solar farm projects in Peñaranda, Nueva Ecija for a total area of 81.75 hectares. The land was made available for use on the execution date of the contract with a one (1) year rent-free period plus 25-year term. Further, the lease is subject for renewal of 5 years upon mutual agreement by parties. The land lease agreement has an annual rent of ₱55,000 per hectare, net of tax, and is subject to an increase of 8% in rental payments after every three (3) years.

d. ROU assets as of March 31, 2022 and June 30, 2021 are as follows:

	March 31, 2022*	June 30, 2021
Balances at beginning of period	**₱297,751,234**	₱44,146,980
Additions	**–**	256,722,791
Amortization	**(5,420,370)**	(3,118,537)
Amortization capitalized to construction in progress**	**(2,710,186)**	–
Balances at end of period	**₱289,620,678**	₱297,751,234

**The beginning of period applicable for March 31, 2022 is July 1, 2021 as a result of the change in fiscal year (see Note 1).*
***Incurred during the construction period (see Note 1)*

e. Lease liabilities as of March 31, 2022 and June 30, 2021 are as follows:

	March 31, 2022*	June 30, 2021
Balances at beginning of period*	**₱289,525,826**	₱47,299,752
Additions	–	236,601,191
Interest expense	**9,142,009**	5,624,883
Interest expense capitalized to construction in progress**	**4,563,640**	–
Payments	**(4,538,676)**	–
Total lease liabilities	**298,692,799**	289,525,826
Current portion of lease liabilities	**(14,004,465)**	(14,004,465)
Noncurrent portion of lease liabilities	**₱284,688,334**	₱275,521,361

**The beginning of period applicable for March 31, 2022 is July 1, 2021 as a result of the change in fiscal year (see Note 1).*
***Incurred during the construction period (see Note 1)*

f. The following are the amounts recognized for the nine-month periods ended March 31, 2022 and 2021 in the interim statements of comprehensive income:

	2022	2021
Interest accretion of lease liabilities	**₱9,142,009**	₱3,505,689
Amortization of ROU assets	**5,420,370**	1,597,423
Total amount recognized in the interim statements of comprehensive income	**₱14,562,379**	₱5,103,112

g. As of March 31, 2022 and June 30, 2021, cash bond deposit amounting to ₱0.6 million, pertain to cash bond deposits paid to Department of Agrarian Reform (DAR) for the conversion of leased land from agricultural to industrial land. On April 30, 2021, the Company received the DAR order for the conversion of 169.9 hectares of leased land. On October 11, 2021, the DAR issued the Certificate of Finality to the Company to effectively cause the conversion of said land from agricultural to industrial classification.

13. Financial Instruments and Financial Risk Management

Financial Risk Management Objectives and Policies
The Company's principal financial instruments comprise of cash in banks, cash bond deposit, accounts payable and accrued expenses, due to related parties and lease liabilities. The main purpose of these financial instruments is to finance the Company's operations.

The BOD has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company's risk management policies are established to identify and manage the Company's exposure to financial risks, to set appropriate transaction limits and controls, and to monitor and assess risks and compliance to internal control policies. Risk management policies and structure are reviewed regularly to reflect changes in market conditions and the Company's activities.

The Company has exposure to liquidity and credit risks from the uses of its financial instruments. The BOD reviews and approves the policies for managing this risk as summarized below:

Credit Risk
Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss.

With respect to the credit risk arising from other financial assets of the Company, which comprise cash in banks and cash bond deposit, the Company exposure to credit risk arises from default of the counterparty, with maximum exposure equal to the carrying amount of these instruments. The Company's cash in banks and cash bond deposit amounted to ₱2,135.2 million and ₱0.9 million as of March 31, 2022 and June 30, 2021, respectively.

Cash in banks
For cash in banks, the Company applies the low credit risk simplification. The probability of default and loss given defaults are publicly available and are considered to be low credit risk investments. It is the Company's policy to measure ECLs on such instruments on a 12-month basis. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL. The Company uses the ratings from the external credit rating agencies to determine whether the debt instrument has significantly increased in credit risk and to estimate ECLs.

Cash bond deposit
The Company's exposure to credit risk is influenced mainly by the individual characteristics of each counterparty. The credit quality is further classified and assessed by reference to historical information about each of the counterparty's historical default rates. Based on assessment of qualitative and quantitative factors that are indicative of the risk of default, the Company has assessed that the outstanding balances are exposed to low credit risk. ECL on these balances have therefore been assessed as insignificant.

Liquidity risk
Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's objectives to managing liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking adverse effect to the Company's credit standing.

The Company manages liquidity risk by maintaining a balance between continuity of funding and flexibility. As part of its liquidity risk management, the Company regularly evaluates its projected and actual cash flows.

The tables below show the maturity profile as of March 31, 2022 and June 30, 2021 of the Company's financial assets used for liquidity purposes based on contractual undiscounted cash flows, and financial liabilities based on contractual undiscounted payments:

	March 31, 2022				
	On Demand	**< 1 Year**	**1 to 5 Years**	**More than 5 Years**	**Total**
			(In Thousand Pesos)		
Amortized cost:					
Cash in banks	**₱2,134,668**	**₱–**	**₱–**	**₱–**	**₱2,134,668**
Cash bond deposit	**552**	–	–	–	**552**
	₱2,135,220	**₱–**	**₱–**	**₱–**	**₱2,135,220**
Liabilities at amortized cost:					
Accounts payable	**₱5,680**	**₱–**	**₱–**	**₱–**	**₱5,680**
Accrued expenses	**24**	–	–	–	**24**
Due to related parties	**22,792**	–	–	–	**22,792**
Lease liabilities	**14,004**	–	**96,750**	**577,039**	**687,793**
	₱42,500	**₱–**	**₱96,750**	**₱577,039**	**₱716,289**

	June 30, 2021				
	On Demand	< 1 Year	1 to 5 Years	More than 5 Years	Total
			(In Thousand Pesos)		
Amortized cost:					
Cash in banks	₱351	₱–	₱–	₱–	₱351
Cash bond deposit	552	–	–	–	552
	₱903	₱–	₱–	₱–	₱903
Liabilities at amortized cost:					
Accounts payable	₱3,880	₱–	₱–	₱–	₱3,880
Accrued expenses	2,771	–	–	–	2,771
Due to related parties	22,792	–	–	–	22,792
Lease liabilities	13,187	–	79,983	599,162	692,332
	₱42,630	₱–	₱79,983	₱599,162	₱721,775

Fair Value and Category of Financial Instruments
The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate such value:

Cash in banks, cash bond deposit, accounts payable and accrued expenses and due to related parties
The carrying amounts of these financial instruments approximate their fair values due to their short-term maturities.

Lease liabilities
The fair values for the Company's lease liabilities are estimated using the discounted cash flow methodology adjusted for credit risk (Level 3 of the fair value hierarchy). The discount rates used are 6.08% and 5.96% as at March 31, 2022 and June 30, 2021, respectively. The fair value of the lease liabilities amounted to ₱295.8 million and ₱299.2 million as of March 31, 2022 and June 30, 2021, respectively, while the carrying value of the lease liabilities amounted to ₱298.7 million and ₱289.5 million as of March 31, 2022 and June 30, 2021, respectively.

As of March 31, 2022 and June 30, 2021, the fair value of lease liabilities are measured using Level 3 valuation technique. For the nine-month periods ended March 31, 2022 and for the year ended June 30, 2021, there were no transfers into and out of Level 3 fair value measurements.

Capital Management
As the Company has not started commercial operations, it ensures that the minimum capital infused by the shareholders is properly managed. The Company manages its capital structure and makes adjustments to it, in light of changes in business and economic conditions.

No changes were made in the objectives, policies or processes for the nine-month period ended March 31, 2022 and for the year ended June 30, 2021.

The Company considers the following as its core capital:

	March 31, 2022	June 30, 2021
Due to related parties	**₱22,792,348**	₱22,792,348
Capital stock	**812,435,001**	542,435,000
Additional paid-in capital	**2,347,338,021**	–
Deficit	**(73,403,770)**	(25,136,660)
	₱3,109,161,600	₱540,090,688

14. **Basic/Diluted Loss Per Share**

The basic/diluted loss per share amounts were computed as follows:

	March 31, 2022	March 31, 2021
(a) Net loss attributable to equity holders of the Company	**₱48,267,110**	₱12,293,041
(b) Weighted average number of common shares outstanding	**6,624,350,005**	4,791,667
Basic/diluted loss per share (a/b)	**₱0.0073**	₱2.5655

The Company does not have any dilutive potential common shares as at March 31, 2022 and 2021.

15. **Events After the Reporting Period**

On April 6, 2022, the BOD of the Company approved the authorization to allocate IPO proceeds to advance funding for pursuing off-take agreements and developing projects for Terra Renewables Holdings, Inc. (Terra) and its associated developments to SP Holdings, Inc. (SPHI), an affiliate of the Company, given that SPHI is a shareholder in Terra and that SPHI is part of Solar Philippines Assets to be acquired by the Company through the share swap approved by the Company's stockholders on March 7, 2022, provided this would only be from the excess of the amount needed by Phase 1A of the Nueva Ecija solar project and would form part of the expansion of the Company's projects.

16. **Renewable Energy Act of 2008**

On January 30, 2009, 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 "Act"), became effective.

The Act aims to:

a) accelerate the exploration and development of renewable energy resources such as, but not limited to, biomass, solar, wind, hydro, geothermal and ocean energy sources, including hybrid systems, to achieve energy self-reliance, through the adoption of sustainable energy development strategies to reduce the country's dependence on fossil fuels and thereby minimize the country's exposure to price fluctuations in the international markets, the effects of which spiral down to almost all sectors of the economy;
b) increase the utilization of renewable energy by institutionalizing the development of national and local capabilities in the use of renewable energy systems, and promoting its efficient and cost-effective commercial application by providing fiscal and non-fiscal incentives;
c) encourage the development and utilization of renewable energy resources as tools to effectively prevent or reduce harmful emissions and thereby balance the goals of economic growth and development with the protection of health and environment; and
d) establish the necessary infrastructure and mechanism to carry out mandates specified in the Act and other laws.

As provided in the Act, RE 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 Board of Investments (BOI), shall be entitled to the following incentives, among others:

i. Income Tax Holiday (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;
ii. Duty-free Importation of RE Machinery, Equipment and Materials - Within the first ten (10) years upon 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;
iii. 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;
iv. NOLCO - the NOLCO of the RE developer 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;
v. 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 National Internal Revenue Code of 1997, as amended by Republic Act No. 9337;
vi. 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;
vii. Zero Percent VAT Rate - The sale of fuel or power generated from renewable sources of energy, the purchase of local goods, properties and services needed for the development, construction and installation of the plant facilities, as well as the whole process of exploration and development of RE sources up to its conversion into power shall be subject to zero percent (0%) VAT;
viii. Cash Incentive of RE Developers for Missionary Electrification - An RE developer, established after the effectivity of the Act, shall be entitled to a cash generation-based incentive per kilowatt-hour rate generated, equivalent to fifty percent (50%) of the universal charge for power needed to service missionary areas where it operates the same;
ix. Tax Exemption of Carbon Credits - All proceeds from the sale of carbon emission credits shall be exempt from any and all taxes; and
x. Tax Credit on Domestic Capital Equipment and Services - A tax credit equivalent to one hundred percent (100%) of the value of the VAT and custom 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 Act. 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). Upon registration, a certification shall be issued to each RE developer and local manufacturer, fabricator and supplier of locally-produced renewable energy equipment to serve as the basis of their entitlement to the incentives provided for in the Act. All certifications required to qualify RE developers to avail of the incentives provided for under the Act shall be issued by the DOE through the REMB.

17. **Other Matters**

Continuing Impact of COVID-19

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 (6) months and imposed an enhanced community quarantine throughout the island of Luzon until April 12, 2020, as subsequently extended to April 30, 2020. This was further extended to May 15, 2020 in selected areas including the National Capital Region (NCR). On February 27, 2021, the general community quarantine was extended until March 31, 2021 in selected areas including the NCR. On September 13, 2021, the government introduced the alert-level system (ALS) composed of Levels 1-5, where Level 1 was defined as areas wherein case transmission is low and decreasing. This replaced the four-tier classification system (ECQ, MECQ, GCQ and modified GCQ). On September 30, 2021, the government conducted pilot implementation of ALS in NCR. On October 20, 2021 the ALS was implemented to the rest of the country. Currently, the NCR is under Alert Level 1 up to the report date May 19, 2022. These measures have caused disruptions to businesses and economic activities, and its impact on businesses continue to evolve.

The Company was not materially affected by the COVID-19 outbreak as it has not yet started commercial operations. Considering the evolving nature of this outbreak, the Company will continue to monitor the situation in subsequent periods.

Change in Allocation of IPO Proceeds

On December 20, 2021, the BOD of the Company approved the following:

a) Pending the use of IPO proceeds for future land acquisitions and capital expenditures, effective by January 19, 2022, to allow the Company to allocate such IPO proceeds towards bid bonds, bid security, and other expenses for potential off-take agreements, to enable the Company to be responsive to contracting opportunities as soon as they arise, in support of the Company's strategy to pursue off-take on an opportunistic basis.
b) The authority to transact with financial institutions to secure bid bonds and bid security for the projects of the Company.
c) Subject to applicable law, rules and regulations to be clarified, the incorporation and funding of wholly-owned subsidiaries to hold the IPO's use of proceeds and to receive instructions from the Company for the use of such proceeds.
d) The authority to file and submit all compliance, disclosures and any other reportorial requirements of the Company to the relevant regulatory agencies and the PSE.
e) Other ancillary powers and authorities necessary and proper for the execution of the above approvals.

On February 14, 2022, the BOD of the Company approved the acquisition of land in support of the Company's plan to develop 10 GW of solar projects, to be funded from proceeds of a rights offering and the proceeds from its IPO, as available, and the delegation of authority to the Company's President or his authorized representative to determine the location, particular parcels and terms for such land, and authority to execute contracts for this purpose.

Angeles Electric Corporation (AEC) Competitive Selection Process (CSP)
On October 14, 2021, the Company expressed its interest to participate in the CSP of AEC for the supply of renewable energy to AEC. On December 7, 2021, the Company was determined to be the winning supplier for the said bidding. The contract awarded is for a term of ten (10) years commencing on March 26, 2023, or upon ERC approval, whichever comes later.

Renewable Power Supply Agreement with AEC
In February 2022, the Company secured a 10-year Offtake Agreement with Angeles Electric Corporation (AEC), a distribution utility in Pampanga Province under which the Company will supply AEC 97.8 MWh daily, representing a portion of the Project's capacity to supply energy once completed. Since the Company has excess capacity beyond this Offtake Agreement, the Company intends to continue to pursue additional Offtake Agreements through contracting on an opportunistic basis with RESs, and/or Distribution utilities ("DUs") by participating in further Competitive Selection Processes ("CSPs"). In the absence of additional Offtake Agreements, the Company intends to supply its excess generation power through the WESM.

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Building a better
working world

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INDEPENDENT AUDITOR'S REPORT
ON SUPPLEMENTARY SCHEDULES

The Board of Directors and Stockholders
Solar Philippines Nueva Ecija Corporation
20th Floor Philamlife Tower
8767 Paseo de Roxas
Makati City

We have audited in accordance with Philippine Standards on Auditing, the interim financial statements of Solar Philippines Nueva Ecija Corporation (the Company, a subsidiary of Solar Philippines Power Project Holdings, Inc.) as at March 31, 2022 and June 30, 2021, and for the nine-month periods ended March 31, 2022 and 2021, and have issued our report thereon dated May 19, 2022. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the Index to the Supplementary Schedules are the responsibility of the Company's management. These schedules are presented for purposes of complying with the Revised Securities Regulation Code Rule 68, and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state, in all material respects, the financial information required to be set forth therein in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Jhoanna Feliza C. Go
Partner
CPA Certificate No. 0114122
Tax Identification No. 219-674-288
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
SEC Partner Accreditation No. 1414-AR-2 (Group A)
October 15, 2019, valid until October 14, 2022
SEC Firm Accreditation No. 0001-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
BIR Accreditation No. 08-001998-103-2019, November 7, 2019, valid until November 6, 2022
PTR No. 8853497, January 3, 2022, Makati City

May 19, 2022

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INDEPENDENT AUDITOR'S REPORT ON
COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS

The Board of Directors and Stockholders
Solar Philippines Nueva Ecija Corporation
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8767 Paseo de Roxas
Makati City

We have audited in accordance with Philippine Standards on Auditing, the interim financial statements of Solar Philippines Nueva Ecija Corporation (the Company, a subsidiary of Solar Philippines Power Project Holdings, Inc.) as at March 31, 2022 and June 30, 2021, and for the nine-month periods ended March 31, 2022 and 2021, and have issued our report thereon dated May 19, 2022. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Supplementary Schedule on Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Company's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRSs) and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for the purpose of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the basic financial statements prepared in accordance with PFRSs. The components of these financial soundness indicators have been traced to the Company's financial statements as at March 31, 2022 and June 30, 2021, and for the nine-month periods ended March 31, 2022 and 2021 and no material exceptions were noted.

SYCIP GORRES VELAYO & CO.

Jhoanna Feliza C. Go
Partner
CPA Certificate No. 0114122
Tax Identification No. 219-674-288
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
SEC Partner Accreditation No. 1414-AR-2 (Group A)
October 15, 2019, valid until October 14, 2022
SEC Firm Accreditation No. 0001-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
BIR Accreditation No. 08-001998-103-2019, November 7, 2019, valid until November 6, 2022
PTR No. 8853497, January 3, 2022, Makati City

May 19, 2022

SOLAR PHILIPPINES NUEVA ECIJA CORPORATION
(A Subsidiary of Solar Philippines Power Project Holdings, Inc.)

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March 31, 2022

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SOLAR PHILIPPINES NUEVA ECIJA CORPORATION
(A Subsidiary of Solar Philippines Power Project Holdings, Inc.)

SUPPLEMENTARY SCHEDULE OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION

March 31, 2022

Deficit, July 1, 2021		(₱25,136,660)
Net loss during the period closed to deficit	(48,267,110)	
Less: Non-actual/unrealized income (net of tax)		
Benefit from income tax - deferred	(11,370,555)	
Net loss actually incurred for the period		(59,637,665)
TOTAL DEFICIT, MARCH 31, 2022		(₱84,774,325)