

# SECURITIES AND EXCHANGE COMMISSION

## SEC FORM 17-A, AS AMENDED

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

1. For the fiscal year ended  
Dec 31, 2022
2. SEC Identification Number  
CS201627300
3. BIR Tax Identification No.  
009-468-103
4. Exact name of issuer as specified in its charter  
SP New Energy Corporation
5. Province, country or other jurisdiction of incorporation or organization  
Metro Manila, Philippines
6. Industry Classification Code(SEC Use Only)  
[REDACTED]
7. Address of principal office  
20th Floor PhilamLife Tower, 8767 Paseo de Roxas, Barangay Bel-Air, Makati City,  
Philippines  
Postal Code  
1226
8. Issuer's telephone number, including area code  
(02) 8817-2585
9. Former name or former address, and former fiscal year, if changed since last report  
Solar Philippines Nueva Ecija Corporation; fiscal year ending on June 30 every year
10. Securities registered pursuant to Sections 8 and 12 of the SRC or Sections 4 and 8 of the RSA

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
Common	10,000,000,000

11. Are any or all of registrant's securities listed on a Stock Exchange?

☒ Yes ☐ No

If yes, state the name of such stock exchange and the classes of securities listed therein:

Philippine Stock Exchange, Common Shares

12. Check whether the issuer:

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

☐ Yes ☒ No

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

☒ Yes ☐ No

13. State the aggregate market value of the voting stock held by non-affiliates of the registrant. The aggregate market value shall be computed by reference to the price at which the stock was sold, or the average bid and asked prices of such stock, as of a specified date within sixty (60) days prior to the date of filing. If a determination as to whether a particular person or entity is an affiliate cannot be made without involving unreasonable effort and expense, the aggregate market value of the common stock held by non-affiliates may be calculated on the basis of assumptions reasonable under the circumstances, provided the assumptions are set forth in this Form

PhP8,363,527,031.20

**APPLICABLE ONLY TO ISSUERS INVOLVED IN  
INSOLVENCY SUSPENSION OF PAYMENTS PROCEEDINGS  
DURING THE PRECEDING FIVE YEARS**

14. Check whether the issuer has filed all documents and reports required to be filed by Section 17 of the Code subsequent to the distribution of securities under a plan confirmed by a court or the Commission.

☐ Yes ☒ No

**DOCUMENTS INCORPORATED BY REFERENCE**

15. If any of the following documents are incorporated by reference, briefly describe them and identify the part of SEC Form 17-A into which the document is incorporated:

(a) Any annual report to security holders

N/A

(b) Any information statement filed pursuant to SRC Rule 20

N/A

(c) Any prospectus filed pursuant to SRC Rule 8.1

N/A

*The Exchange does not warrant and holds no responsibility for the veracity of the facts and representations contained in all corporate disclosures, including financial reports. All data contained herein are prepared and submitted by the disclosing party to the Exchange, and are disseminated solely for purposes of information. Any questions on the data contained herein should be addressed directly to the Corporate Information Officer of the disclosing party.*

**SP New Energy Corporation  
SPNEC**

**PSE Disclosure Form 17-1 - Annual Report**  
**References: SRC Rule 17 and**  
**Section 17.2 and 17.8 of the Revised Disclosure Rules**

For the fiscal year ended	Dec 31, 2022
Currency	Philippine Pesos (Php)

**Balance Sheet**

	Year Ending	Previous Year Ending
	Dec 31, 2022	Jun 30, 2022
Current Assets	1,528,374,908	1,449,247,690
Total Assets	6,203,723,210	3,403,728,370
Current Liabilities	92,526,977	40,331,284
Total Liabilities	391,126,721	329,671,456
Retained Earnings/(Deficit)	-126,125,941	-85,716,108
Stockholders' Equity	5,812,596,489	3,074,056,914
Stockholders' Equity - Parent	5,812,596,489	3,074,056,914
Book Value Per Share	0.58	0.38

**Income Statement**

	Year Ending	Previous Year Ending
	Dec 31, 2022	Jun 30, 2022
Gross Revenue	0	0
Gross Expense	0	0
Non-Operating Income	2,398,960	548,180
Non-Operating Expense	42,543,655	72,498,183
Income/(Loss) Before Tax	-40,144,695	-71,950,003
Income Tax Expense	265,138	11,370,555
Net Income/(Loss) After Tax	- 40,409,833	-60,579,448
Net Income/(Loss) Attributable to Parent Equity Holder	- 40,409,833	-60,579,448
Earnings/(Loss) Per Share (Basic)	-0	-0
Earnings/(Loss) Per Share (Diluted)	-0	-0

**Financial Ratios**

	Formula	Fiscal Year Ended	Previous Fiscal Year
		Dec 31, 2022	Jun 30, 2022
<b>Liquidity Analysis Ratios:</b>			
Current Ratio or Working Capital Ratio	Current Assets / Current Liabilities	16.52	35.93
Quick Ratio	(Current Assets - Inventory - Prepayments) / Current Liabilities	16.49	35.93
Solvency Ratio	Total Assets / Total Liabilities	15.86	10.32
<b>Financial Leverage Ratios</b>			
Debt Ratio	Total Debt/Total Assets	0.06	0.1
Debt-to-Equity Ratio	Total Debt/Total Stockholders' Equity	0.07	0.11
Interest Coverage	Earnings Before Interest and Taxes (EBIT) / Interest Charges	-	-
Asset to Equity Ratio	Total Assets / Total Stockholders' Equity	1.07	1.11
<b>Profitability Ratios</b>			

<b>Gross Profit Margin</b>	<b>Sales - Cost of Goods Sold or Cost of Service / Sales</b>	-	-
<b>Net Profit Margin</b>	<b>Net Profit / Sales</b>	-	-
<b>Return on Assets</b>	<b>Net Income / Total Assets</b>	-0.7	-1.8
<b>Return on Equity</b>	<b>Net Income / Total Stockholders' Equity</b>	-0.7	-2
<b>Price/Earnings Ratio</b>	<b>Price Per Share / Earnings Per Common Share</b>	-	-

#### Other Relevant Information

Please see attached SEC Form 17-A.

#### Filed on behalf by:

<b>Name</b>	Hazel Iris Lafuente
<b>Designation</b>	Assistant Corporate Secretary, Assistant Treasurer, Chief Operating Officer/ Chief Information Officer

# COVER SHEET

C S 2 0 1 6 2 7 3 0 0

S.E.C. Registration Number

S P N E W E N E R G Y C O R P O R A T I O N  
( f o r m e r l y S o l a r P h i l i p p i n e s  
N u e v a E c i j a C o r p o r a t i o n )

(Company's Full Name)

2 0 t h F l o o r , P h i l a m L i f e T o w e r ,  
8 7 6 7 P a s e o d e R o x a s , M a k a t i  
C i t y 1 2 2 6

(Business Address of the Company)

Hazel Iris P. Lafuente

Contact Person

0 2 - 8 8 1 7 - 2 5 8 5

Company Telephone Number

1 2

Month

3 1

Day

Fiscal Year

SEC Form 17-A

Form Type

1<sup>st</sup> Monday of May each year

Regular Meeting

Certificate of Permit to Offer Securities for Sale (Pursuant to SEC MSRD Order No. 87, Series of 2021)

Secondary License type, if applicable

MSRD

Dept. Requiring this Doc.

Amended Articles Number/Section

Total No. of Stockholders

Total amount of Borrowings

Domestic

Foreign

To be Accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

Remarks = Pls. use black ink for scanning purposes.

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A, *AS AMENDED*

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

1. For the fiscal year ended: **31 December 2022**
2. SEC Identification Number: **CS201627300**    3. BIR Tax Identification No.: **009-468-103-000**
4. Exact name of issuer as specified in its Charter:  
**SP NEW ENERGY CORPORATION**
5. **Metro Manila, Philippines**  
Province, country, or other jurisdiction of  
incorporation or organization
6.  (SEC Use Only)  
Industry Classification Code
7. **112 Legaspi Street, Legaspi Village, Barangay San Lorenzo, Makati City, Philippines 1229<sup>1</sup>**  
Address of principal office and postal code
8. **02 8817 2585**  
Issuer's telephone number, including area code
9. **Solar Philippines Nueva Ecija Corporation, June 30 of every year**  
Former name, former address, and former fiscal year, if changed since last report
10. Securities registered pursuant to Sections 8 and 12 of the SRC, or Sections 4 and 8 of the RSA

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
<b>Common</b>	<b>8,124,350,005<sup>2</sup></b>

11. Are any or all of these securities listed on a stock exchange?

Yes [ **X** ]    No [   ]

If yes, state the name of such stock exchange and the classes of securities listed therein:

**Philippine Stock Exchange ("PSE"); common shares.**

12. Check whether the Issuer:

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

Yes [   ]    No [ **X** ]

<sup>1</sup> The Company's business address is the 20<sup>th</sup> Floor AIA Tower (formerly PhilamLife Tower), 8767 Paseo de Roxas, Barangay Bel-Air, Makati City, Philippines 1226.

<sup>2</sup> On 15 September 2022, the Company's outstanding capital stock increased by 1,875,649,995 shares, resulting in its total outstanding capital stock reaching 10,000,000,000 shares. The 1,875,649,995 newly issued shares are exempt from the registration requirements of the Securities Regulation Code, as evidenced by the Confirmation of Exempt Transaction issued by the Securities and Exchange Commission on 19 July 2022. As of the date of this Annual Report, 9,998,828,397 shares of the Company are listed with the Philippine Stock Exchange.

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

Yes [ **X** ]    No [   ]

13. The aggregate market value of the voting stock held by non-affiliates of the Company as of 31 March 2023<sup>3</sup> is PhP8,363,527,031.20 (number of shares held by the public as of 31 March 2023 multiplied by the PSE closing price on 31 March 2023).

*[This portion of the Annual Report was intentionally left blank.]*

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<sup>3</sup> Within sixty (60) days prior to the date of filing, as required in the General Instructions for SEC Form 17-A, as amended.  
SP New Energy Corporation and Subsidiary  
2022 Annual Report (SEC Form 17-A)

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## PART I - BUSINESS AND GENERAL INFORMATION

### Item 1. Business

SP New Energy Corporation (“**SPNEC**,” the “**Company**” or the “**Issuer**”), formerly Solar Philippines Nueva Ecija Corporation, was incorporated and registered with the Securities and Exchange Commission (“**SEC**”) on 23 November 2016, primarily to construct, erect, assemble, commission, operate, and maintain power-generating plants, installations, shops, laboratories, pipelines, repair shops, electrical works, powerhouses, 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 resource 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.

SPNEC holds 100% and, therefore, absolute controlling interest in Terra Nueva, Inc. (**TNI** or the “**Subsidiary**”). TNI was incorporated and registered with the SEC on August 31, 2022, primarily to purchase, or otherwise acquire the stocks, bonds, and other securities or evidence of indebtedness of any other corporation, association, firm or entity, domestic or foreign, and to issue in exchange therefor its own stocks, bonds, or other obligations or to pay therefor in cash, or otherwise; to hold or own, use, sell, issue, deal in, dispose of, and turn to account, any such stocks, warrants, options, bonds, or other securities, and while the owner or holder thereof, to exercise all the rights and powers of ownership including the right to vote thereon for any purpose; to acquire, take over, hold and control all or any part of the business, goodwill, property and other assets, and to assume or undertake the whole or any part of the liabilities and obligations of any person, firm, association, or corporation, whether domestic or foreign, and whether a going concern or not, engaging in or previously engaged in business which the corporation is or may become authorized to carry on or which may be appropriate or suitable for any and all of the purposes of the corporation or otherwise, and to pay for the same in cash or in stocks, bonds or securities of the corporation or otherwise, and to hold, manage, operate, conduct and dispose of, in any manner, the whole or part of any such acquisition, and to exercise all the powers necessary or convenient for the conduct and management thereof; provided that the corporation shall not act as dealer and broker of securities.

SPNEC and the Subsidiary are hereby collectively referred to as the “**Group**”.

SPNEC is a subsidiary of Solar Philippines Power Project Holdings, Inc. (“**SPPPHI**” or the “**Parent Company**”), a corporation organized in the Republic of the Philippines.

On 24 February 2022, the Company’s Board of Directors (“**BOD**”) approved the acquisition of 100% of the outstanding shares held by SPPPHI in various entities (“**Solar Philippines Assets**”) through an asset-for-share swap in exchange for SPPPHI’s subscribing for 24,373,050,000 shares of SPNEC (“**Share Swap**”).<sup>4</sup> The Share Swap would be enabled by the increase in authorized capital stock from 10 billion common shares to 50 billion common shares, which was approved by SPNEC’s BOD on 10 January 2022 and by SPNEC’s stockholders on 7 March 2022.

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<sup>4</sup> In the board meeting on Friday, 5 May 2023, the BOD approved the modified acquisition by SPNEC of 100% of the shares of SPPPHI in the Solar Philippines Assets to be at cost and paid in cash, in lieu of a tax-free share swap, from the proceeds of SPPPHI subscribing in cash at par for 24.37305 billion SPNEC Shares (“**Shares**”). This is being done, among other reasons, for the efficient implementation of the ACS Increase and the Option Agreement between MPIC, SPPPHI, and SPNEC. In the same board meeting, the Board also approved the Option Agreement between Metro Pacific Investments Corporation (“**MPIC**”), Solar Philippines Power Project Holdings, Inc. (“**SPPPHI**”), and SPNEC, granting MPIC or its affiliates the option to acquire up to 17.4 billion Shares, comprising up to 10 billion primary Shares for up to Php 12.5 billion and up to 7.4 billion secondary Shares for up to Php 9.25 billion, supported by the approval of SPNEC’s increase in Authorized Capital Stock from 10 billion to 50 billion Shares (“**ACS Increase**”).

SPNEC's disclosures may be viewed on the PSE Electronic Disclosure Generation Technology.

## **Item 2. Properties**

The Group's principal office address based on its Articles of Incorporation, as amended, is 112 Legaspi Street, Legaspi Village, Barangay San Lorenzo, Makati City, Philippines 1229. The Company is, however, holding its business offices at the 20th Floor AIA Tower (formerly PhilamLife Tower), 8767 Paseo de Roxas, Barangay Bel-Air, Makati City, Philippines 1226.

As of December 31, 2022, the Group is in the process of acquiring land and developments in support of its plan to develop 10 gigawatts ("GW") of solar projects.

The Company had initially secured rights over a total of 118 parcels comprising 352.42 hectares of land composed of leases in Las Piñas, Peñaranda, Nueva Ecija. The Group has since been continuing the process of securing land and land rights through TNI.

The leases SPNEC secured have an effective term of 25 years with the earliest lease commencement and expiry dates being 1 January 2020 and 30 April 2047, respectively. The leases may be renewed for another five years or for a reasonable period upon agreement between the Company and the landowner. In the case however of the lease agreement with Las Piñas Agro Industrial Corporation, the term shall be extended for another five years after its expiry, subject to further extensions by written agreement between the Company and the landowner.

In February and April 2021, the Company also entered into a Memorandum of Agreement ("MOA") with Provincia Investments Corporation ("PIC") and Lupang Hinirang Holdings Corporation ("LHHC"), respectively, to acquire land for potential expansion. The Company is currently surveying proposed project sites for possible future acquisitions.

In 2022, TNI entered into Contracts to Sell ("CTS") with various landowners for the acquisition of parcels of land with a total land area of 1,601.93 hectares and also entered into a Deed of Absolute Sale Agreement for a total land area of 316.46 hectares which are intended for future expansion.

The Company is developing Phase 1 of the project, a 225 megawatts of direct current ("MWdc") solar power plant planned for completion by end of 2023. Phase 2 of the project consisting of 275 MWdc is planned for completion by end of 2024.

Other than those mentioned, the Group did not own any other properties as of 31 December 2022.

## **Item 3. Legal Proceedings**

To the best of the Group's knowledge, it is not involved in any material legal proceedings and is not aware of any such proceedings pending or threatened against it or any of its properties, which are or might be material. The Company has a pending application with the Energy Regulatory Commission ("ERC") for the approval of a power supply agreement and a pre-filing application for dedicated point-to-point limited transmission facilities, but it does not consider these material as the filing of such applications is done in the ordinary course of business.

Further, to the best of the Group's knowledge, some of its affiliates are involved in a few routine labor cases and criminal cases where a couple of affiliates have filed complaints for theft or pilferage of company property. Moreover, some affiliates with power supply agreements have filed applications for rate approval before the ERC which are required in the ordinary course of business for a company engaged in renewable energy development, operations, and production. The Group does not consider any of these as material as these legal proceedings will not affect the daily operations of its business nor will they have any material effect on the present financial position of the Group.

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

The Company held its annual stockholders' meeting for the year 2022 (the "Annual Meeting") on 30 August 2022.

The following matters were voted upon during the Annual Meeting:

1. Election of Directors

The following were elected to the BOD during the Annual Meeting:

- a. Mr. Leandro Antonio L. Leviste, as regular director,
- b. Mr. J. Carlitos G. Cruz, as independent director,
- c. Mr. Benjamin I. Espiritu, as independent director,
- d. Mr. Carlos Jose P. Gatmaitan, as independent director,
- e. Atty. Jesusa Loreto A. Arellano, as regular director,
- f. Ms. Hazel Iris P. Lafuente, as regular director, and
- g. Mr. Aresty M. Lapitan, as regular director.

Below is a tabulation of the votes cast for each of the above-named individuals:

#	Name of Nominee	Number of Votes Cast
1	Leandro Antonio L. Leviste	5,725,624,000
2	J. Carlitos G. Cruz	5,725,590,000
3	Benjamin I. Espiritu	5,725,590,000
4	Carlos Jose P. Gatmaitan	5,725,590,000
5	Atty. Jesusa Loreto A. Arellano	5,725,590,000
6	Hazel Iris P. Lafuente	5,725,590,000
7	Aresty M. Lapitan	5,725,590,000

On 31 January 2023, Atty. Arellano's resignation as Director of the Company became effective. On even date, the remaining members of the BOD elected Mr. Martin Charles Crotty as replacement director, to serve the remainder of Atty. Arellano's term unless earlier replaced.

2. Approval of Minutes of Previous Stockholders' Meetings

Approval by the stockholders of the minutes of the annual meeting held on 2 July 2021 and their special meeting on 7 March 2022 was sought.

For this item, 5,725,205,001 shares or 99.99% of the Company's shares present or represented at the meeting were voted in favor of the approval of the minutes of the previous meetings of the Company's stockholders.

3. Approval of the Audited Financial Statements and Management Report for the Fiscal Year Ended 30 June 2022

Upon recommendation of the Company's Audit and Risk Management Committee and the BOD, stockholders' approval of the Audited Financial Statements and Management Report for the fiscal year ended 30 June 2022 was sought.

For this item, 5,725,205,001 shares or 99.99% of the Company's shares present or represented at the meeting were voted in favor of the approval of the Audited Financial Statements and Management Report for the fiscal year ended 30 June 2022.

4. Approval of the Change in the Company's Corporate Name and Amendment of the Header and the First Article of the Articles of Incorporation and the Header and Article IX, Section 1 of the By-Laws of the Company to Implement Such Change

Upon recommendation of the BOD, approval by the stockholders representing at least two-thirds (2/3) of the total outstanding capital stock of the Company was sought to amend the relevant sections of the Company's Articles  
SP New Energy Corporation and Subsidiary  
2022 Annual Report (SEC Form 17-A)

of Incorporation to change its corporate name from “Solar Philippines Nueva Ecija Corporation” to “SP New Energy Corporation.” Approval by stockholders representing at least a majority of the total outstanding capital stock was likewise sought to amend the relevant sections of the Company’s By-Laws for the same purpose.

For this item, 5,725,607,001 shares or 70.47% of the Company’s total outstanding capital stock were voted in favor of the change in the Company’s corporate name and necessary amendments to its Articles of Incorporation and By-Laws to effect such change.

On 24 October 2022, the SEC approved the change in the Company’s corporate name and the relevant amendments to its Articles of Incorporation and By-Laws.

5. Approval of the Change in the Company’s Fiscal Year and Amendment of Article VII, Section 2 of the By-Laws to Implement Such Change

Upon recommendation of the BOD, approval by the stockholders representing at least a majority of the Company’s total outstanding capital stock was sought to amend the relevant section of the Company’s By-Laws to effect the change in its fiscal year from July 1 to June 30 to January 1 to December 31 of each year.

For this item, 5,725,627,001 shares or 70.47% of the Company’s total outstanding capital stock were voted in favor of the change in the Company’s fiscal year and necessary amendment to its By-Laws to effect such change.

On 24 October 2022, the SEC approved the change in the Company’s fiscal year and the relevant amendment to its By-Laws.

6. Appointment of SyCip Gorres Velayo & Co. (“SGV”) as the Company’s External Auditor for the Ensuing Fiscal Year

Upon recommendation of the Audit and Risk Management Committee and BOD, approval by the stockholders of the appointment of SGV as external auditor of the Company for the ensuing fiscal year was sought.

For this item, 5,725,627,001 shares or 100% of the Company’s shares present or represented at the meeting were voted in favor of the appointment of SGV as the Company’s external auditor for the ensuing fiscal year.

7. Ratification of Acts, Resolutions, and Decisions of the BOD and Management During the Previous Year

Stockholders’ ratification of the acts, resolutions, and decisions of the BOD, its committees, and Management taken and adopted since the previous annual meeting of the stockholders held on 2 July 2021 up to present was sought.

For this item, 5,725,627,001 shares or 100% of the Company’s shares present or represented at the meeting were voted in favor of the ratification.

## **PART II - OPERATIONAL AND FINANCIAL INFORMATION**

### **Item 5. Market for Issuer’s Common Equity and Related Stockholder Matters**

#### **Securities**

The Issuer has an authorized capital stock of PhP1,000,000,000.00 divided into 10,000,000,000 common shares with a par value PhP0.10 per share.

The Issuer’s total issued and subscribed capital stock as of 31 December 2022 was PhP1,000,000,000.00, divided into 10,000,000,000 common shares with a par value of PhP0.10 per share. Of the 10,000,000,000 common shares, 2,700,000,000 shares were sold and acquired during the Initial Public Offering (“**IPO**”) in December 2021 for PhP1.00 per share while 1,875,649,995 common shares were issued and subscribed during the Stock Rights SP New Energy Corporation and Subsidiary

Offering (“SRO”) in August and September 2022 for PhP1.50 per share. After the IPO, the Issuer’s total additional paid-in capital (“APIC”) amounted to PhP2,448,000,000.00 (includes the additional capital infusions of SPPPHI in July and November 2021 amounting to PhP16,000,000.00 and PhP2,000,000.00, respectively). After the SRO, the Issuer’s APIC increased to PhP5,072,072,939.63.<sup>5</sup>

Except for those exempt from the registration requirement under the Securities Regulation Code (“SRC”), no sales of unregistered securities were made in the past three (3) years.

No debt securities were registered or contemplated to be registered.

No securities subject to redemption or call existed or were planned to be issued.

On 10 January 2022, the BOD approved the increase of the Issuer’s authorized capital stock from PhP1,000,000,000.00 divided into 10,000,000,000 common shares with a par value PhP0.10 per share to PhP5,000,000,000.00 divided into 50,000,000,000 common shares with a par value PhP0.10 per share, subject to the further approval of the Issuer’s stockholders and the SEC.

In a meeting held on 14 February 2022, the BOD authorized the SRO of the Issuer and delegated to the Issuer’s President and Chief Executive Officer the determination of the terms and conditions of the SRO.

On 24 February 2022, the BOD approved the acquisition of 100% of the outstanding shares held by SPPPHI in various entities in exchange for SPPPHI’s subscribing for 24,373,050,000 shares of SPNEC, which was approved by the BOD on 10 January 2022, and by the Issuer’s stockholders on 7 March 2022, subject to regulatory approvals.<sup>6</sup>

On 28 March 2022, pursuant to a previous approval of its BOD, the Issuer disclosed that it was confirming the plan to source the shares for the SRO from its unissued capital stock of 1,875,649,995 shares. The Issuer likewise disclosed that the entitlement ratio shall be one (1) Rights Share for every 1.28 common shares held.

On 8 April 2022, the Issuer filed with the SEC an application seeking confirmation that the SRO is a transaction exempt from the registration requirement of the SRC.

On 19 July 2022, the SEC issued a Confirmation of Exempt Transaction confirming that the Issuer’s planned SRO is exempt from the registration requirement of the SRC.

On 28 July 2022, the PSE issued a Notice of Approval for the Issuer’s application to list 1,875,649,995 shares as part of its SRO to eligible stockholders, based on the Ex-Date of 22 August 2022 and Record Date of 25 August 2022. The PSE thereafter approved the proposed SRO timetable.

On 18 August 2022, the Issuer informed the PSE that the final Offer Price of its SRO will be PhP1.50 per Rights Share. The Offer Price represented a 14% discount to the 15-day volume-weighted average price of the Issuer’s common shares as of 17 August 2022.

On 25 August 2022, the PSE approved the publication of the Final Prospectus for the Issuer’s SRO.

The Offer Period for the SRO for Eligible Shareholders was from 30 August 2022 to 5 September 2022. There was neither an occasion for the QB Take-Up nor any need for the Principal Shareholder, SPPPHI, to sweep

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<sup>5</sup> As of 10 March 2023.

<sup>6</sup> In the board meeting on Friday, 5 May 2023, the BOD approved the modified acquisition by SPNEC of 100% of the shares of SPPPHI in the Solar Philippines Assets to be at cost and paid in cash, in lieu of a tax-free share swap, from the proceeds of SPPPHI subscribing in cash at par for 24.37305 billion SPNEC Shares. This is being done, among other reasons, for the efficient implementation of the ACS Increase and the Option Agreement between MPIC, SPPPHI, and SPNEC. In the same board meeting, the Board also approved the Option Agreement between MPIC, SPPPHI, and SPNEC, granting MPIC or its affiliates the option to acquire up to 17.4 billion Shares, comprising up to 10 billion primary Shares for up to PhP 12.5 billion and up to 7.4 billion secondary Shares for up to PhP 9.25 billion, supported by the approval of SPNEC’s ACS Increase from 10 billion to 50 billion Shares.

unsubscribed Rights Shares as all Rights Shares were subscribed during the First and Second Mandatory Rounds of the Rights Offer.

The fully paid Rights Shares were listed on 15 September 2022.

On 1 December 2022, the Issuer extended the payment period for partially paid Rights Shares for a period of three (3) months or from 5 December 2022 to 5 March 2023.

As of 10 March 2023, only 1,171,603 Rights Shares remain partially paid. The Issuer deems the remaining partially paid shares as delinquent shares in accordance with the terms of the Final Prospectus for the Rights Offer and the Revised Corporation Code. Specifically, all delinquent shares will be sold at auction pursuant to law. In case there are no bidders at such auction, the Issuer may purchase the delinquent shares, in which case they will become its treasury shares. Downpayments made on delinquent shares shall be forfeited in favor of the Issuer (collectively, the “**Delinquency Process**”).

As of the date of this Annual Report, 9,998,828,397 of the Issuer’s common shares are listed with the PSE.

## Market Information

The Issuer's shares are traded on the PSE.

The high and low stock prices of the Issuer’s common shares from listing on 17 December 2021 to the last quarter of the fiscal year ended 31 December 2022 are as follows:

Period	High (in PhP)	Low (in PhP)
Q4 2021 (from 17 December 2021)	1.50	0.76
Q1 2022	2.34	1.17
Q2 2022	1.94	1.46
Q3 2022	1.82	1.12
Q4 2022	1.42	0.99

The closing price of the Issuer's common shares as of 29 December 2022 was PhP1.20 per share.

## Holders

Based on the report of the stock transfer agent for the year ended 31 December 2022, the Issuer had a total of nineteen (19) stockholders of record. Said stockholders were as follows:

Stockholder’s Name	No. of Shares	Percentage of Ownership
Solar Philippines Power Project Holdings, Inc.	5,424,349,998	54.243%
PCD Nominee Corporation (Filipino)	4,219,685,814	42.197%
PCD Nominee Corporation (Non-Filipino)	355,099,402	3.551%
Jose Ivan T. Justiniano or Ma. Jema V. Justiniano	200,000	0.002%
Myra P. Villanueva	178,125	0.002%
Elvira M. Cruz and/or Bernardo A. Cruz	150,000	0.002%
Johanna Theresa A. Cid	100,000	0.001%
Myrna P. Villanueva	89,062	0.001%
Milagros P. Villanueva	89,062	0.001%
Marietta V. Cabreza	44,531	0.000%
Josemaria Gabriel D. Fadri	5,000	0.000%
Ofelia R. Blanco	5,000	0.000%
Jennifer T. Ramos	4,000	0.000%

Stockholder's Name	No. of Shares	Percentage of Ownership
Leandro Antonio L. Leviste	1	0.000%
J. Carlitos G. Cruz	1	0.000%
Benjamin I. Espiritu	1	0.000%
Carlos Jose P. Gatmaitan	1	0.000%
Gino Antonio C. Cruz	1	0.000%
Aresty M. Lapitan	1	0.000%
<b>Total</b>	<b>10,000,000,000</b>	<b>100%</b>

The Issuer's public float as of 31 December 2022 was 42.52%.

## Background of Shareholders Owning At Least 10% of the Total Outstanding Stock

### 1. Solar Philippines Power Project Holdings, Inc.

SPPPHI is a domestic holding corporation duly organized and existing under and by virtue of the laws of the Republic of the Philippines, with principal office at 112 Legaspi Street, Legaspi Village, Barangay San Lorenzo, Makati City. Among other purposes, it was primarily created to invest in, hold, purchase, acquire, lease, contract, or otherwise, within the limits allowed by law, any and all real and personal properties of every kind and description whatsoever which it may deem necessary or appropriate. However, SPPPHI shall not act as dealer and broker of securities.

SPPPHI is the Issuer's parent corporation.

### 2. PCD Nominee Corporation

PCD Nominee Corporation is a wholly-owned subsidiary of the Philippine Depository & Trust Corp. ("PDTC"), a corporation established in 1995 to improve operations in securities transactions and to provide a fast, safe, and highly efficient system for securities settlement in the Philippines. PCD Nominee Corporation acts as trustee-nominee for all shares lodged in the PDTC system, where trades effected on the PSE are finally settled with the PDTC.

Regulated by the SEC, PDTC is owned by major capital market players in the Philippines, namely the PSE, Bankers Association of the Philippines, Financial Executives Institute of the Philippines, Development Bank of the Philippines, Investment House Association of the Philippines, Social Security System, and Citibank N.A.

All PSE-member brokers are participants of the PDTC. Other participants include custodian banks, institutional investors, and other corporations or institutions that are active players in the Philippine equities market.

## Dividends

The Company is authorized to distribute dividends out of its surplus profit, in cash, properties of the Company, shares of stock, and/or securities of other companies belonging to the Company. Dividends paid in the form of cash or property is subject to approval of the BOD. Dividends paid in the form of additional shares are subject to the approval of the BOD and stockholders that own at least two-thirds (2/3) of the outstanding capital stock of the Issuer. In case the stock dividends will be coming from an increase in authorized capital stock, such declaration shall be subject to SEC approval. Holders of outstanding common shares as of a dividend record date will be entitled to full dividends declared without regard to any subsequent transfer of such shares.

On 6 September 2021, the BOD approved its dividend policy that gave it the discretion to declare dividends as they saw fit after considering the funding requirements for future projects, subject to the requirements of applicable laws and regulations, capital expenditure requirements, compliance with the Company's covenants, if any, and other circumstances that may restrict the payment of dividends. There can be no guarantee that the Company will pay any dividends in the future. Dividends may be declared only from the Company's unrestricted

retained earnings. The Company intends to maintain an annual dividend payment ratio of 10% to 30% of net income after tax for the preceding fiscal year.

The Company has not declared any kind of dividend to its shareholders since its incorporation.

### **Exempt Transactions**

On 24 February 2021 and 1 March 2021, the Company received PhP249,750,000.00 and PhP18,685,000.00 from SPPPHI as deposits for future subscription for 2,684,350,000 common shares of the Company.

Subsequently, in April and May 2021, the Company received an additional subscription from SPPPHI totaling PhP273,000,000.00 for 2,730,000,000 common shares of the Company. These shares were issued on 25 May 2021, the date of the approval of the SEC of the Company's application for the increase of its authorized capital stock.

Pursuant to Section 10.1(k) of the SRC, as amended, the foregoing share issuances are exempt from the requirement of registration since these are sales of securities to fewer than twenty (20) persons within a twelve (12)-month period. The Company paid the taxes involved in the issuance of the shares listed above.

On 19 July 2022, the Company received a letter from the SEC confirming that its SRO as described above is a transaction exempt from the registration requirements of the SRC, pursuant to Sections 10.1(e) and 10.1(l) of the said law.

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

### **MANAGEMENT DISCUSSION AND PLAN OF OPERATION**

As of the date of this Annual Report, the Group has not yet started commercial operations, but construction has commenced and is continuing. The Company shall secure relevant permits for commercial operations.

The Company plans to undertake its solar power projects using a mix of debt and equity. The Company allocated ₱1,003 million to fund the construction and development of Phase 1A with a size of 50 MWdc and ₱200 million for the construction of the transmission line for the project. The remaining ₱3,649 million budget to complete the funding requirements of the construction and development of Phase 1 (i.e., Phase 1B) may be funded by debt financing. In case of funding shortfalls, the Company may coordinate with its group EPC contractor, a related party by virtue of common shareholders, to take advantage of preferable payment terms until cash flows of the Company improve. Alternatively, the Company may opt to fulfil any funding shortage from debt sources. The objective is to launch the commercial operations of Phase 1A sooner such that cash flows from this business activity may support the project financing and accompanying debt service relating to the construction and development of Phase 1B, as well as Phase 2.

The Company has sufficient working capital, despite being in the pre-operating stages, for expenses that include corporate office overhead, administrative expenses, and other costs in the normal course of business, which are funded by proceeds from the recent IPO.

The Company initially allocated ₱1,332 million of the net IPO proceeds toward land for future expansion. However, on 20 December 2021, the BOD resolved that pending the use of said allocated amount for future land acquisitions, effective 19 January 2022, the Company shall be authorized to allocate the same towards bid bonds, bid security, and other expenses for potential offtake 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 such offtake arrangements on an opportunistic basis. Further, on 14 February 2022, the BOD 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 stock rights offering and proceeds from the 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 acquisitions, and authority to execute contracts for this purpose. On even date, the BOD approved the conduct of the SRO, in accordance with existing law and regulations, and subject to the terms to be determined by SP New Energy Corporation and Subsidiary



Management, the increase of the authorized capital stock of the Company, and the requirements and relevant approvals of the SEC and the PSE.

On September 15, 2022, the Company completed its SRO and issued 1,875,649,995 new common shares for a total consideration of ₱2,813.5 million or at an offer price of ₱1.50. In pursuit of its business plans and strategies, the Company's management, pursuant to its delegated authority from the BOD, has allocated the net proceeds for project development and general corporate purposes.

In relation to construction activities needed to complete the project, the Company, through its accredited contractor and management team, will deploy a crew of approximately 500 in the next few months.

As of 31 December 2022, the Company had spent ₱2,676.8 million of the IPO and ₱2,159.8 million of the SRO proceeds for development and other general expenses.

## MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The tables below present the summary of financial operations of the Group for the years ended 31 December 2022, 30 June 2022, 2021, and for the year ended 31 December 2020 and 2019, and its financial position as of 31 December 2022, 30 June 2022, 2021, and as of 31 December 2020 and 2019.

On 29 March 2021, the BOD approved the Company's change in fiscal year, which will start from 1 July and end on 30 June each year. On 14 April 2021, the SEC approved the Company's change in fiscal year. Accordingly, as the fiscal year ended 30 June 2021 is a transitional period, the "fiscal year ended 30 June 2021" for the Company comprised the six months from 1 January 2021 to 30 June 2021 coming from a calendar year ending on 31 December 2020.

On 8 August 2022, the BOD, upon the recommendation of the Audit and Risk Management Committee, approved the Company's change in corporate name from "Solar Philippines Nueva Ecija Corporation" to "SP New Energy Corporation" and change in fiscal year from July to June every year to January to December every year. The change in corporate name and change in fiscal year were approved by the Company's stockholders during their annual meeting held on 30 August 2022 and by the SEC on 24 October 2022.

The summary of financial information is based on the Audited Financial Statements of the Group, which were prepared in accordance with the Philippine Financial Reporting Standards ("PFRS") and should be read in conjunction with the auditor's reports and the financial statements and notes contained in this Annual Report.

### Material Changes to the Consolidated Statements of Financial Position as of December 31, 2022, compared to the Statement of Financial Position as of June 30, 2022

Horizontal and Vertical Analysis of Consolidated Financial Position December 31, 2022 vs June 30, 2022						
Amounts in ₱0.00	December 31, 2022	June 30, 2022	Horizontal Analysis		Vertical Analysis	
			Increase/(Decrease)		December 2022	June 2022
			Amount	Percentage		
<b>Assets</b>						
Cash	37,232,084	886,758,302	(849,526,218)	-95.80%	0.60%	26.05%
Subscription receivable	651,115,661	-	651,115,661	100.00%	10.50%	0.00%
Due from related parties	821,388,320	541,700,000	279,688,320	51.63%	13.24%	15.91%
Other current assets	18,638,843	20,789,388	(2,150,545)	-10.34%	0.30%	0.61%
<b>TOTAL CURRENT ASSETS</b>	<b>1,528,374,908</b>	<b>1,449,247,690</b>	<b>79,127,218</b>	<b>5.46%</b>	<b>24.64%</b>	<b>42.58%</b>
Deposits for land acquisition	2,026,892,396	621,499,933	1,405,392,463	226.13%	32.67%	18.26%
Property, plant and equipment	1,389,743,501	921,385,618	468,357,883	50.83%	22.40%	27.07%
Investment properties	312,626,010	-	312,626,010	100.00%	5.04%	0.00%

Horizontal and Vertical Analysis of Consolidated Financial Position December 31, 2022 vs June 30, 2022						
Amounts in ₱0.00	December 31, 2022	June 30, 2022	Horizontal Analysis		Vertical Analysis	
			Increase/(Decrease)		December 2022	June 2022
			Amount	Percentage		
Right-of-use assets	281,490,123	286,910,493	(5,420,370)	-1.89%	4.54%	8.43%
Deferred income tax asset - net	10,201,126	10,466,264	(265,138)	-2.53%	0.16%	0.31%
Other noncurrent assets	654,395,146	114,218,372	540,176,774	472.93%	10.55%	3.36%
<b>TOTAL NONCURRENT ASSETS</b>	<b>4,675,348,302</b>	<b>1,954,480,680</b>	<b>2,720,867,622</b>	<b>139.21%</b>	<b>75.36%</b>	<b>57.42%</b>
<b>TOTAL ASSETS</b>	<b>6,203,723,210</b>	<b>3,403,728,370</b>	<b>2,799,994,840</b>	<b>82.26%</b>	<b>100.00%</b>	<b>100.00%</b>
<b>Liabilities and Equity</b>						
Accounts payable and accrued expenses	65,218,072	13,000,260	52,217,812	401.67%	1.05%	0.38%
Due to a related party	22,770,229	22,792,348	(22,119)	-0.10%	0.37%	0.67%
Current portion of lease liabilities	4,538,676	4,538,676	-	0.00%	0.07%	0.13%
<b>TOTAL CURRENT LIABILITIES</b>	<b>92,526,977</b>	<b>40,331,284</b>	<b>52,195,693</b>	<b>129.42%</b>	<b>1.49%</b>	<b>1.18%</b>
Lease liabilities - Net of current portion	298,599,744	289,340,172	9,259,572	3.20%	4.81%	8.50%
<b>TOTAL LIABILITIES</b>	<b>391,126,721</b>	<b>329,671,456</b>	<b>61,455,265</b>	<b>18.64%</b>	<b>6.30%</b>	<b>9.69%</b>
Capital stock	1,000,000,000	812,435,001	187,564,999	23.09%	16.12%	23.87%
Additional paid-in capital	4,938,722,430	2,347,338,02	2,591,384,409	110.40%	79.61%	68.96%
Deficit	(126,125,941)	(85,716,108)	(40,409,833)	47.14%	-2.03%	-2.52%
<b>TOTAL EQUITY</b>	<b>5,812,596,489</b>	<b>3,074,056,91</b>	<b>2,738,539,575</b>	<b>89.09%</b>	<b>93.70%</b>	<b>90.31%</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>6,203,723,210</b>	<b>3,403,728,37</b>	<b>2,799,994,840</b>	<b>82.26%</b>	<b>100.00%</b>	<b>100.00%</b>

### Cash

In September 2022, the Company completed its SRO and received partial proceeds totaling ₱1,971.9 million and paid SRO-related expenses amounting to ₱13.1 million. Additional collections amounting to ₱190.48 million were received as of December 31, 2022.

For the six-month period ended December 31, 2022, the Group made various deposits for land acquisition amounting to ₱1,405.4 million, ₱500.0 million for land conversions, and incurred an amount of ₱468.2 million for the construction of the project. This resulted in a net decrease in cash account by 95.80% from ₱886.8 million as of June 30, 2022 to ₱37.2 million as of December 31, 2022.

### Subscription Receivable

Subscription receivable represents subscribed but unpaid shares of stock of the Company.

In relation to the SRO, the Company offered two options for the payment of the total subscription price for the Rights Shares:

- Option 1 – full payment of the total subscription price upon submission of the Application; and
- Option 2 – installment payment, with a down payment of 25% of the total subscription price for the Rights Shares upon submission of the Application, and the balance of 75% of the total subscription price to be paid in full one time directly to the Company, or on its instructions, to its nominee for this purpose, on any day within three months from the end of the Offer Period for Eligible Shareholders (i.e., from 6 September 2022 to 5 December 2022); within three months from the end of the QB Take-Up for the Qualified Buyers; and within three months from the end of the Sweep Period for the Principal Shareholder.

As of December 31, 2022, subscription receivable resulting from those that subscribed on installment payment amounted to ₱651.1 million. However, as of 10 March 2023, only 1,171,603 Rights Shares remain partially paid. The Company deems the remaining partially paid shares as delinquent shares and are subject to the Delinquency Process.

#### Due from Related Parties

On April 6, 2022, the BOD, pursuant to its approval on December 20, 2021, approved the allocation of IPO proceeds to advance the funding for pursuing offtake agreements and developing projects for Terra Renewables Holdings, Inc. (Terra) and its associated developments to SP Holdings, Inc. (SPHI), given that SPHI is a shareholder in Terra and that SPHI is planned to be a subsidiary of SPNEC after the share swap, provided this would only be from the excess of the amount needed by Phase 1A of the Nueva Ecija-1 solar project and would form part of the expansion of the Company's projects. For the six-month period ended December 31, 2022, the Company made additional advances amounting to ₱279.69 million to its related parties.

SPNEC also made advances to SPPPHI for ₱8.7 million and SPCRPI for ₱19.1 million, to fund the payment of GEAP performance bonds.

#### Other Current Assets

Other Current Assets decreased by 10.34% from ₱20.8 million as of June 30, 2022 to ₱18.6 million as of December 31, 2022. This is primarily due to the amortization of bid security bond and performance bond for the Nueva Ecija-1 project amounting to ₱1.4 million.

#### Deposits for Land Acquisition

Furthermore, for the six-month period ended December 31, 2022, the Group made deposits for land acquisition including land-related costs to various landowners amounting to ₱1,405.4 million. This caused the deposits for land acquisition to increase from ₱621.5 million as of June 30, 2022, to ₱2,026.9 million as of December 31, 2022.

#### Property, Plant and Equipment

Construction in progress increased by 50.83% from ₱921.4 million as of June 30, 2022 to ₱1,389.7 million as of December 31, 2022. As the construction for the project continues, the Company incurred costs for materials needed for the project such as solar photovoltaic modules, mounting structures, and other construction materials, equipment rentals and manpower totaling to ₱468.4 million. The Company also capitalized the interest accretion of lease liability and amortization of ROU asset for the six-month period ended December 31, 2022 totaling to ₱7.5 million.

#### Investment Properties

As of December 31, 2022, investment properties primarily include parcels of land located in Nueva Ecija with a total area of 316.46 hectares. These properties were obtained by TNI from various landowners through various Deeds of Absolute Sale (DOAS) Agreements executed in 2022. The total cost of the investment properties, including land-related costs amounted to ₱312.6 million as at December 31, 2022.

#### Right-of-Use (ROU) Assets

SPNEC recognized ROU assets in this regard, which decreased by 1.89% from ₱286.9 million as of June 30, 2022 to ₱281.5 million as of December 31, 2022 due to amortization during the period from July 1, 2022 to December 31, 2022 amounting to ₱5.4 million.

#### Deferred Tax Asset/Deferred Tax Liability

The Group's net deferred tax asset as at December 31, 2022 and net deferred tax liability as at June 30, 2022 came from recognition on ROU assets and lease liabilities.

#### Other Noncurrent Assets

Increase in this account by 472.19% from ₱114.2 million as of fiscal year ended June 30, 2022 to ₱654.4 million as of December 31, 2022, is primarily due to the deposits made by TNI to SPPPHI to secure the land conversion orders for its acquired land and due to the increase in Input VAT related to various related party transactions made by the Group for the project development and site acquisition services amounting to ₱36.0 million.

TNI entered into a Deposit and Services Agreement with SPPPHI, in which SPPPHI shall perform the following - provide assistance, representation, facilitation of documentation and submission of necessary documents and liaison with relevant government units, agencies and offices including government owned and controlled corporations to secure land use conversion orders from the Department of Agrarian Reform ("DAR") for the 992.77 hectares acquired by TNI and the delivery to TNI of the relevant conversion orders from the date of the agreement until December 31, 2024 to the full satisfaction of the TNI. TNI has deposited ₱500.0 million in advance for this agreement.

#### Accounts Payable and Accrued Expenses

Accounts Payable and Accrued Expenses increased by 401.67% from ₱13.0 million as of June 30, 2022 to ₱65.2 million as of December 31, 2022. This was primarily due to increase in taxes withheld by the Group for the construction support and project development agreements amounting to ₱46.6 million.

#### Due to A Related Party

SPNEC, in the normal course of business, has transactions with SPPPHI, which are recorded as advances. These advances are unsecured, non-interest bearing, due and demandable. No movement in the account from June 30, 2022 to December 31, 2022.

#### Lease Liabilities

The increase in total lease liabilities of 3.20% from ₱293.9 million as of June 30, 2022 to ₱303.1 million as of December 31, 2022 is due to the accretion of interest during the period amounting to ₱9.3 million.

#### Common Stock and Additional Paid-in Capital (APIC)

On September 15, 2022, the Company completed its SRO and issued 1,875,649,995 new common shares for a total consideration of ₱2,813.5 million or at a price of PhP1.50 per share. This resulted in an APIC of ₱2,591.4 million, net of transaction costs of ₱34.5 million.

As of December 31, 2022, 10,000.0 million common shares are issued and outstanding with an amount of ₱1,000.0 million presented as Common Stock.

#### Deficit

Deficit increased by 47.14% from ₱85.7 million as of fiscal year ended June 30, 2022, to ₱126.1 million as of December 31, 2022. This is primarily due to the net losses incurred during the period amounted to ₱40.4 million.

#### **Material Changes to the Consolidated Statements of Comprehensive Income for the Six (6) -months ended December 31, 2022 compared to the Statement of Comprehensive Income for the year ended June 30, 2022**

Horizontal and Vertical Analysis of Comprehensive Income December 31, 2022 vs June 30, 2022					
Amounts in ₱0.00	December 31, 2022	June 30, 2022	Horizontal Analysis	Vertical Analysis	
			Increase/(Decrease)		June 2022

	(six months)	(one year)	<i>Amount</i>	<i>Percentage</i>	<b>December 2022</b>	
Interest Income	2,398,960	548,180	1,850,780	337.62%	5.94%	0.90%
<b>Expenses</b>						
Management fee	12,800,000	24,000,000	(11,200,000)	-46.67%	31.68%	39.62%
Taxes and licenses	6,848,628	10,592,654	(3,744,026)	-35.35%	16.95%	17.49%
Professional fee	6,401,289	6,540,000	(138,711)	-2.12%	15.84%	10.80%
Interest accretion of lease liabilities	4,532,695	9,142,009	(4,609,314)	-50.42%	11.22%	15.09%
Amortization of right-of-use asset	2,584,193	5,420,370	(2,836,177)	-52.32%	6.39%	8.95%
Penalties and surcharges	1,819,212	48,055	1,771,157	3685.69%	4.50%	0.08%
Supplies	1,395,501	409,081	986,420	241.13%	3.45%	0.68%
Advertising	784,398	-	784,398	100.00%	1.94%	0.00%
PSE Filing Fee	-	12,465,411	(12,465,411)	-100.00%	0.00%	20.58%
Bid-related cost	-	1,634,000	(1,634,000)	-100.00%	0.00%	2.70%
Others	5,377,739	2,246,603	3,131,136	139.37%	13.31%	3.71%
<b>Total Expenses</b>	<b>42,543,655</b>	<b>72,498,183</b>	<b>(29,954,528)</b>	<b>-41.32%</b>	<b>105.28%</b>	<b>119.67%</b>
<b>LOSS BEFORE TAX</b>	<b>40,144,695</b>	<b>71,950,003</b>	<b>(31,805,308)</b>	<b>-44.20%</b>	<b>99.34%</b>	<b>118.77%</b>
Benefit from deferred tax	265,138	(11,370,555)	11,635,693	-102.33%	0.66%	-18.77%
<b>NET LOSS AFTER TAX</b>	<b>40,409,833</b>	<b>60,579,448</b>	<b>(20,169,615)</b>	<b>-33.29%</b>	<b>100.00%</b>	<b>100.00%</b>
<b>TOTAL COMPREHENSIVE LOSS</b>	<b>40,409,833</b>	<b>60,579,448</b>	<b>(20,169,615)</b>	<b>-33.29%</b>	<b>100.00%</b>	<b>100.00%</b>

#### Management Fee

On April 30, 2021, the Company entered into a Management Service Agreement with SPPPHI, its 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, 2024, in which the parties upon mutual agreement may renew or extend. The monthly fee for the said agreement is ₱2.00 million, exclusive of value-added tax. For each new year starting from the first day of May of such year, the Service Fee shall be increased by five percent (5%) of the Service Fee of the immediately preceding year. For the six-month period ended December 31, 2022 and for the year ended June 30, 2022, the management fees recorded amounted to ₱12.8 million and ₱24.0 million, respectively.

#### Interest and Amortization Expense

Interest accretion of lease liability amounting to ₱9.3 million and amortization of ROU asset amounting to ₱5.4 million are recognized for the six-month period ended December 31, 2022. Of this amount, ₱4.7 million for interest accretion and ₱2.8 million for amortization are capitalized to Construction-in-Progress.

#### Taxes and Licenses

The Subsidiary paid its incorporation fees amounting to ₱2.0 million last August 2022. During the year, the Company also paid land related expenses such as real property taxes, certified true copies of titles, documentary stamp tax and tax clearance amounting to ₱3.9 million.

#### Professional Fees

Professional fees consist of audit fees, directors' fees, legal fees and appraisal services incurred by the Group. For the six-month period ended December 31, 2022 and for the year ended June 30, 2022, the Professional fees amounted to ₱6.4 million and ₱6.5 million, respectively.

### Advertising

This account pertains to expenses related to the Company public announcements such as notice of stockholders' meeting and installation of billboards for the display of Company acquired properties. For the six-month period ended December 31, 2022 and for the year ended June 30, 2022, the advertising costs amounted to ₱0.8 million and nil, respectively.

### Others

Other expenses pertain to expenses incurred on the facilities of the project site such as utilities, repairs and maintenance, office supplies, staff house rentals and other miscellaneous expenses needed for the daily operations of the Group. For the six-month period ended December 31, 2022 and for the year ended June 30, 2022, the other expenses amounted to ₱5.4 million and ₱2.2 million, respectively.

### Benefit from Deferred Tax

The Company's benefit from deferred tax came from recognition on ROU assets and lease liabilities as at December 31, 2022.

### Net Loss

As the Company continues the construction of the project, it recognized lower net loss for the six-month ended December 31, 2022 amounting to ₱40.4 million, a decrease of 33.29% from the net loss of ₱60.6 million recognized for the year ended June 30, 2022.

### **Material Changes to the Statement of Financial Position as of June 30, 2022, compared to the Statement of Financial Position as of June 30, 2021**

Amounts in ₱0.00	June 30, 2022	June 30, 2021	Horizontal Analysis		Vertical Analysis	
			Increase/(Decrease)		June 2022	June 2021
			Amount	Percentage		
<b>Assets</b>						
Cash	886,758,302	351,251	886,407,051	252357.16%	26.05%	0.04%
Due from a related party	541,700,000	-	541,700,000	100.00%	15.91%	0.00%
Other current assets	20,789,388	776,092	20,013,296	2578.73%	0.61%	0.09%
<b>TOTAL CURRENT ASSETS</b>	<b>1,449,247,690</b>	<b>1,127,343</b>	<b>1,448,120,347</b>	128454.28%	42.58%	0.13%
Construction in progress	921,385,618	-	921,385,618	100.00%	27.07%	0.00%
Deposit for land acquisition	621,499,933	537,000,000	84,499,933	15.74%	18.26%	64.14%
Right-of-use assets	286,910,494	297,751,234	(10,840,740)	-3.64%	8.43%	35.56%
Deferred income tax asset - net	10,466,264	-	10,466,264	100.00%	0.31%	0.00%
Other noncurrent assets	114,218,371	1,370,284	112,848,087	8235.38%	3.36%	0.16%
<b>TOTAL NONCURRENT ASSETS</b>	<b>1,954,480,680</b>	<b>836,121,518</b>	<b>1,118,359,162</b>	133.76%	57.42%	99.87%
<b>TOTAL ASSETS</b>	<b>3,403,728,370</b>	<b>837,248,861</b>	<b>2,566,479,509</b>	306.54%	100.00%	100.00%
<b>Liabilities and Equity</b>						
Accounts payable and accrued expenses	13,000,260	6,728,056	6,272,204	93.22%	0.38%	0.80%
Due to a related party	22,792,348	22,792,348	-	0.00%	0.67%	2.72%
Current portion of lease liabilities	4,538,676	14,004,465	(9,465,789)	-67.59%	0.13%	1.67%

Amounts in ₱0.00	June 30, 2022	June 30, 2021	Horizontal Analysis		Vertical Analysis	
			Increase/(Decrease)		June 2022	June 2021
			Amount	Percentage		
<b>TOTAL CURRENT LIABILITIES</b>	<b>40,331,284</b>	<b>43,524,869</b>	<b>(3,193,585)</b>	-7.34%	1.18%	5.20%
Lease liabilities - Net of current portion	289,340,172	275,521,361	13,818,811	5.02%	8.50%	32.91%
Deferred tax liability	-	904,291	(904,291)	-100.00%	0.00%	0.11%
<b>TOTAL NONCURRENT LIABILITIES</b>	<b>289,340,172</b>	<b>276,425,652</b>	<b>12,914,520</b>	4.67%	8.50%	33.02%
<b>TOTAL LIABILITIES</b>	<b>329,671,456</b>	<b>319,950,521</b>	<b>9,720,935</b>	3.04%	9.69%	38.21%
Common stock	812,435,001	542,435,000	270,000,001	49.78%	23.87%	64.79%
Additional paid-in capital	2,347,338,021	-	2,347,338,021	100.00%	68.96%	0.00%
Deficit	(85,716,108)	(25,136,660)	-60,579,448	241.00%	-2.52%	-3.00%
<b>TOTAL EQUITY</b>	<b>3,074,056,914</b>	<b>517,298,340</b>	<b>2,556,758,574</b>	494.25%	90.31%	61.79%
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>3,403,728,370</b>	<b>837,248,861</b>	<b>2,566,479,509</b>	306.54%	100.00%	100.00%

### Cash

In July, August and November 2021, the Company received cash totaling to ₱18.0 million, as infusion of additional capital from SPPPHI. This is pursuant to the Memorandum of Agreement dated July 29, 2021 and November 12, 2021, where SPPPHI agreed to provide cash to SPNEC, and SPNEC agreed to record such capital infusion as additional paid-in capital. In December 2021, SPNEC completed its IPO and received proceeds totaling to ₱2,700 million. SPNEC paid various IPO-related expenses totaling ₱112.8 million.

In 2022, SPNEC made various deposits for land acquisition amounting to ₱84.5 million and incurred an amount of ₱906.8 million for the construction of the project. This resulted in a net increase of cash account by 252357.16 % from ₱0.35 million as of June 30, 2021 to ₱886.8 million as of June 30, 2022.

### Due from A Related Party

On April 6, 2022, the BOD, pursuant to its approval on December 20, 2021, approved the allocation of IPO proceeds to advance the funding for pursuing off take agreements and developing projects for Terra Renewables Holdings, Inc. (Terra) and its associated developments to SP Holdings, Inc. (SPHI), given that SPHI is a shareholder in Terra and that SPHI is planned to become a subsidiary of SPNEC after its acquisition of the Solar Philippines Assets, 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.

As of June 30, 2022, the Company advanced ₱541.7 million to SPHI and presented as Due from A Related Party in the Corporation's audited financial statements.

### ROU Assets

On January 11, 2021 a Deed of Assignment was entered into between SPPPHI, as the assignor, and SPNEC, as the assignee, whereby the assignor assigned all of its rights and obligations under the original Lease Agreement dated September 6, 2016. The total annual lease payment is ₱9.4 million, net of tax.

On May 31, 2021, SPNEC entered into a land lease agreement with various landowners with a total area of 81.75 hectares. The land was made available for use on May 1, 2021, with a one (1) year rent-free period or until April 30, 2022. The lease will expire on April 30, 2047. Further, the lease is subject to renewal of five (5) years or for a reasonable period upon mutual agreement by parties. The total annual lease payment is ₱4.5 million, net of tax.

SPNEC recognized ROU assets in this regard, which decreased by 3.64% from ₱297.8 million as of June 30, 2021 to ₱286.9 million as of June 30, 2022 due to amortization during the period amounting to ₱10.8 million.

#### Deposit for Land Acquisition

On February 20, 2021, SPNEC 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 contemplate for the project. The MOA covers certain parcels of land with a total area of 68.621 hectares. Through the MOA, PIC granted SPNEC the right to use the subject properties exclusively for the development and construction of a power generating plant. It is the intention of the parties to executive definitive agreements, e.g., DOAS, to transfer the parcels of land to SPNEC. Hence, at SPNEC's discretion, PIC undertakes to sell and transfer its rights over the parcels of land to SPNEC. Upon execution of the DOAS, the consideration for the sale and transfer of rights over the parcels of land shall be equal to the advance payments made by SPNEC in February and March 2021 totaling to ₱267.0 million, which represents the full payment.

On April 19, 2021, SPNEC 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. Through the MOA, LHHC granted SPNEC the right to use the subject properties exclusively for the development and construction of a power generating plant. It is the intention of the parties to execute definitive agreements, e.g., DOAS to transfer the parcels of land to SPNEC. Hence, at SPNEC's discretion, LHHC undertakes to sell and transfer its rights over the parcels of land to SPNEC. Upon execution of the DOAS, the consideration for the sale and transfer of rights over the parcels of land shall be equal to the advance payments made by SPNEC in April and May 2021 totaling to ₱270.0 million, which represents the full payment.

Furthermore, in 2022, SPNEC made deposits for land acquisition to various landowners amounting to ₱84.5 million. This caused the deposits for land acquisition to increase by 15.74% from ₱537.0 million as of June 30, 2021 to ₱621.5 million as of June 30, 2022.

#### Other Current Assets

Other Current Assets increased by 2578.73% from ₱0.8 million as of June 30, 2021 to ₱20.8 million as of June 30, 2022. This is primarily due to the performance bond, which is valid until May 2023, provided to Angeles Electric Corporation as required under the Renewable Power Supply Agreement and surety bond for the Green Energy Auction Program (GEAP) of the Department of Energy (DOE), where the Company was awarded as one of the winning bidders in the DOE's Green Energy Auction.

#### Construction in progress

Construction in progress increased by 100% from nil as of June 30, 2021 to ₱921.4 million as of June 30, 2022. As the construction for the project has begun last December 27, 2021, the Company incurred costs for materials needed for the project such as solar photovoltaic modules, mounting structures, and other construction materials and equipment totaling to ₱906.7 million. The Company also capitalized the interest accretion of lease liability and amortization of ROU asset during the construction period totaling to ₱14.6 million.

#### Deferred Tax Asset/Deferred Tax Liability

The Company's net deferred tax asset as at June 30, 2022 and net deferred tax liability as at June 30, 2021 came from recognition on ROU assets and lease liabilities.

#### Other Noncurrent Assets

Increase in this account by 8236.25% from ₱1.37 million as of fiscal year ended June 30, 2021 to ₱114.2 million as of June 30, 2022, is mainly attributed to the payment of taxes on importation amounted to ₱90.6 million and advances to contractors of ₱8.3 million for rental of equipment and project-related studies. The Company also



recognized deferred input VAT related to the management fee and input VAT on professional fees totaling to ₱7.0 million.

#### Accounts Payable and Accrued Expenses

Accounts Payable and Accrued Expenses increased by 93.22% from ₱6.7 million as of June 30, 2021 to ₱13.0 million as of June 30, 2022. This was primarily due to additional payable related to management fee of ₱5.82 million which was subsequently paid by the Company in July 2022.

#### Due to A Related Party

SPNEC, in the normal course of business, has transactions with its parent company, SPPPHI, which are recorded as advances. These advances are unsecured, non-interest bearing, due and demandable. No movement in the account from June 30, 2021 to June 30, 2022.

#### Lease Liabilities

In 2019, SPNEC 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 five (5) years upon mutual agreement by parties. The total annual lease payment is ₱4.3 million, net of tax. As of June 30, 2022, the total lease liability recognized for this lease contract is ₱51.6 million.

On January 11, 2021 a Deed of Assignment was entered into between SPPPHI, as the assignor, and SPNEC, as the assignee, whereby the assignor assigned all of its rights and obligations under the original Lease Agreement dated September 6, 2016, among others, to the assignee, and the assignee accepted and assumed all of the said rights and obligations thus assigned, in pursuance of the said Deed of Assignment. In March 2021, SPNEC and the lessor executed an Addendum amending Section 4.1 (Annual Rental) and Section 4.2 (Advance Rental) to the September 6, 2016 lease agreement and agreed that the lease commencement date shall be on March 31, 2021, for the parcels of land with a total area of 169.86 hectares. The total annual lease payment is ₱9.4 million, net of tax. As of June 30, 2022, the total lease liability recognized for this lease contract is ₱161.8 million.

On May 31, 2021, SPNEC entered into a land lease agreement with various landowners with a total area of 81.75 hectares. The land was made available for use on May 1, 2021, with a one (1) year rent-free period or until April 30, 2022. The lease will expire on April 30, 2047. Further, the lease is subject to renewal of five (5) years or for a reasonable period upon mutual agreement by parties. The total annual lease payment is ₱4.5 million, net of tax. As of June 30, 2022, the total lease liability recognized for this lease contract is ₱80.5 million.

The increase in total lease liabilities of 3.17% from ₱289.53 million as of June 30, 2021 to ₱293.9 million as of June 30, 2022, is due to the accretion of interest during the period amounting to ₱18.4 million, which was partially offset by the payment of annual rental amounted to ₱14.0 million. A portion of ₱14.0 million covers advance payment for the year 2023 resulting in a decrease in current portion of lease liabilities.

#### Common Stock and Additional Paid-in Capital

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

On July 29, 2021 and November 12, 2021, SPNEC entered into a Memorandum of Agreement with Parent Company, where the Parent Company obligated itself to pay SPNEC ₱16.0 million and ₱2.0 million, and SPNEC agreed to record such capital infusion as the Parent Company's additional paid-in capital.

Moreover, on December 17, 2021, SPNEC undertook a public offering of its 2.70 billion common shares with a total par value of ₱270.0 million for a total consideration of ₱2,700 million pesos. As a result of the IPO, additional paid-in capital amounting to ₱2,329.34 million, net of share issuance costs of ₱100.66 million, has been recognized in the June 30, 2022 audited financial statements.

As of June 30, 2022, 8,124.4 million common shares are issued and outstanding with an amount of ₱812.4 million presented as Common Stock.

### Deficit

Deficit increased by 241.0% from ₱25.1 million as of fiscal year ended June 30, 2021, to ₱85.7 million as of June 30, 2022. This is primarily due to the net losses incurred during the period amounted to ₱60.6 million.

### **Material Changes to the Statement of Comprehensive Income for the Fiscal Year Ended June 30, 2022 Compared to the Statement of Comprehensive Income for the Fiscal Year Ended June 30, 2021**

<b>Horizontal and Vertical Analysis of Comprehensive Income June 30, 2022 vs June 30, 2021</b>						
<b>Amounts in ₱0.00</b>	<b>June 30, 2022</b>	<b>June 30, 2021</b>	<b>Horizontal Analysis</b>		<b>Vertical Analysis</b>	
			<b>Increase/(Decrease)</b>		<b>June 2022</b>	<b>June 2021</b>
			<i>Amount</i>	<i>Percentage</i>		
<b>Interest income</b>	<b>548,180</b>	<b>6,090</b>	<b>542,090</b>	<b>8901.31%</b>	<b>0.90%</b>	<b>0.03%</b>
<b>Expenses</b>						
Management fee	24,000,000	4,000,000	20,000,000	500.00%	39.62%	16.97%
Filing fees	12,465,411	-	12,465,411	100.00%	20.58%	0.00%
Taxes and licenses	10,589,980	1,453,987	9,135,993	628.34%	17.48%	6.17%
Interest expense	9,142,009	7,648,652	1,493,357	19.52%	15.09%	32.45%
Professional fee	6,540,000	2,652,032	3,887,968	146.60%	10.80%	11.25%
Amortization	5,420,370	4,038,265	1,382,105	34.23%	8.95%	17.13%
Bid-related cost	1,634,000	1,909,091	(275,091)	-14.41%	2.70%	8.10%
Others	2,706,413	972,966	1,733,447	178.16%	4.47%	4.13%
<b>Total Expenses</b>	<b>72,498,183</b>	<b>22,674,993</b>	<b>49,823,190</b>	<b>219.73%</b>	<b>119.67%</b>	<b>96.19%</b>
<b>LOSS BEFORE TAX</b>	<b>71,950,003</b>	<b>22,668,903</b>	<b>49,281,100</b>	<b>217.40%</b>	<b>118.77%</b>	<b>96.16%</b>
Provision for (Benefit from) deferred tax	(11,370,555)	904,291	(12,274,846)	-1357.40%	-18.77%	3.84%
<b>NET LOSS AFTER TAX</b>	<b>60,579,448</b>	<b>23,573,194</b>	<b>37,006,254</b>	<b>156.98%</b>	<b>100.00%</b>	<b>100.00%</b>
<b>TOTAL COMPREHENSIVE LOSS</b>	<b>60,579,448</b>	<b>23,573,194</b>	<b>37,006,254</b>	<b>156.98%</b>	<b>100.00%</b>	<b>100.00%</b>

### Management Fee

On April 30, 2021, SPNEC entered into a Management Service Agreement with SPPPHI, for the latter to provide executive and leadership support and execute its strategic direction while managing its business operations for a renewable period starting May 1, 2021 to April 30, 2024. The monthly fee for the said agreement is ₱2.00 million, exclusive of value-added tax. For the fiscal year ended June 30, 2022 and 2021, the management fees recorded amounted to ₱24.0 million and ₱4.0 million, respectively.

### Filing Fees

This account pertains to the payment of IPO and SRO filing fees and listing maintenance fee to the PSE during the fiscal year ended June 30, 2022.

### Taxes and Licenses

With the additional leases entered in January 2021 and May 2021, SPNEC paid real property taxes and lease annotation fees amounting to ₱1.1 million and ₱1.2 million, respectively, for the fiscal year ended June 30, 2022. SPNEC also incurred construction-related permits totaling to ₱6.2 million.

### Interest and Amortization Expense

The new two (2) lease agreements of SPNEC in 2021 resulted in increased lease-related expenses including interest and amortization expenses. Interest expense amounted to ₱9.1 million and ₱7.6 million for the fiscal year ended June 30, 2022, and 2021, respectively. In addition to this, SPNEC also recognized amortization expense of ROU assets amounted to ₱5.4 million and ₱4.0 million for the fiscal year ended June 30, 2022, and 2021, respectively.

As the construction for the project has begun last December 27, 2021, SPNEC also capitalized the interest accretion of lease liability and amortization of ROU asset from January 1, 2022 to June 30, 2022 totaling to ₱14.6 million.

#### Professional Fees

Professional fees increased by 146.60% from ₱2.7 million for the fiscal year ended June 30, 2021, as compared to ₱6.5 million for the fiscal year ended June 30, 2022, due to the payment of directors' and consultancy fees totaling to ₱3.7 million.

#### Others

As the construction for the project began last December 27, 2021, general and administrative expenses such as transportation and supplies also increased for the fiscal year ended June 30, 2022. SPNEC also paid trust fees to various banks during the period amounted to ₱0.6 million.

#### Benefit from Deferred Tax

SPNEC's benefit from deferred tax came from recognition on ROU assets and lease liabilities as at June 30, 2022 and June 30, 2021.

#### Net Loss

As SPNEC entered into new lease agreements and management contract in 2021, thereby increasing its expenses, it recognized higher net loss for the fiscal year ended June 30, 2022 amounting to ₱60.6 million, an increase of 156.98% from the net loss of ₱23.6 million recognized in the fiscal year ended June 30, 2021.

### **Material Changes to the Statement of Financial Position as of June 30, 2021 compared to the Statement of Financial Position as of December 31, 2020**

Horizontal and Vertical Analysis of Financial Position 30 June 2021 vs 31 December 2020						
Amounts in ₱0.00	30 June 2021	31 December 2020	Horizontal Analysis		Vertical Analysis	
			Increase/(Decrease)		30 June 2021	31 December 2020
			Amount	Percentage		
<b>Assets</b>						
Cash	351,251	22,298,155	(21,946,904)	-98.42%	0.04%	33.54%
Other current assets	776,092	20,750	755,342	3,640.20%	0.09%	0.03%
<b>Total Current Assets</b>	<b>1,127,343</b>	<b>22,318,905</b>	<b>(21,191,562)</b>	<b>-94.95%</b>	<b>0.13%</b>	<b>33.57%</b>
Right-of-use assets	297,751,234	44,146,980	253,604,254	574.45%	35.56%	66.40%
Deposit for land acquisition	537,000,000	-	537,000,000	100.00%	64.14%	0.00%
Other noncurrent assets	1,370,284	15,885	1,354,399	8,526.28%	0.16%	0.03%
<b>Total Noncurrent Assets</b>	<b>836,121,518</b>	<b>44,162,865</b>	<b>791,958,653</b>	<b>1,793.27%</b>	<b>99.87%</b>	<b>66.43%</b>
<b>TOTAL ASSETS</b>	<b>837,248,861</b>	<b>66,481,770</b>	<b>770,767,091</b>	<b>1,159.37%</b>	<b>100.00%</b>	<b>100.00%</b>
<b>Liabilities and Equity</b>						

Accounts payable and accrued expenses	6,728,056	578,288	6,149,768	1,063.44%	0.80%	0.87%
Due to related parties	22,792,348	17,387,923	5,404,425	31.08%	2.72%	26.15%
Current portion of lease liabilities	14,004,465	4,311,742	9,692,723	224.80%	1.67%	6.49%
<b>Total Current Liabilities</b>	<b>43,524,869</b>	<b>22,277,953</b>	<b>21,246,916</b>	<b>95.37%</b>	<b>5.20%</b>	<b>33.51%</b>
Lease liabilities – Net of current portion	275,521,361	42,988,010	232,533,351	540.93%	32.91%	64.66%
Deferred income tax liability	904,291	-	904,291	100.00%	0.11%	0.00%
<b>Total Noncurrent Liabilities</b>	<b>276,425,652</b>	<b>42,988,010</b>	<b>233,437,642</b>	<b>543.03%</b>	<b>33.02%</b>	<b>64.66%</b>
<b>Total Liabilities</b>	<b>319,950,521</b>	<b>65,265,963</b>	<b>254,684,558</b>	<b>390.23%</b>	<b>38.21%</b>	<b>98.17%</b>
Common stock	542,435,000	1,000,000	541,435,000	54143.50%	64.79%	1.50%
Additional paid-in capital	-	21,250,000	(21,250,000)	-100.00%	0.00%	31.96%
Deficit	(25,136,660)	(21,034,193)	(4,102,467)	19.50%	-3.00%	-31.64%
<b>Total Equity (Capital Deficiency)</b>	<b>517,298,340</b>	<b>1,215,807</b>	<b>516,082,533</b>	<b>42447.73%</b>	<b>61.79%</b>	<b>1.83%</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>837,248,861</b>	<b>66,481,770</b>	<b>770,767,091</b>	<b>1159.37%</b>	<b>100.00%</b>	<b>100.00%</b>

### Cash

In 2021, SPNEC received a total of ₱541.44 million cash from the Parent Company as an additional subscription. Moreover, the Company paid a total consideration of ₱267 million and ₱270 million to PIC and LHHC, respectively, and presented it as Deposit for Land Acquisition. Regarding the additional lease, the Company made a two-year advanced payment of ₱18.68 million. This resulted in a decrease of cash account by 98.42% from ₱22.3 million as of year-end 2020 to ₱0.35 million as of 30 June 2021.

### Other Current Assets

Other Current Assets increased by 3,640.20% from ₱20,750 as of year-end 2020 to ₱776,092 as of 30 June 2021. This was primarily due to the cash bond deposit recorded during the period in connection with the conversion of land titles under the Las Piñas Agro Industrial Corporation lease agreement.

### ROU Assets

On 11 January 2021 a Deed of Assignment was entered into between SPPPHI, as the assignor, and SPNEC, as the assignee, whereby the assignor assigned all its rights and obligations under the 6 September 2016 Lease Agreement. The total annual lease payment is ₱9.4 million, net of tax.

On 31 May 2021, the Company entered into a land lease agreement with various landowners with a total area of 81.75 hectares. The land was made available for use on 1 May 2021, with a one-year rent-free period or until 30 April 2022. The lease will expire on 30 April 2047. Further, the lease is subject to renewal of five years or for a reasonable period upon mutual agreement by parties. The total annual lease payment is ₱4.5 million, net of tax.

The Company recognizes ROU assets in this regard, which increased by 574.45% in 2021, from ₱44.15 million as of year-end 2020 to ₱297.75 million as of 30 June 2021.

### Deposit for Land Acquisition

On 20 February 2021, the Company entered into a MOA with an affiliate, PIC, which MOA was later amended on 3 March 2021, to secure land for future expansion in excess of the capacity contemplate for the project. The

MOA covers certain parcels of land with a total area of 68.621 hectares. Through the MOA, PIC granted the Company the right to use the subject properties exclusively for the development and construction of a power generating plant. It is the intention of the parties to execute definitive agreements, e.g., DOAS, to transfer the parcels of land to the Company. Hence, at the Company's discretion, PIC undertakes to sell and transfer its rights over the parcels of land to the Company. Upon execution of the DOAS, the consideration for the sale and transfer of rights over the parcels of land shall be equal to the advance payments made by the Company in February and March 2021 totaling to ₱267 million, which represents the full payment.

On 19 April 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. Through the MOA, LHHC granted the Company the right to use the subject properties exclusively for the development and construction of a power generating plant. It is the intention of the parties to execute definitive agreements, e.g. DOAS to transfer the parcels of land to the Company. Hence, at the Company's discretion, LHHC undertakes to sell and transfer its rights over the parcels of land to the Company. Upon execution of the DOAS, the consideration for the sale and transfer of rights over the parcels of land shall be equal to the advance payments made by the Company in April and May 2021 totaling to ₱270 million, which represents the full payment.

These advance payments for a total consideration of ₱537 million are presented as "Deposits for land acquisition" in the 30 June 2021 financial statements.

#### Other Noncurrent Assets

Increase in other noncurrent assets by 8,526.28% from ₱0.02 million as of year-end 2020 to ₱1.37 million as of 30 June 2021, is mainly attributed to the payment made by the Company on 6 May 2021, amounting to ₱0.82 million. The payment is for the gratuity fee on the new lease agreement entered into in May 2021. Accounts

#### Payable and Accrued Expenses

In relation to the management contract entered in 2021, SPNEC recorded a payable to the Parent Company as of 30 June 2021, amounting to ₱3.88 million, net of applicable withholding tax. The Company also accrued documentary stamp tax related to the lease agreements with an amount of ₱1.21 million. These transactions contributed to the increase of this account by 1,063.44% from ₱0.58 million as of year-end 2020 to ₱6.73 million as of 30 June 2021.

#### Due to Related Parties

The Company, in the normal course of business, has transactions with its parent company, SPPPHI. This account increased by 31.08% in 2021 from ₱17.39 million as of year-end 2020 to ₱22.79 million as of 30 June 2021. The proceeds of the advances were used for payment of the Company's pre-operating expenses such as lease payments, taxes and licenses, research and development cost, audit fees, and other project-related costs. These advances are unsecured, non-interest bearing, due and demandable.

#### Lease Liabilities

In 2019, the Company entered into a land lease agreement dated 1 February 2019 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 1 January 2019 with a one-year rent-free period plus 25-year term. Further, the lease is subject for renewal of five years upon mutual agreement by parties. The total annual lease payment is ₱4.3 million, net of tax. As of 30 June 2021, the total lease liability recognized for the 1 February 2019 land lease agreement is ₱47.68 million.

On 11 January 2021 a Deed of Assignment was entered into between SPPPHI, as the assignor, and SPNEC, as the assignee, whereby the assignor assigned all of its rights and obligations under the 6 September 2016 Lease Agreement to SPNEC. In April 2021, the Company and the lessor executed an Addendum amending

Section 4.1 (Annual Rental) and Section 4.2 (Advance Rental) of the 6 September 2016 lease agreement and agreed that the lease commencement date shall be on 31 March 2021 for the parcels of land with a total area of 169.86 hectares. The total annual lease payment is ₱9.4 million, net of tax.

On 31 May 2021, the Company entered into a land lease agreement with various landowners with a total area of 81.75 hectares. The land was made available for use on 1 May 2021, with a one-year rent-free period or until 30 April 2022. The lease will expire on 30 April 2047. Further, the lease is subject to renewal of five years or for a reasonable period upon mutual agreement by parties. The total annual lease payment is ₱4.5 million, net of tax.

With the recognition of these additional leases during 2021, the lease liability has increased by 512.11% from ₱47.30 million to ₱289.53 million.

#### Deferred Tax Liability

With the recognition of the additional leases during 2021, the Company also recognized deferred tax liability of ₱0.9 million as of 30 June 2021, arising from the differences on between accounting and tax treatment of assets and liabilities that resulted in future taxable differences.

#### Capital Stock and Additional Paid-in Capital

On 14 December 2020, the Board of Directors approved the decrease in the par value from One Peso (₱1.00) per share to Ten Centavos (₱0.10) per share without decrease in ACS and without returning any portion of the subscribed capital to the Company's stockholders, thereby making the ACS to One Million Pesos (₱1,000,000.00) divided into Ten Million (10,000,000) shares.

On 14 December 2020, the Board of Directors also approved the increase in its ACS from One Million Pesos (₱1,000,000.00) divided into One Million (1,000,000) common shares to One Billion Pesos (₱1,000,000,000.00) divided into Ten Billion (10,000,000,000) common shares.

In February and March 2021, the Company received from its parent, SPPPHI, a total subscription of ₱268.44 million or 2,684.4 million shares with ₱0.10 par value.

On 3 March 2021, the Board of Directors approved to apply the APIC of ₱21.25 million against the deficit as of 31 December 2020 amounting to ₱21.03 million.

On 18 March 2021, the Company has filed with the SEC the following:

- Decrease in par value of common stock from ₱1.00 per share to ₱0.10 per share;
- Increase authorized common stock from ₱1.0 million to ₱1,000 million; and
- Application of APIC to deficit amounting to ₱21.03 million.

On 11 May 2021, SEC approved the Company's application to fully wipe-out the deficit as of 31 December 2020, in the amount of ₱21.03 million against the APIC of ₱21.25 million. Subsequently, on 25 May 2021, the Company received SEC approval to decrease the par value from ₱1.00 per share to ₱0.10 per share and increase its authorized common stock from ₱1 million to ₱1,000 million.

In April and May 2021, the Company received additional subscription from SPPPHI totaling to ₱273 million for 2,730 million shares at par value of ₱0.10 per share.

As of 30 June 2021, 5,424.4 million common shares are issued and outstanding with an amount of ₱542.44 million presented as Capital Stock. Total stock issuance cost incurred amounted to ₱7.4 million of which ₱0.22 million was applied against APIC while the remaining ₱7.22 million was charged against deficit.

#### Deficit

In 2021, deficit deteriorated by 19.50% from ₱21.03 million as of year-end 2020 to ₱25.14 million as of 30 June 2021. This is primarily due to the net losses incurred during the period and stock issuance costs directly charged against deficit amounting to ₱17.91 million and ₱7.22 million, respectively

On 3 March 2021, the Board approved to apply the APIC of ₱21.25 million to deficit as of 31 December 2020, amounting to ₱21.03 million and was approved by SEC on 11 May 2021.

**Material Changes to the Statement of Comprehensive Income for the Fiscal Year Ended June 30, 2021 Compared to the Statement of Comprehensive Income for the Fiscal Year Ended June 30, 2020**

<b>Horizontal and Vertical Analysis of Comprehensive Income June 30, 2021 vs June 30, 2020</b>						
<b>Amounts in ₱0.00</b>	<b>June 30, 2021</b>	<b>June 30, 2020</b>	<b>Horizontal Analysis</b>		<b>Vertical Analysis</b>	
			<b>Increase/(Decrease)</b>		<b>June 2021</b>	<b>June 2020</b>
			<i>Amount</i>	<i>Percentage</i>		
<b>Interest income</b>	<b>6,090</b>	<b>698</b>	<b>5,392</b>	<b>772.49%</b>	<b>0.01%</b>	<b>0.00%</b>
<b>Expenses</b>						
Interest expense	7,648,652	2,023,771	5,624,881	277.94%	12.63%	8.59%
Amortization	4,038,265	2,717,551	1,320,714	48.60%	6.67%	11.53%
Management fee	4,000,000	-	4,000,000	100.00%	6.60%	0.00%
Professional fee	2,652,032	2,611,471	40,561	1.55%	4.38%	11.08%
Bid-related cost	1,909,091	-	1,909,091	100.00%	3.15%	0.00%
Taxes and licenses	1,453,987	87,530	1,366,457	1561.13%	2.40%	0.37%
Others	972,966	1,096,265	(123,299)	-11.25%	1.61%	4.65%
			<i>Amount</i>	<i>Percentage</i>		
<b>Total Expenses</b>	<b>22,674,993</b>	<b>8,536,588</b>	<b>14,138,405</b>	<b>165.62%</b>	<b>37.43%</b>	<b>36.21%</b>
<b>LOSS BEFORE TAX</b>	<b>22,668,903</b>	<b>8,535,890</b>	<b>14,133,013</b>	<b>165.57%</b>	<b>37.42%</b>	<b>36.21%</b>
Provision for (Benefit from) deferred tax	904,291	-	904,291	100.00%	1.49%	0.00%
<b>NET LOSS AFTER TAX</b>	<b>23,573,194</b>	<b>8,535,890</b>	<b>15,037,304</b>	<b>176.17%</b>	<b>38.91%</b>	<b>36.21%</b>
<b>TOTAL COMPREHENSIVE LOSS</b>	<b>23,573,194</b>	<b>8,535,890</b>	<b>15,037,304</b>	<b>176.17%</b>	<b>38.91%</b>	<b>36.21%</b>

Interest and Amortization Expense

In January and May 2021, SPNEC entered into two land lease agreements with various landowners, which increased lease-related expenses including interest and amortization expenses. Interest expense amounted to ₱7.6 million and ₱2.0 million for the fiscal year ended June 30, 2021, and 2020, respectively. In addition to this, SPNEC also recognized amortization expense of ROU assets amounted to ₱4.0 million and ₱2.7 million for the fiscal year ended June 30, 2021, and 2020, respectively.

Management Fee

On April 30, 2021, SPNEC entered into a Management Service Agreement with SPPPHI, for the latter to provide executive and leadership support and execute its strategic direction while managing its business operations for an extendible period from May 1, 2021 to April 30, 2024. The monthly fee for the said agreement is ₱2.00 million, exclusive of value-added tax. For the fiscal year ended June 30, 2021 and 2020, the management fees recorded amounted to ₱4.0 million and nil, respectively.

Taxes and Licenses

With the additional leases entered in January 2021 and May 2021, SPNEC recognized documentary stamp taxes amounting to ₱1.2 million.

Others

Other expenses decreased by 11.25% from ₱1.1 million for the fiscal year ended June 30, 2020, as compared to ₱0.9 million for the fiscal year ended June 30, 2021, due to the pandemic which resulted in a decrease in amount of general and administrative expenses such as transportation and per diem.

#### Provision for Deferred Income Tax

SPNEC's provision for deferred income tax came from recognition on ROU assets and lease liabilities as at June 30, 2021.

#### Net Loss

As SPNEC entered into new lease agreements and management contract in 2021, SPNEC recognized higher net loss for the fiscal year ended June 30, 2021 amounting to ₱23.6 million, an increase of 176.17% from the net loss of ₱8.5 million recognized in the fiscal year ended June 30, 2020.

#### **Material Changes to the Statement of Financial Position as of December 31, 2020 compared to the Statement of Financial Position as of December 31, 2019**

Horizontal and Vertical Analysis of Financial Position 31 December 2020 and 31 December 2019						
Amounts in ₱0.00	31 December 2020	31 December 2019	Horizontal Analysis		Vertical Analysis	
			Increase/(Decrease)		31 December 2020	31 December 2019
			Amount	Percentage		
<b>Assets</b>						
Cash	22,298,155	713,743	21,584,412	3,024.12%	33.54%	1.53%
Other current assets	25,370	20,750	4,620	22.27%	0.04%	0.04%
<b>Total Current Assets</b>	<b>22,323,525</b>	<b>734,493</b>	<b>21,589,032</b>	<b>2,939.31%</b>	<b>33.58%</b>	<b>1.57%</b>
Right-of-use assets	44,146,980	45,986,437	(1,839,457)	(4.00%)	66.40%	98.40%
Other noncurrent assets	11,265	11,265	-	0.00%	0.02%	0.02%
<b>Total Noncurrent Assets</b>	<b>44,158,245</b>	<b>45,997,702</b>	<b>(1,839,457)</b>	<b>-4.00%</b>	<b>66.42%</b>	<b>98.43%</b>
<b>TOTAL ASSETS</b>	<b>66,481,770</b>	<b>46,732,195</b>	<b>19,749,575</b>	<b>42.26%</b>	<b>100.00%</b>	<b>100.00%</b>
<b>Liabilities and Equity</b>						
Accounts payable and accrued expenses	578,288	583,084	(4,796)	(0.82%)	0.87%	1.25%
Due to related parties	17,387,923	10,668,623	6,719,300	62.98%	26.15%	22.83%
Current portion of lease liabilities	4,311,742	4,311,742	-	0.00%	6.49%	9.23%
<b>Total Current Liabilities</b>	<b>22,277,953</b>	<b>15,563,449</b>	<b>6,714,504</b>	<b>43.14%</b>	<b>33.51%</b>	<b>33.30%</b>
Lease liabilities - Net of current portion	42,988,010	43,252,212	(264,202)	-0.61%	64.66%	92.55%
<b>Total Noncurrent Liabilities</b>	<b>42,988,010</b>	<b>43,252,212</b>	<b>(264,202)</b>	<b>-0.61%</b>	<b>64.66%</b>	<b>92.55%</b>
<b>Total Liabilities</b>	<b>65,265,963</b>	<b>58,815,661</b>	<b>6,450,302</b>	<b>10.97%</b>	<b>98.17%</b>	<b>125.86%</b>
Capital stock	1,000,000	62,500	937,500	1,500.00%	1.50%	0.13%
Additional paid-in capital	21,250,000	-	21,250,000	100.00%	31.96%	0.00%
Deficit	(21,034,193)	(12,145,966)	(8,888,227)	73.18%	-31.64%	-25.99%
<b>Total Equity (Capital Deficiency)</b>	<b>1,215,807</b>	<b>(12,083,466)</b>	<b>13,299,273</b>	<b>-110.06%</b>	<b>1.83%</b>	<b>-25.86%</b>



Horizontal and Vertical Analysis of Financial Position 31 December 2020 and 31 December 2019						
Amounts in ₱0.00	31 December 2020	31 December 2019	Horizontal Analysis		Vertical Analysis	
			Increase/(Decrease)		31 December 2020	31 December 2019
			Amount	Percentage		
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>66,481,770</b>	<b>46,732,195</b>	<b>19,749,575</b>	42.26%	100.00%	100.00%

#### Cash

Cash increased by 3,024.12% during the year from ₱713,743 as of year-end 2019 to ₱22,298,155 as of year-end 2020. This is mainly due to the cash subscription received by the Company from SPPPHI on 14 December 2020 for the issuance of 750,000 common shares.

#### Other Current Assets

Other Current Assets increased by 22.27% during the year from ₱20,750 as of year-end 2019 to ₱25,370 as of year-end 2020. This is primarily due to the deferred input VAT booked during the year amounting to ₱4,620 relating to audit fees.

#### ROU Assets

In 2019, SPNEC entered into a land lease agreement dated 1 February 2019 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 1 January 2019 with a one-year rent-free period plus 25 years term. Further, the lease is subject to renewal of five years upon mutual agreement by parties. The total annual lease payment is ₱4.3 million, net of tax. The Company recognizes ROU assets in this regard, which declined by 4% in 2020 due to the amortization made in the asset for the year, from ₱45.99 million as of year-end 2019 to ₱44.15 million as of year-end 2020.

#### Due to Related Parties

SPNEC, in the normal course of business, has transactions with its parent company, SPPPHI. This account increased by 62.98% in 2020 from ₱10.67 million as of year-end 2019 to ₱17.39 million as of year-end 2020. The proceeds of the advances were used for payment of SPNEC's leases, permits and licenses, and audit fees. These advances are unsecured, non-interest bearing, due and demandable.

#### Lease Liabilities

This was related to the adoption of PFRS 16 for the Company's land lease agreement with various landowners to develop solar farm projects in Peñaranda, Nueva Ecija for a total area of 95.8 hectares. The account decreased by 0.56%, which was caused by the lease payments during the year which amounted to ₱4.3 million and was partially offset by the accretion of interest on lease liabilities which amounted to ₱4 million.

#### Capital Stock

Capital stock increased by 300.00% from ₱250,000 as of year-end 31 December 2019 to ₱1 million as of 31 December 2020. This represents the payment of subscription receivable amounting to ₱187,500 during the year ending 2020 as well as the issuance of 750,000 shares during the period.

#### Additional Paid-in Capital (APIC)

On 14 December 2020, the BOD approved the issuance of 750,000 shares for a total amount of ₱22 million for an issue price of ₱29.33 per share to the Parent Company. The amount in excess of the par value totaling to ₱21.25 million is presented under this account.

#### Subscription Receivable

In December 2020, the Company collected the outstanding subscription receivable amounting to ₱187,500 from the Parent Company. As of 31 December 2020, this account is zero.

### Deficit

As of 31 December 2020, deficit increased by 73.1% from ₱12.15 million as of year-end 2019 to ₱21.03 million as of year-end 2020. This is primarily due to the net losses incurred during the period amounting to ₱8.89 million.

### **Material Changes to the Statement of Comprehensive Income for the year ended December 31, 2020 compared to the Statement of Comprehensive Income for the year ended December 31, 2019**

<b>Horizontal and Vertical Analysis of Comprehensive Income 31 December 2020 vs. 31 December 2019</b>						
<b>Amounts in ₱0.00</b>	<b>31 December 2020</b>	<b>31 December 2019</b>	<b>Horizontal Analysis</b>		<b>Vertical Analysis</b>	
			<b>Increase/(Decrease)</b>		<b>31 December 2020</b>	<b>31 December 2019</b>
			<i>Amount</i>	<i>Percentage</i>		
Interest Income	286	895	(609)	-68.04%	0.00%	0.01%
<b>Expenses</b>						
Interest accretion of lease liabilities	4,047,540	4,049,803	(2,263)	-0.06%	45.54%	38.93%
Bid Related Cost	1,909,091	-	1,909,091	100.00%	21.48%	0.00%
Amortization of ROU assets	1,839,457	1,839,457	-	0.00%	20.70%	17.68%
Professional fee	913,889	2,429,971	(1,516,082)	-62.39%	10.28%	23.36%
Provision for impairment loss	109,091	14,243	94,848	665.93%	1.23%	0.14%
Taxes and licenses	8,615	28,634	(20,019)	-69.91%	0.10%	0.28%
Transportation and travel	150	796,506	(796,356)	-99.98%	0.00%	7.66%
Meals and per diem	-	450,267	(450,267)	-100.00%	0.00%	4.33%
Rent expense	-	628,628	(628,628)	-100.00%	0.00%	6.04%
Representation	-	35,453	(35,453)	-100.00%	0.00%	0.34%
Others	60,680	130,998	(70,318)	-53.68%	0.68%	1.28%
<b>Total Expenses</b>	<b>8,888,513</b>	<b>10,403,960</b>	<b>(1,515,447)</b>	<b>-14.57%</b>	<b>100.00%</b>	<b>100.01%</b>
LOSS BEFORE INCOME TAX	<b>8,888,227</b>	<b>10,403,065</b>	<b>(1,514,838)</b>	<b>-14.56%</b>	<b>100.00%</b>	<b>100.00%</b>
Deferred income tax	-	-	-	0.00%	0.00%	0.00%
<b>NET LOSS</b>	<b>8,888,227</b>	<b>10,403,065</b>	<b>(1,514,838)</b>	<b>-14.56%</b>	<b>100.00%</b>	<b>100.00%</b>
<b>TOTAL COMPREHENSIVE LOSS</b>	<b>8,888,227</b>	<b>10,403,065</b>	<b>(1,514,838)</b>	<b>-14.56%</b>	<b>100.00%</b>	<b>100.00%</b>

### Interest Income

As the Company was still in the pre-operational stage in 2019 and 2020, the Company's cash was deposited in banks from which it earns interest. As cash balances were mostly lower in 2020 than in 2019, except for when it received the subscription subject of the increase in ACS on 14 December 2020, interest income declined by 68.04% during the year.

### Expenses

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 1 January 2019 with one-year rent-free period plus 25 years term. Further, the lease may be renewed for five years upon written agreement. The total annual lease payment is ₱4.3 million, net of tax. In this regard, the Company recognized ROU assets and in effect, recognizes non- cash expenses relating to these ROU assets. Interest expense and amortization amounted to ₱4.05 million and ₱1.84 million in both full years 2019 and 2020, respectively.

During 2019, the Company incurred a one-time cost of ₱2.4 million recorded as professional fee for the system impact study on the proposed solar power plant in Peñaranda, Nueva Ecija. In 2020, the Company paid

Engineering and Environmental Services an amount of ₱0.9 million for the Environmental Compliance Certificate. This resulted in a decrease of the professional fee account by 62.39%.

#### Net Loss

As the Company has not yet started commercial operations in 2020, the Company booked net losses amounting to ₱8.89 million, an improvement of 14.56% against the ₱10.4 million booked in 2019.

#### **Key Performance Indicators**

As of the date of this Annual Report, the Company has yet to start commercial operations. As such, its key performance indicators are limited to the following:

Financial Ratios	December 2022	June 2022	December 2021	June 2021	December 2020	December 2019
Current Ratio (x)	16.51	35.93	21.89	0.0259	1.00	0.0472
Debt to Equity Ratio (x)	0.06	0.11	0.13	0.62	53.68	N/A

Notes:

1) Current ratio is obtained by dividing the current assets of the Company by its current liabilities. This ratio is used as a test of the Company's liquidity.

2) The debt-to-equity ratio is used to evaluate the Company's financial leverage and is calculated by dividing the Company's total liabilities by its shareholder's equity. It is a measure of the degree to which a corporation is financing its operations through debt versus wholly owned funds.

#### **Item 7. Financial Statements**

Attached as **Annexes "A" and "B"** are the Audited Consolidated Financial Statements as of December 31, 2022 and June 30, 2022 and for the Period from July 1, 2022 to December 31, 2022 and for the Years Ended June 30, 2022 and 2021, which include notes on the financial statements.

#### **Item 8. Changes In and Disagreements with Accountants on Accounting and Financial Disclosures**

SGV, a member firm of Ernst & Young Global Limited, has acted as the Company's external auditor since its incorporation. The Audited Financial Statements of the Company as of 31 December 2019, and 2020, and 30 June 2021, and 30 June 2022, and 31 December 2022, and for the years ended 31 December 2019, and 2020, and for the six-month periods ended 30 June 2020, and 2021, and for the years ended 30 June 2022 and 2021 and for the six-month period ended December 31, 2022, were audited by SGV, as set forth in their report appearing herein.

The Group has not had any material disagreements on accounting matters or financial disclosure matters with SGV.

There are no plans to replace SGV as external auditor for the succeeding years.

### **PART III - CONTROL AND COMPENSATION INFORMATION**

#### **Item 9. Directors and Executive Officers of the Issuer**

As of 31 December 2022, the following were the seven (7) individuals who constituted the BOD. Below are their respective detailed professional backgrounds and histories for at least the last five (5) years:

Name	Position	Nationality	Age	Term of Office	Period Served
Leandro Antonio L. Leviste	Chairman	Filipino	29	< 7 years	2016 to present
J. Carlitos G. Cruz	Vice Chairman and Lead	Filipino	62	< 2 years	2021 to present

Name	Position	Nationality	Age	Term of Office	Period Served
	Independent Director				
Hazel Iris P. Lafuente	Director	Filipino	35	< 7 years	2016 to present
Atty. Jesusa Loreto A. Arellano <sup>7</sup>	Director	Filipino	43	< 1 year	2022 to present
Aresty M. Lapitan	Director	Filipino	37	< 2 years	2021 to present
Benjamin I. Espiritu	Independent Director	Filipino	69	< 2 years	2021 to present
Carlos Jose P. Gatmaitan	Independent Director	Filipino	56	< 2 years	2021 to present

### **Leandro Antonio L. Leviste, 29, Filipino, Chairman, President, and Chief Executive Officer**

Mr. Leviste founded the Solar Philippines Group<sup>8</sup> in 2013. He has received numerous awards, including being ranked at the top of Forbes Magazine's inaugural "30 Under 30" List for Asia in 2016. His first mall rooftop solar project was awarded the "2016 Sustainable Energy Finance Award" by The International Finance Corporation of the World Bank. His pioneering innovations won for the Group the Asian Power Awards for Independent Power Producer of the Year, Dual Fuel Power Plant of the Year, and Solar Power Project of the Year. He is the youngest ever member of two of the nation's associations of business leaders: Management Association of the Philippines and Makati Business Club. He is currently serving as Chairman, President, and Chief Executive Officer of various entities within the Solar Philippines Group.

### **J. Carlitos G. Cruz, 62, Filipino, Vice Chairman and Lead Independent Director**

Mr. Itos Cruz is the former Chairman and Managing Partner of SGV. In his former capacity, he oversaw the firm, ascertaining that its objectives, purpose, and policies are met and are in line with SGV's growth strategy. Prior to this role, he was the Vice Chairman, Deputy Managing Partner, and Head of Assurance of SGV. He joined SGV in 1981 and was admitted to the partnership in 1995. He led the audit of multinational and Philippine companies across various industries including power generation, energy, and manufacturing. Mr. Itos Cruz completed the Advanced Management Program of Harvard Business School in 2007 and the Advanced International Program in Oil and Gas Management at the University of Texas in 1994. He graduated from the University of Santo Tomas with a Bachelor of Science in Commerce degree, major in Accounting in 1981, and passed the licensure examination for Certified Public Accountants in 1982. Mr. Itos Cruz is currently serving as Independent Director and Chairman of the Risk Oversight Committee and a Member of the Audit and Corporate Governance Committees of SM Prime Holdings, Inc., Independent Director and Chairman of the Audit Committee of Federal Land, Inc., Independent Director and Co-Chairman of the Risk and Compliance Committee of the Transnational Diversified Group, Inc., Independent Director and Chairman of the Audit and Risk Management Committee of MarCoPay Inc., Independent Director, Chairman of the Risk Management Committee, and a Member of the Audit and Corporate Governance Committees of Vivant Corporation, and the Vice Chairman and Lead Independent Director, Chairman of the Audit and Risk Management Committee, and a Member of the Corporate Governance and Related Party Transactions Committees of the Company. He is currently a member of the Board of Trustees of the Makati Business Club. He is also a member of the Management Association of the Philippines and Philippine Institute of Certified Public Accountants.

### **Hazel Iris P. Lafuente, 35, Filipino, Director, Assistant Corporate Secretary, Assistant Treasurer, Chief Project Officer, Chief Information Officer, and Head of Community Development<sup>9</sup>**

<sup>7</sup> On 31 January 2023, the resignation of Atty. Arellano as Director of the Company became effective. Mr. Crotty was elected as replacement director, to serve the unexpired term of Atty. Arellano unless earlier replaced. Atty. Arellano likewise resigned as Treasurer and Chief Financial Officer of the Company. Mr. Lapitan succeeded her as Treasurer for the remainder of her term.

<sup>8</sup> In this report, "Solar Philippines Group" means the entirety of SPPPHI and its affiliates. "Affiliate" shall mean an entity controlled by, controlling, or in common control with, SPPPHI. "Control" and the correlative terms "controlled by" and "controlling" shall mean the power to direct the business or affairs of an entity through ownership of more than 50% of the voting capital stock of the said entity, through contract or otherwise.

<sup>9</sup> On 31 January 2023, the designation of Ms. Hazel Iris P. Lafuente as Chief Project Officer was changed to Chief Operating Officer to better capture the functions that she performs in the Company. Upon conferment to Ms. Lafuente of the designation Chief Operating Officer, her designation as Head of Community Development was dropped as it was deemed subsumed under her new title.

Ms. Lafuente heads the land acquisition and permitting teams of Solar Philippines and its affiliates and manages the Company's overall project execution. She has been with the Solar Philippines Group since 2016. With a background in both the private and public sectors, Ms. Lafuente brings 14 years of experience in project management, raw land acquisition, community and stakeholder management, and regulatory compliance and permitting. Prior to joining Solar Philippines, she worked at the Philippine Senate as a member of the Legislative Staff. Ms. Lafuente graduated from the University of the Philippines with a degree in Social Sciences (Area Studies) *cum laude* and has taken units in Master of Public Management from the same university. She is also a Certified Project Manager and a lifetime member of the Pi Gamma Mu International Honor Society in Social Sciences.

**Atty. Jesusa Loreto A. Arellano, 43, Filipino, Director, Treasurer, and Chief Financial Officer**

Atty. Arellano is a Certified Public Accountant and a lawyer with extensive experience managing cross-functional finance, legal, human resources, and operational teams in various industries. Before joining Solar Philippines as its Group Chief Financial Officer in April 2022, she was with SM Investments Corporation as Vice President for Investments Portfolio and Chief Financial Officer and Treasurer of Sagittarius Mines, Inc. since 2015. Prior to these, she was the Chief Financial Officer and Treasurer of Alphaland Corporation and Atok-Big Wedge Co., Inc. Atty. Arellano graduated from the University of the Philippines College of Law with a Juris Doctor degree (*cum laude*, Class Salutatorian) and a Bachelor of Science degree in Business Administration and Accountancy (*cum laude*). She holds a Master of Laws degree from Harvard Law School. She is admitted to practice law in the Philippines and New York. She is also a member of the faculties of the College of Law of the University of the Philippines and the Pamantasan ng Lungsod ng Maynila.

**Aresty M. Lapitan, 37, Filipino, Director and Head of Controllershship**

Mr. Lapitan is a highly accomplished executive in accounting, financial management, and operations management. He is a Certified Public Accountant and a Certified Forensic Accountant with a proven track record of streamlining business operations for growth and profitability in the Philippines and China. He took on leading roles in finance and accounting at subsidiaries of New York-based Fownes Brothers Group of Companies from 2007 to 2019 before joining the Solar Philippines Group in July 2019. He holds a Bachelor's Degree in Accountancy and graduated *cum laude* from the Polytechnic University of the Philippines and a Master of Business Administration from the Ateneo Graduate School of Business. He is a member of the Philippine Institute of Certified Public Accountants.

**Benjamin I. Espiritu, 69, Filipino, Independent Director**

Dr. Espiritu is a Certified Public Accountant, entrepreneur, corporate director, educator, military officer, and public servant. He is currently the President of Risks Opportunities Assessment and Management, (ROAM) Inc., Chairman of Banco de Mindoro, Inc., Chairman and President of EC Ventures Corporation, and several other private firms. He is an Independent Director of two publicly listed corporations, Central Azucarera de Tarlac, Inc. and Dizon Copper Silver Mines, Inc., and of an insurance corporation, Intrastrata Assurance Corporation. He is also the President of the Mindoro Chamber of Commerce and Industry, Inc. and Chairman of the Board of Advisers of the Philippine Marine Corps.

He was Governor of Oriental Mindoro, a Brigadier General (Res) of the Armed Forces of the Philippines and former Commander of the 7<sup>th</sup> Marine Brigade, Chairman of the Board of Regents of the Pamantasan ng Lungsod ng Maynila (University of the City of Manila), Chairman of the Board of Trustees of the Ospital ng Maynila (Hospital of Manila) Medical Center, and President of Don Bosco Technical College – Mandaluyong.

He earned his degree in Doctor of Philosophy, major in Public Administration, from the University of Santo Tomas, Master in National Security Administration from the National Defense College of the Philippines, Master of Business Administration from the De La Salle University, Bachelor of Science in Commerce, major in Accounting, from the De La Salle University, and completed the Naval Command and General Staff Course at the Naval Command and Staff College.

### **Carlos Jose P. Gatmaitan, 56, Filipino, Independent Director**

Dr. Gatmaitan is the Chief Executive Officer of the Institute of Corporate Directors where he has been a Fellow since 2015. He was President and Chief Executive Officer of PNOG Renewables Corporation, a government-owned and controlled corporation, during the administration of President Benigno Aquino, Jr. Dr. Gatmaitan was also a Director for the National Renewable Energy Board. He previously served as Director for Colorplus Production Group, Inc., Printing Industries Association of the Philippines, Dasmariñas Village Association, Inc., and Pacific Plaza Corporation, Inc. He is currently the Chairman of Global Power Solutions Asia, Inc. and is also a Member of the Audit Committee of Life Savings Bank. He is an alumnus of Pepperdine University in California, USA (Bachelor of Science in Business Administration and Master of Business Administration). Dr. Gatmaitan also holds a Doctorate in Organizational Development from the University of Perpetual Help System Dalta. In addition, he teaches Strategy Management at the Ateneo Graduate School of Business.

### **Atty. Gabriel A. Dee, 58, Filipino, Corporate Secretary**

Atty. Dee is the Managing Partner at Picazo Buyco Tan Fider & Santos (“**Picazo Law**”), a full-service law firm recognized internationally in the field of capital markets, banking and finance, and M&A practices. He holds a Bachelor of Laws degree from the University of the Philippines College of Law and Master of Laws degree from the University of California Berkeley School of Law. He was admitted to the Philippine Bar in 1989.

Atty. Dee is also a director and/or is corporate secretary in various publicly listed companies, including Macay Holdings, Inc., MJC Investments Corp., and Alliance Select Foods International, Inc. where he is the Vice Chairman.

A Senior Lecturer at the College of Law of the University of the Philippines, Atty. Dee is a member of the Financial Executives Institute of the Philippines and is also a sought-after resource person for various seminars on IPOs, listings, and estate planning.

In addition, the Company appointed Senior Advisors on 4 July 2022. They are not considered officers of the Company. The appointed Senior Advisors have for years been guiding the leadership of the Solar Philippines Group with the benefit of their perspective and expertise. They advise the Company’s leadership in the execution of its strategic initiatives. The following are the Senior Advisors of the Company:

As of 31 December 2022, the following served as corporate officers of the Company:

<b>Name</b>	<b>Position</b>	<b>Age</b>	<b>Citizenship</b>	<b>Business Experience</b>
Leandro Antonio L. Leviste	Chairman, President, and Chief Executive Officer	29	Filipino	Same as above
J. Carlitos G. Cruz	Vice Chairman and Lead Independent Director	62	Filipino	Same as above
Atty. Gabriel A. Dee	Corporate Secretary	58	Filipino	Please see below
Atty. Jesusa Loreto A. Arellano	Treasurer and Chief Financial Officer	43	Filipino	Same as above
Hazel Iris P. Lafuente	Assistant Corporate Secretary, Assistant Treasurer, Chief Project Officer, Chief Information Officer, and Head of Community Development	35	Filipino	Same as above
Aresty M. Lapitan	Head of Controllership	37	Filipino	Same as above

### **Martin Charles Crotty**

Mr. Crotty, who also serves as Senior Advisor to the Company, is an American with family ties in the Philippines and served as President of AES Asia where he managed power plants in Vietnam, India, Sri Lanka, and the Philippines, including the Masinloc Coal Plant, which was acquired by San Miguel with an enterprise value of USD2.4 billion in 2018. Previously, Mr. Crotty was Chief Executive Officer of Upwind Solutions, a wind asset management corporation backed by Silicon Valley investor Kleiner Perkins Caulfield & Byers. Since then, he has managed the operations of over 10 GW of solar and wind plants in North America at EDF Renewables.

### **Danny Kennedy**

Mr. Kennedy is the Chief Executive Officer of New Energy Nexus, a platform for funds and incubators, with chapters in the United States, China, Indonesia, Vietnam, Thailand, the Philippines, Uganda, and India. He acts as Managing Director of the California Clean Energy Fund and serves as President of CalCharge. He co-founded Sungevity in 2007, the corporation that created remote solar design, and Powerhouse, an incubator and fund in Oakland, California. He was the first backer of Mosaic in 2011, a solar loan provider backed by Warburg Pincus. In various capacities, Mr. Kennedy has been campaigning for clean energy since 1989.

### **Significant Employees**

The Company believes that the success of its operations is the result of collective efforts of its personnel. Only a mass resignation will have a negative impact on the Company's operations in the immediate term.

### **Family Relationships**

There are no known family relationships up to the fourth (4<sup>th</sup>) civil degree either by consanguinity or affinity among the current members of the BOD and key officers of the Company.

### **Item 10. Executive Compensation**

As of 31 December 2022, the Group had not employed any personnel. The executive compensation of the Company's officers is part of the Management Service Agreement charged by SPPPHI as a service fee for its executive and leadership support.

Atty. Dee, the Managing Partner of Picazo Law, is currently engaged as Corporate Secretary of the Company for which Picazo Law is entitled to a monthly fee of PhP15,000.00.

Regular directors do not receive per diem and monthly compensation. Below are the fees received or projected to be received by the Company's independent directors:

<b>Table 2: Summary of Independent Directors' Fees</b>					
<b>Name</b>	<b>Position</b>	<b>Year</b>	<b>Fees</b>	<b>Bonus</b>	<b>Other Compensation</b>
Aggregate directors' fee for the following Independent Directors					
J. Carlitos G. Cruz	Vice Chairman; Lead Independent Director; Audit and Risk Committee Chairman	Actual FY 30 June 2021	N/A	N/A	N/A
Benjamin I. Espiritu	Independent Director; Related Party Transactions Committee Chairman	Actual FY 30 June 2022	₱1.8 million	N/A	N/A
		Actual 31 December 2022 (6 months)	₱1.8 million	N/A	N/A
Carlos Jose P. Gatmaitan	Independent Director; Corporate Governance Committee Chairman	Projected CY 31 December 2023	₱3.6 million	N/A	N/A

### **Employment Contracts and Other Arrangements**

SPNEC did not employ any personnel from 31 December 2017 to 30 April 2021. During this period, SPNEC's operations, business development, administrative, and finance functions were handled by its parent, SPPPHI. On 30 April 2021, SPNEC entered into a Management Service Agreement with SPPPHI to provide executive and leadership support and execute its strategic direction while managing its business operations from 1 May 2021 to 30 April 2024, renewable or may be extended upon mutual agreement of the parties. The Management Service Agreement covers all necessary administrative and advisory services on management, investment, and technical matters involving SPNEC's operations, including, but not limited to, human resources, legal, finance, and information technology.

SPNEC has no existing arrangements with members of the BOD, executive officers, and employees other than the Management Service Agreement. There are no special employment contracts between SPNEC and its executive officers. Further, there are no special retirement plans for executives. There is also no arrangement for special compensation to be received from SPNEC.

### Warrants and Options Outstanding

As of 31 December 2022, there were no outstanding warrants or options held by directors and officers.

### Item 11. Security Ownership of Certain Beneficial Owners and Management

#### Security Ownership of Certain Record and Beneficial Owners

As of 31 December 2022, the following were the owners of record of more than five percent (5%) of the Company's outstanding capital stock, and the number of shares and percentage of shareholdings of each of them:

Table 3: Security Ownership of Five Percent (5%) or More					
Title of Class	Name, Address of Record Owner, and Relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Shares Held	Percent of Class
Common	<b>Solar Philippines Power Project Holdings, Inc.</b> LPL Towers, 112 Legaspi Street, Legaspi Village, Makati City, Philippines 1229 <i>Shareholder</i>	Mr. Leandro Antonio L. Leviste (Owner of 100% of SPPPHI)	Filipino	5,424,349,998	54.24%
Common	<b>PCD Nominee Corporation</b> 29 <sup>th</sup> Floor BDO Equitable Tower, 8751 Paseo de Roxas, Makati City <i>Shareholder</i>	Shares of the Company purchased from the market by the investing public are lodged with the PDTC under PCD Nominee Corporation	Filipino	4,219,685,814	42.20%
<b>Total</b>				<b>9,644,035,812</b>	<b>96.44%</b>

#### Security Ownership of Directors and Management

The following were the number of shares owned of record by the directors and executive officers of the Company and the percentage of shareholdings of each of them as of 31 December 2022:

Table 4: Direct Ownership by Board of Directors and Management				
Title of Class	Name of Beneficial Owner	Amount and Nature of Beneficial Ownership	Citizenship	Percent of Class
Common	<b>Leandro Antonio L. Leviste</b> Chairman, President, and Chief Executive Officer	1 – Direct 5,744,485,998 – Indirect*	Filipino	-nil- 57.44%
Common	<b>Hazel Iris P. Lafuente</b> Director, Assistant Corporate Secretary, Assistant Treasurer, Chief Project Officer, Chief Information	0 – Direct 2,360,001 – Indirect**	Filipino	-nil- 0.02%



Table 4: Direct Ownership by Board of Directors and Management				
Title of Class	Name of Beneficial Owner	Amount and Nature of Beneficial Ownership	Citizenship	Percent of Class
	Officer, and Head of Community Development			
Common	<b>Atty. Jesusa Loreto A. Arellano</b> Director, Treasurer, and Chief Financial Officer	0 – Direct 206,031 – Indirect***	Filipino	-nil-
Common	<b>Aresty M. Lapitan</b> Director and Head of Controllershship	1 – Direct 1,000,000 – Indirect****	Filipino	-nil- 0.01%
Common	<b>Carlos Jose P. Gatmaitan</b> Independent Director	1 – Direct 150,000 – Indirect****	Filipino	-nil-
Common	<b>J. Carlitos G. Cruz</b> Vice Chairman and Lead Independent Director	1 – Direct 0 – Indirect	Filipino	-nil-
Common	<b>Benjamin I. Espiritu</b> Independent Director	1 – Direct 0 – Indirect	Filipino	-nil-
<b>Total</b>		<b>6 – Direct 5,748,202,030 – Indirect</b>		<b>-nil- - Direct 57.47% - Indirect</b>

\*These shares are indirectly held by Mr. Leviste through SPPPHI and Countryside Investments Holdings Corporation (“CIHC”) (currently lodged with the PDTC under PCD Nominee Corporation)

\*\*All the shares, including the nominal share held in trust for SPPPHI, of Ms. Lafuente in the Company are currently lodged with the PDTC under PCD Nominee Corporation

\*\*\*All the shares of Atty. Arellano in the Company are currently lodged with the PDTC under PCD Nominee Corporation

\*\*\*\*Lodged with the PDTC under PCD Nominee Corporation

As of 31 December 2022, the aggregate direct and indirect ownership of all directors and officers of SPPPHI as a group was 57.47% of the total issued and outstanding shares of the Company.

## Voting Trust

SPNEC knows of no person holding more than 5% of shares under a voting trust or similar agreement.

## Changes in Control

Article Nine of the Company’s Amended Articles of Incorporation states that SPNEC shall strictly comply with the lock-up requirements of the PSE. Except for the aforementioned provision, there are no existing provisions in the Amended Articles of Incorporation and Amended By-Laws of SPNEC, which may cause delay, deferment, or in any manner prevent a change in control of SPNEC.

On 25 June 2021, SPPPHI executed a pledge over all the SPNEC shares (“**Pledged Shares**”) it beneficially owns as security for a loan agreement entered by its affiliate, PIC, with ACEN. Pursuant to this pledge, upon the occurrence of an event of default by PIC under the loan agreement with ACEN, and its subsequent failure to pay the outstanding principal amount of the loan and all interests accrued and unpaid, if any, ACEN, as the lender, may sell the Pledged Shares, thereby effecting a change of control in SPNEC.<sup>10</sup>

## Item 12. Certain Relationships and Related Transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions, the parties are subject to common control, or the party is an associate or a joint venture. Under SEC Memorandum Circular (“**M.C.**”) No. 24, series of 2019, the term “related parties” covers “the covered entity’s directors, officers, substantial shareholders and their spouses and relatives within the fourth civil degree of consanguinity or affinity, legitimate or common law, and other persons if these persons have control, joint control, or significant influence over the covered entity,” and the covered entity’s parent, subsidiary, fellow subsidiary, associate, affiliate, joint venture, or an entity that is controlled, jointly controlled, or significantly influenced or managed by a person who

<sup>10</sup> On January 25, 2023, SPPPHI executed definitive agreements with ACEN to provide 500.0 million shares of SPNEC as pre-payment for part of the original loan’s principal and payment of interest, other fees, and in consideration of ACEN releasing its pledge over shares owned by SPPPHI in SPNEC that was required in the said original loan.

is a related party.” “Related party transactions” mean a transfer of resources, services, or obligations between a reporting entity and a related party, regardless of whether a price is charged. The circular adds that this term “should be interpreted broadly to include not only transactions entered into with related parties but also outstanding transactions that are entered into with an unrelated party that subsequently becomes a related party.”

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

The following shows the Due to Related Party accounts as of 31 December 2018 to 2020, 30 June 2021, 30 June 2022 and 31 December 2022:

SPNEC Due to Related Parties (Cash Advances)						
Amounts in ₱millions	As of 31 December 2018	As of 31 December 2019	As of 31 December 2020	As of 30 June 2021	As of 30 June 2022	As of 31 December 2022
Parent Company (SPPPHI)	₱44.03	₱10.67	₱17.39	₱22.79	₱22.79	₱22.77
Shareholder	-nil-	-nil-	-nil-	-nil-	-nil-	-nil-
<b>Due to Related Parties</b>	<b>₱44.03</b>	<b>₱10.67</b>	<b>₱17.39</b>	<b>₱22.79</b>	<b>₱22.79</b>	<b>₱22.77</b>

*\*Differences in decimal numbers are due to rounding off*

These Due to Related Party accounts are all intended for working capital purposes. These are all non-interest bearing, unsecured, and payable in cash upon demand.

The following shows the Due from Related Party accounts as of 31 December 2018 to 2020, 30 June 2021, 30 June 2022 and 31 December 2022:

SPNEC Due From Related Parties						
Amounts in ₱millions	As of 31 December 2018	As of 31 December 2019	As of 31 December 2020	As of 30 June 2021	As of 30 June 2022	As of 31 December 2022
Parent Company (SPPPHI)	-nil-	-nil-	-nil-	-nil-	-nil-	₱8.70
Affiliate (SPCRPI)	-nil-	-nil-	-nil-	-nil-	-nil-	₱19.10
Affiliate (SPHI)	-nil-	-nil-	-nil-	-nil-	-nil-	₱793.59
Shareholder	-nil-	-nil-	-nil-	-nil-	-nil-	-nil-
<b>Due to Related Parties</b>	<b>-nil-</b>	<b>-nil-</b>	<b>-nil-</b>	<b>-nil-</b>	<b>-nil-</b>	<b>₱821.39</b>

*\*Differences in decimal numbers are due to rounding off*

In 2019, SPNEC rescinded, through various mutual rescission, the original Contracts to Sell between SPNEC and landowners amounting to ₱34.9 million, since Management assessed that the said parcels of land are to be subsequently acquired by SPPPHI. New Contracts to Sell were subsequently executed between SPPPHI and the same landowners. The deposits paid to the landowners amounting to ₱34.9 million were offset against what is due to SPNEC as reimbursements for the rescinded contracts.

SPNEC entered into a MOA on 20 February 2021 and was amended on 3 March 2021, with PIC, an affiliate, which agreed to sell certain parcels of land with a total land area of 68.621 hectares for a total consideration of ₱267.0 million.

Further, to secure land for future expansion, SPNEC entered into a MOA on 19 April 2021, with LHHC, an affiliate, which agreed to sell certain parcels of land, with a total land area of 56.8064 hectares for a total consideration of ₱270.0 million.

SPNEC did not employ any personnel from 31 December 2017 to 30 April 2021. During this period, SPNEC's administrative function and finance function were handled by SPPPHI. On 30 April 2021, SPNEC entered into a Management Service Agreement with SPPPHI which covers all necessary administrative and advisory services on management, investment, and technical matters involving the Company's operations for the period from 1 May 2021 to 30 April 2024, in which the parties upon mutual agreement may renew or extend. Total annual fee for the said agreement is ₱24,000,000.00, exclusive of VAT.

On 24 February 2022, the BOD approved the acquisition of 100% of the Solar Philippines Assets in exchange for SPPPHI's subscribing for 24,373,050,000 shares of SPNEC, which was approved by the BOD on 10 January 2022, and by the Issuer's stockholders on 7 March 2022, subject to regulatory approvals.<sup>11</sup>

The asset acquisition is intended to expand SPNEC's portfolio, from one solar project in Nueva Ecija to a portfolio that includes over 175 MW of operational projects as well as developments in various provinces of the Philippines, in support of its goal of developing 10 GW of solar projects by 2025.

On April 6, 2022, the BOD, pursuant to its approval on December 20, 2021, approved the allocation of IPO proceeds to advance the funding for pursuing off take agreements and developing projects for Terra Renewables Holdings, Inc. (Terra) and its associated developments to SP Holdings, Inc. (SPHI), given that SPHI is a shareholder in Terra and that SPHI is planned to become a subsidiary of SPNEC after the latter's acquisition of Solar Philippines Assets, 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. As of December 31, 2022, the due from SPHI is ₱793.59 million.

On September 30, 2022, SPNEC entered into a Construction Support Services Agreement ("CSSA") with SPPPHI wherein SPPPHI shall provide support services, including engineering, procurement and construction ("EPC"), logistics, warehousing and other contractor-related services during the construction of the project. Construction support services recognized for the period from July 1, 2022 to December 31, 2022 and for the year ended June 30, 2022, amounted to ₱68.0 million, and nil, respectively, which were capitalized as part of construction in progress.

On December 26, 2022, TNI entered into a Site Acquisition Services Agreement ("SASA") with SPPPHI which will cover site acquisition services covering a total area of 992.77 hectares for a consideration of ₱150.0 million, exclusive of VAT, from October 1, 2022 to December 31, 2022. As of December 31, 2022, TNI has fully paid for the site acquisition services rendered by SPPPHI and has presented this as part of "Deposits for land acquisition" in the consolidated statement of financial position.

On December 26, 2022, TNI entered into a Deposit and Services Agreement with SPPPHI, whereby SPPPHI shall provide assistance, representation, facilitation of documentation and submission of necessary documents and liaison with relevant government units, agencies and offices including government owned and controlled corporations to secure land use conversion orders from the Department of Agrarian Reform ("DAR") for the 992.77 hectares acquired by TNI and the delivery to TNI of the relevant conversion orders from the date of the agreement until December 31, 2024. To facilitate and expedite the performance of the services by SPPPHI, TNI has provided SPPPHI a refundable deposit amounting to ₱500.0 million which is presented as "Deposits" as part of "Other noncurrent assets" in the consolidated statements of financial position.

On September 30, 2022, the Company entered into a Project Development Services Agreement ("PDSA") with SPPPHI wherein SPPPHI shall provide project development services, including site identification, permitting and land acquisition, covering a total area of 925.61 hectares, for a consideration of ₱150.0 million, exclusive of VAT.

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<sup>11</sup> In the board meeting on Friday, 5 May 2023, the BOD approved the modified acquisition by SPNEC of 100% of the shares of SPPPHI in the Solar Philippines Assets to be at cost and paid in cash, in lieu of a tax-free share swap, from the proceeds of SPPPHI subscribing in cash at par for 24.37305 billion SPNEC Shares. This is being done, among other reasons, for the efficient implementation of the ACS Increase and the Option Agreement between MPIC, SPPPHI, and SPNEC. In the same board meeting, the Board also approved the Option Agreement between MPIC, SPPPHI, and SPNEC, granting MPIC or its affiliates the option to acquire up to 17.4 billion Shares, comprising up to 10 billion primary Shares for up to ₱12.5 billion and up to 7.4 billion secondary Shares for up to ₱9.25 billion, supported by the approval of SPNEC's ACS Increase from 10 billion to 50 billion Shares.

On October 5, 2022, SPPPHI assigned all its rights and obligations under the PDSA to SPCRPI. As of December 31, 2022, SPNEC has fully paid the services rendered by SPCRPI and has presented this as part of “Deposits for land acquisition” in the consolidated statements of financial position.

On September 30, 2022, SPNEC entered into a separate CSSA with SPCRPI wherein SPCRPI shall provide support services, including EPC, logistics, warehousing and other contractor-related services during the construction of the Project for a consideration of ₱100.0 million, exclusive of VAT. On October 5, 2022, the parties agreed to amend the consideration of the CSSA from ₱100.0 million to ₱219.5 million, exclusive of VAT. As of December 31, 2022, ₱219.5 million was capitalized as part of construction in progress.

On September 29, 2022, SPNEC entered into a Support Services Agreement with SMSC, an affiliate of SPNEC, wherein SMSC shall provide support services during the construction and development of the project. Manpower services recognized for the period from July 1, 2022 to December 31, 2022 and for the years ended June 30, 2022 and 2021, amounted to ₱21.7 million and nil, which was capitalized as part of construction in progress.

Further, as stated in SPNEC’s Material Related Party Transactions (“**RPT**”) Policy, the Related Party Transactions Committee shall review and consider the following factors for RPTs:

- The terms of the transaction;
- The aggregate value of the transaction;
- Whether the transaction is arm’s length;
- Whether the transaction will benefit the Company or expose it to unwarranted risks or contingencies, taking into account the size of the transaction and the overall financial position of the related party;
- The extent of the related party’s interest in the transaction;
- Whether the transaction is properly supported and documented through transfer pricing documentation; and
- Other factors the Related Party Transactions Committee deems relevant.

The RPT Committee is entitled to request documentation and information it deems necessary to complete its review.

In the event of a favorable recommendation, the RPT Committee shall endorse the material RPT to the BOD for approval. The BOD should appoint an external independent party to evaluate the fairness of the terms of the material RPT. An external independent party may be an auditing/accounting firm, third-party consultant, or appraiser.

The Company has no other transactions with other parties (outside the definition of “related parties”) that enables the parties to negotiate terms of material transactions that may not be available from other, more clearly independent parties on an arm’s length basis.

## **PART IV – CORPORATE GOVERNANCE**

### **Item 13a. Corporate Governance**

This portion of the Annual Report has been deleted pursuant to SEC M.C. No. 5, series of 2013.

In compliance with SEC M.C. No. 15, series of 2017, and PSE Circular No. 2017-0079 on the Integrated Annual Corporate Governance Report (“**i-ACGR**”), the Company’s i-ACGR will be submitted separately using SEC Form i-ACGR. The Integrated Annual Corporate Governance Report replaces this section of the Annual Report and the previous SEC Form ACGR.

### **Item 13b. Sustainability Report**

A copy of the Company’s Sustainability Report is attached hereto as **Annex “C.”**

## PART V - EXHIBITS AND SCHEDULES

### Item 14. Exhibits and Reports on SEC Form 17-C

#### (a) Exhibits

See the Index and Supplementary Schedules of SPNEC's Audited Financial Statements for the fiscal years ended 31 December 2022 and 30 June 2022, attached hereto as Annexes "A" and "B."

#### (b) Reports on SEC Form 17-C

Below is a list of the reports submitted on SEC Form 17-C during the last six (6)-month period covered by this Annual Report:

<b>Date of Disclosure</b>	<b>Details of the Disclosure</b>
7 June 2022	The Preliminary Prospectus for the SRO has been uploaded to the Company's website
20 June 2022	Approval of the Material Related Party Transactions Policy
28 June 2022	Press release on the Company winning 70% of the DOE's GEAP renewable energy capacity (1,380 MW out of 1,967 MW) and 91% of all the solar capacity (1,350 MW out of 1,490 MW)
4 July 2022	Allocation of IPO proceeds towards fees and expenses for the processing of its asset-for-share swap, provided this would only be from the excess of the amount needed for Phase 1A of the Nueva Ecija Solar project Authority to accept transfer by way of donation of shares in Solar Philippines entities (as listed in its Comprehensive Corporate Disclosure) owned by Mr. Leviste or CIHC, including shares in SP Holdings, Inc., which are not directly held by SPPPHI Appointment of Atty. Arellano as Director, Treasurer, and Chief Financial Officer Appointment of Ms. Lafuente as Assistant Treasurer and Chief Project Officer Appointment of Mr. Crotty and Mr. Kennedy as Senior Advisors Authority to appoint to the Company other officers of the Group, in support of the execution of the Company's planned expansions
12 July 2022	Uploading of updated Prospectus for the SRO Adjustment of the Offer Price range for the SRO to PhP1.50 to PhP1.76 per share Highlighting of the option to pay in installments: down payment of twenty-five percent (25%) and the balance of seventy-five percent (75%) within three (3) months of the Offer Period
18 July 2022	Progress Report on the use of IPO proceeds as of the quarter ended 30 June 2022
20 July 2022	Confirmation by the SEC on 19 July 2022 that the planned SRO is exempt from the registration requirement under the Securities Regulation Code
3 August 2022	Approval by the PSE of the Company's application for listing of 1,875,649,995 shares and the issuance of the relevant Notice of Approval Approval by the PSE of the proposed SRO timetable

<b>Date of Disclosure</b>	<b>Details of the Disclosure</b>
9 August 2022	<p>Notice of investors' briefing on the SRO scheduled for 12 August 2022</p> <p>Approval of the change in the Company's corporate name from "Solar Philippines Nueva Ecija Corporation" to "SP New Energy Corporation" and the amendment of the relevant sections of the Company's Articles of Incorporation and By-Laws to effect such change,</p> <p>Approval of the change in the Company's fiscal year from July to June of every year to January to December of every year and the amendment of the relevant section of the Company's By-Laws to effect such change,</p> <p>Appointment of SGV as the Company's external auditor for the ensuing fiscal year,</p> <p>Approval of the agenda for the 2022 Annual Stockholders' Meeting of the Company</p> <p>Press release on the Company's plan to change its corporate name</p>
15 August 2022	<p>Execution of the Share Swap Agreement on 15 August 2022</p> <p>Uploading of the Investors' Briefing for the SRO to the Company's website</p> <p>Confirmation that the Company is in discussions with investors for private placements to ensure that the Company's public float will not fall below the minimum level required when the share swap is implemented</p> <p>Press release on the Company's plan to complete the share swap by the end of 2022<sup>12</sup></p>
17 August 2022	<p>Notice that the Company is allocating proceeds from its various capital raises to complete securing at least 2,500 hectares of land in the provinces of Nueva Ecija and Bulacan for a planned 3.5 GW solar farm</p> <p>Press release pertaining to the above</p>
19 August 2022	Amendment of the disclosure on the SRO to reflect the (i) final Offer Price, (ii) Principal Shareholder's Undertaking, (iii) terms of the Rights Offer, and (iv) necessary adjustments to the Company's share price and outstanding shares on Ex-Rights Date
22 August 2022	Change of the Company's website address from <a href="http://www.solarnuevaecija.ph">www.solarnuevaecija.ph</a> and <a href="http://www.spnec.ph">www.spnec.ph</a>
25 August 2022	<p>Approval of the acquisition from ACEN of 118,999 shares in Solar Philippines Central Luzon Corporation ("SPCLC")</p> <p>Subscription for 375,000 shares in SPCLC for Php493,999.00</p>
26 August 2022	<p>Amendment of the disclosure on the SRO to reflect the links for the (i) final Prospectus and (ii) presentation for the investors' briefing for the SRO</p> <p>Management estimates in relation to the Company's projects</p>
30 August 2022	Results of the Company's Annual Meeting of the Stockholders and Organizational Meeting of the Board of Directors for the year 2022

<sup>12</sup> In the board meeting on Friday, 5 May 2023, the BOD approved the modified acquisition by SPNEC of 100% of the shares of SPPPHI in the Solar Philippines Assets to be at cost and paid in cash, in lieu of a tax-free share swap, from the proceeds of SPPPHI subscribing in cash at par for 24.37305 billion SPNEC Shares. This is being done, among other reasons, for the efficient implementation of the ACS Increase and the Option Agreement between MPIC, SPPPHI, and SPNEC. In the same board meeting, the Board also approved the Option Agreement between MPIC, SPPPHI, and SPNEC, granting MPIC or its affiliates the option to acquire up to 17.4 billion Shares, comprising up to 10 billion primary Shares for up to Php 12.5 billion and up to 7.4 billion secondary Shares for up to Php 9.25 billion, supported by the approval of SPNEC's ACS Increase from 10 billion to 50 billion Shares.

<b>Date of Disclosure</b>	<b>Details of the Disclosure</b>
8 September 2022	Results of the SRO, disclosed in compliance with the Confirmation of Exempt Transaction issued by the SEC on 19 July 2022
18 October 2022	Progress Report on the use of IPO proceeds as of the quarter ended 30 September 2022 Progress Report on the use of SRO proceeds as of the quarter ended 30 September 2022
25 October 2022	Submission to the SEC of the Company's application for (i) change in corporate name and (ii) change in fiscal year on 18 October 2022
28 October 2022	Approval by the SEC of the Company's application for (i) change in corporate name and (ii) change in fiscal year on 24 October 2022 Link to the instructions on the replacement of stock certificates bearing the old name of the Company
8 November 2022	Press release on the Company's change in corporate name
17 November 2022	Press release on the Solar Philippines Group securing more than 2,000 hectares of landbank for "world's largest solar farm"
2 December 2022	Extension of deadline for full payment of partially paid SRO shares: from 5 December 2022 to 5 March 2022
13 December 2022	Updates on Developments and Proposed Transaction Relating to SPNEC
21 December 2022	Updates on Developments and Proposed Transaction Relating to SPNEC

*[Signature page and jurat follow.]*

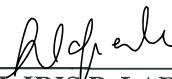
## SIGNATURES

Pursuant to the requirements of Section 17 of the Securities Regulation Code and Section 177 of the Revised Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereto duly authorized, in \_\_\_\_\_ on \_\_\_\_\_.

By:



**LEANDRO ANTONIO L. LEVISTE**  
*President and Chief Executive Officer*



**HAZEL IRIS P. LAFUENTE**  
*Chief Operating Officer, Chief Information Officer,  
Assistant Corporate Secretary, and Assistant Treasurer*



**ARESTY M. LAPITAN**  
*Treasurer and Head of Controllershship*



**ATTY. GABRIEL A. DEE**  
*Corporate Secretary*

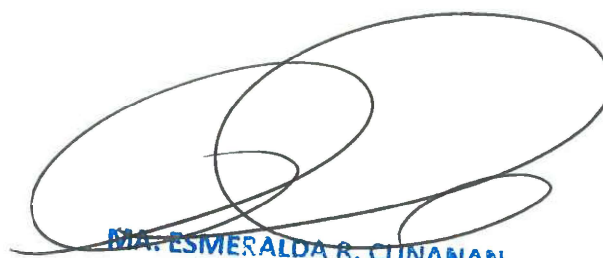


**SUBSCRIBED AND SWORN TO** before me in MAKATI CITY on MAY 09 2023, affiants exhibiting to me their respective valid I.D.s, as follows:

Name	Competent Evidence of Identity	Date Issued/Date of Expiration	Place Issued
Leandro Antonio L. Leviste	Passport No. P0049385C	13 May 2022/ 12 May 2023	DFA Manila
Hazel Iris P. Lafuente	Passport No. P0333462B	21 January 2019/ 20 January 2029	DFA Manila
Aresty M. Lapitan	Passport No. P6291875B	16 February 2021/15 February 2031	DFA NCR South
Gabriel A. Dee	Passport No. P0914860B	05 March 2019/ 04 March 2029	DFA Manila

Notary Public

Doc. No. 92 ;  
Page No. 40 ;  
Book No. 29111  
Series of 2023.



**MA. ESMERALDA R. CUNANAN**  
Notary Public  
Until December 31, 2023  
Appt. No. M-202 (2022-2023) Attorney's Roll No. 34562  
MCLE Compliance No. VII-0004035/7 19-2021  
PTR No. 9563801/1 3-2023/Makati City  
IBP Lifetime Member Roll No. 05413  
Ground Level, Dela Rosa Carpark I  
Dela Rosa St. Legaspi Village,  
Makati City

# ANNEX "A"



## STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **SP New Energy Corporation (Consolidated)** is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, as of December 31, 2022 and June 30, 2022 and for the Period from July 1, 2022 to December 31, 2022 and for the Years Ended June 30, 2022 and 2021 in accordance with Philippine Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement whether due to fraud or error.

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

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

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

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

A handwritten signature in blue ink, appearing to be "L. Leviste", written over a horizontal line.

**LEANDRO L. LEVISTE**  
*Chairman of the Board/CEO*

**Passport No.:** P0049385C  
**Expiry date:** May 12, 2032

A handwritten signature in blue ink, appearing to be "H. Lafuente", written over a horizontal line.

**HAZEL IRIS P. LAFUENTE**  
*Assistant Treasurer*

**Passport No.:** P0333462B  
**Expiry date:** January 20, 2029

Signed this \_\_\_\_ day of \_\_\_\_\_ 2023.

20<sup>th</sup> Floor Philamlife Tower, 8767 Paseo De Roxas Avenue, Makati City 1227 Philippines

☎ +632 8 817 2585 | ✉ [www.solarphilippines.ph](http://www.solarphilippines.ph)

SUBSCRIBED AND SWORN TO BEFORE ME, this 17 APR 2023 at  
MAKATI CITY, Affiants exhibiting their Competent Evidence of Identity:

Leandro L. Leviste	Passport P0049385C	Expiring 12 May 2032
Hazel Iris P. Lafuente	Passport P0333462B	Expiring on 20 January 2029

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Page  
Book  
Series of 2023

444  
90  
3

NOTARY PUBLIC

**AL B. NATIVIDAD**  
Commission No. M-173  
Notary Public for Makati City  
Until December 31, 2023  
Unit 202, IDC Plaza Building,  
Zapote cor. Kalayaan Ave., Makati City  
Roll No. 66626 / 06-23-16  
PTR No. 9565565; 01/03/23; Makati  
IBP Lifetime No. 015123; 06-13-16; Manila IV  
MCLE Compliance No. VII-0013294; 03-24-22

# COVER SHEET

for  
**AUDITED FINANCIAL STATEMENTS**

SEC Registration Number

C	S	2	0	1	6	2	7	3	0	0
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**COMPANY NAME**

S	P		N	E	W		E	N	E	R	G	Y		C	O	R	P	O	R	A	T	I	O	N		(	F	o	r			
m	e	r	l	y			S	o	l	a	r			P	h	i	l	i	p	p	i	n	e	s		N	u	e	v	a		
E	c	i	j	a			C	o	r	p	o	r	a	t	i	o	n	,		a		S	u	b	s	i	d	i	a	r		
y		o	f				S	o	l	a	r			P	h	i	l	i	p	p	i	n	e	s		P	o	w	e	r		P
r	o	j	e	c	t			H	o	l	d	i	n	g	s			I	n	c	.	)			A	N	D		S	U	B	S
I	D	I	A	R	Y																											

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

1	1	2		L	E	G	A	S	P	I		S	T	R	E	E	T	,		L	E	G	A	S	P	I		V	I
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M	A	K	A	T	I		C	I	T	Y		1	2	2	9														

Form Type

A	C	F	S
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Department requiring the report

C	R	M	D
---	---	---	---

Secondary License Type, If Applicable

**Certificate of Permit to Offer Securities for Sale**

**COMPANY INFORMATION**

Company's Email Address

**spnec@solarphilippines.ph**

Company's Telephone Number

**(02) 8817-2585**

Mobile Number

**(+63) 998 888 9326**

No. of Stockholders

**19**

Annual Meeting (Month / Day)

**First Monday of May**

Fiscal Year (Month / Day)

**12/31**

**CONTACT PERSON INFORMATION**

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

Name of Contact Person

**Hazel Iris P. Lafuente**

Email Address

**corsec@solarphilippines.ph**

Telephone Number/s

**(02) 8817-2585**

Mobile Number

**(+63) 917 881 6684**

**CONTACT PERSON'S ADDRESS**

**20<sup>th</sup> Floor, AIA Tower (formerly 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.



## INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Stockholders  
SP New Energy Corporation  
20<sup>th</sup> Floor AIA Tower  
8767 Paseo de Roxas  
Makati City

### Opinion

We have audited the consolidated financial statements of SP New Energy Corporation (formerly Solar Philippines Nueva Ecija Corporation, a subsidiary of Solar Philippines Power Project Holdings, Inc.) (the Parent Company) and its subsidiary (collectively referred to as “the Group”), which comprise the consolidated statements of financial position as at December 31, 2022 and June 30, 2022, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the period from July 1, 2022 to December 31, 2022 and for the years ended June 30, 2022 and 2021, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as of December 31, 2022, and June 30, 2022, and its financial performance and its cash flows for the period from July 1, 2022 to December 31, 2022 and for the years ended June 30, 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 Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For 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 Consolidated Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matter below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

### ***Impairment Assessment of Deposits for Land Acquisition***

As of December 31, 2022, the Group has deposits for land acquisition with a carrying value of ₱2,026.9 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 Group's deposits for land acquisition are included in Notes 3, 8 and 11 to the consolidated financial statements.

### **Audit Response**

We obtained management's assessment on whether there is any indication that the deposits for land acquisition may be impaired. We read the contracts entered into by the Group 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 supporting documents on the payments made by the Group, 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.

### **Other Information**

Management is responsible for the other information. The other information comprises the SEC Form 17-A for the year ended December 31, 2022 but does not include the consolidated financial statements and our auditor's report thereon, which we obtained prior to the date of this auditor's report, and the SEC Form 20-IS (Definitive Information Statement) and Annual Report for the year ended December 31, 2022, which are expected to be made available to us after that date.

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

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



If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.



- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

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

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





The engagement partner on the audit resulting in this independent auditor's report is  
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. 114122-SEC (Group A)

Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions

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. 08-001998-103-2022, November 7, 2022, valid until November 6, 2025

PTR No. 9564628, January 3, 2023, Makati City

April 17, 2023



**SP NEW ENERGY CORPORATION**  
**(Formerly Solar Philippines Nueva Ecija Corporation,**  
**A Subsidiary of Solar Philippines Power Project Holdings, Inc.)**  
**AND SUBSIDIARY**

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

	December 31, 2022	June 30, 2022
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash (Notes 4 and 16)	₱37,232,084	₱886,758,302
Subscription receivable (Notes 12 and 16)	651,115,661	–
Due from related parties (Notes 11 and 16)	821,388,320	541,700,000
Other current assets (Note 5)	18,638,843	20,789,388
<b>Total Current Assets</b>	<b>1,528,374,908</b>	<b>1,449,247,690</b>
<b>Noncurrent Assets</b>		
Deposits for land acquisition (Note 8)	2,026,892,396	621,499,933
Property, plant and equipment (Notes 1 and 7)	1,389,743,501	921,385,618
Investment properties (Note 6)	312,626,010	–
Right-of-use assets (Note 15)	281,490,123	286,910,494
Deferred income tax asset - net (Note 14)	10,201,126	10,466,264
Other noncurrent assets (Note 9)	654,395,146	114,218,371
<b>Total Noncurrent Assets</b>	<b>4,675,348,302</b>	<b>1,954,480,680</b>
<b>TOTAL ASSETS</b>	<b>₱6,203,723,210</b>	<b>₱3,403,728,370</b>
<b>LIABILITIES AND EQUITY</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued expenses (Notes 10, 11 and 16)	₱65,218,072	₱13,000,260
Due to a related party (Notes 11 and 16)	22,770,229	22,792,348
Current portion of lease liabilities (Notes 15 and 16)	4,538,676	4,538,676
<b>Total Current Liabilities</b>	<b>92,526,977</b>	<b>40,331,284</b>
<b>Noncurrent Liabilities</b>		
Lease liabilities - net of current portion (Notes 15 and 16)	298,599,744	289,340,172
<b>Total Liabilities</b>	<b>391,126,721</b>	<b>329,671,456</b>
<b>Equity (Note 12)</b>		
Capital stock	1,000,000,000	812,435,001
Additional paid-in capital	4,938,722,430	2,347,338,021
Deficit	(126,125,941)	(85,716,108)
<b>Total Equity</b>	<b>5,812,596,489</b>	<b>3,074,056,914</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>₱6,203,723,210</b>	<b>₱3,403,728,370</b>

*See accompanying Notes to Consolidated Financial Statements.*



**SP NEW ENERGY CORPORATION**

(Formerly Solar Philippines Nueva Ecija Corporation,  
A Subsidiary of Solar Philippines Power Project Holdings, Inc.)

**AND SUBSIDIARY****CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME****FOR THE PERIOD FROM JULY 1, 2022 TO DECEMBER 31, 2022 AND****FOR THE YEARS ENDED JUNE 30, 2022 AND 2021**

	<b>December 31, 2022 (Six Months)</b>	<b>June 30, 2022 (One Year)</b>	<b>June 30, 2021 (One Year)</b>
<b>INTEREST INCOME</b> (Note 4)	<b>₱2,398,960</b>	<b>₱548,180</b>	<b>₱6,090</b>
<b>EXPENSES</b> (Note 13)	<b>42,543,655</b>	<b>72,498,183</b>	<b>22,674,993</b>
<b>LOSS BEFORE INCOME TAX</b>	<b>40,144,695</b>	<b>71,950,003</b>	<b>22,668,903</b>
<b>PROVISION FOR (BENEFIT FROM) INCOME TAX - DEFERRED</b> (Note 14)	<b>265,138</b>	<b>(11,370,555)</b>	<b>904,291</b>
<b>NET LOSS</b>	<b>40,409,833</b>	<b>60,579,448</b>	<b>23,573,194</b>
<b>OTHER COMPREHENSIVE INCOME</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>TOTAL COMPREHENSIVE LOSS</b>	<b>₱40,409,833</b>	<b>₱60,579,448</b>	<b>₱23,573,194</b>
<b>Basic/Diluted Loss Per Share</b> (Note 17)	<b>₱0.0043</b>	<b>₱0.0087</b>	<b>₱0.0511</b>

*See accompanying Notes to Consolidated Financial Statements.*

**SP NEW ENERGY CORPORATION**  
**(Formerly Solar Philippines Nueva Ecija Corporation,**  
**A Subsidiary of Solar Philippines Power Project Holdings, Inc.)**  
**AND SUBSIDIARY**

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE PERIOD FROM JULY 1, 2022 TO DECEMBER 31, 2022 AND FOR THE YEARS ENDED JUNE 30, 2022 AND 2021**

	<b>Capital Stock</b>		<b>Additional</b>		
	<b>Subscribed</b>	<b>Subscription Receivable</b>	<b>Paid-in Capital</b>	<b>Deficit</b>	<b>Total</b>
Balances at June 30, 2020	₱250,000	(₱187,500)	₱—	(₱15,374,983)	(₱15,312,483)
Collection of subscription receivable (Note 12)	—	187,500	—	—	187,500
Issuance of shares of stock (Note 12)	542,185,000	—	21,250,000	—	563,435,000
Application of APIC against deficit (Note 12)	—	—	(21,034,193)	21,034,193	—
Stock issuance costs (Note 12)	—	—	(215,807)	(7,222,676)	(7,438,483)
Total comprehensive loss for the year	—	—	—	(23,573,194)	(23,573,194)
Balances at June 30, 2021	542,435,000	—	—	(25,136,660)	517,298,340
Issuance of shares of stock, net of stock issuance costs (Note 12)	270,000,001	—	2,329,338,021	—	2,599,338,022
Additional paid-in capital (Note 12)	—	—	18,000,000	—	18,000,000
Total comprehensive loss for the year	—	—	—	(60,579,448)	(60,579,448)
<b>Balances at June 30, 2022</b>	<b>812,435,001</b>	<b>—</b>	<b>2,347,338,021</b>	<b>(85,716,108)</b>	<b>3,074,056,914</b>
Issuance of shares of stock, net of stock issuance costs (Note 12)	187,564,999	—	2,591,384,409	—	2,778,949,408
Total comprehensive loss for the period	—	—	—	(40,409,833)	(40,409,833)
<b>Balances at December 31, 2022</b>	<b>₱1,000,000,000</b>	<b>₱—</b>	<b>₱4,938,722,430</b>	<b>(₱126,125,941)</b>	<b>₱5,812,596,489</b>

*See accompanying Notes to Consolidated Financial Statements.*



**SP NEW ENERGY CORPORATION**  
**(Formerly Solar Philippines Nueva Ecija Corporation,**  
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**AND SUBSIDIARY**

**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE PERIOD FROM JULY 1, 2022 TO DECEMBER 31, 2022 AND**  
**FOR THE YEARS ENDED JUNE 30, 2022 AND 2021**

	<b>December 31, 2022 (Six Months)</b>	<b>June 30, 2022 (One Year)</b>	<b>June 30, 2021 (One Year)</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Loss before income tax	<b>(P40,144,695)</b>	<b>(P71,950,003)</b>	<b>(P22,668,903)</b>
Adjustments for:			
Interest accretion of lease liabilities (Note 15)	<b>4,532,695</b>	9,142,009	7,648,652
Amortization of right-of-use assets (Note 15)	<b>2,584,193</b>	5,420,370	4,038,265
Interest income (Note 4)	<b>(2,398,960)</b>	(548,180)	(6,090)
Unrealized foreign exchange loss (gain)	<b>(545,388)</b>	274,709	—
Provision for impairment of input VAT	—	—	109,091
Operating loss before working capital changes	<b>(35,972,155)</b>	(57,661,095)	(10,878,985)
Decrease (increase) in other current assets	<b>2,150,545</b>	(20,013,297)	(869,053)
Increase in accounts payable and accrued expenses	<b>52,217,812</b>	6,272,205	6,269,885
Cash used in operations	<b>18,396,202</b>	(71,402,187)	(5,478,153)
Interest received	<b>2,398,960</b>	548,180	6,090
Net cash flows from (used in) operating activities	<b>20,795,162</b>	<b>(70,854,007)</b>	<b>(5,472,063)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Additions to:			
Deposits for land acquisition (Note 8)	<b>(1,405,392,463)</b>	(541,700,000)	(537,000,000)
Other noncurrent assets (Note 9)	<b>(540,176,775)</b>	(112,848,087)	(802,361)
Property, plant and equipment (Note 7)	<b>(460,794,829)</b>	(906,749,770)	—
Investment properties (Note 6)	<b>(312,626,010)</b>	—	—
Due from related parties (Note 11)	<b>(279,710,439)</b>	(84,499,933)	—
Right-of-use assets (Note 15)	—	—	(20,121,600)
Cash flows used in investing activities	<b>(2,998,700,516)</b>	<b>(1,645,797,790)</b>	<b>(557,923,961)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from issuance of shares of stock, net of subscription receivable and transaction costs (Note 12)	<b>2,127,833,748</b>	2,599,338,022	555,996,517
Additional capital contribution (Note 12)	—	18,000,000	—
Payment of lease liabilities (Note 15)	—	(14,004,465)	—
Net advances from related parties	—	—	7,425,725
Collection of subscription receivable (Note 12)	—	—	187,500
Net cash flows from financing activities	<b>2,127,833,748</b>	<b>2,603,333,557</b>	<b>563,609,742</b>
<b>EFFECTS OF EXCHANGE RATE CHANGES ON CASH</b>			
	<b>545,388</b>	(274,709)	—
<b>NET INCREASE (DECREASE) IN CASH</b>	<b>(849,526,218)</b>	<b>886,407,051</b>	<b>213,718</b>
<b>CASH AT BEGINNING OF PERIOD</b>	<b>886,758,302</b>	<b>351,251</b>	<b>137,533</b>
<b>CASH AT END OF PERIOD (Notes 4 and 16)</b>	<b>P37,232,084</b>	<b>P886,758,302</b>	<b>P351,251</b>

*See accompanying Notes to Consolidated Financial Statements.*



**SP NEW ENERGY CORPORATION**  
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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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**1. Corporate Information**

**(a) Organization**

SP New Energy Corporation (formerly Solar Philippines Nueva Ecija Corporation) (the “Parent Company” or “SPNEC”) 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 April 17, 2023, the Parent Company has not yet started commercial operations [see details in (b) The Project below].

The Parent Company and Terra Nueva, Inc. (“TNI”), its subsidiary, are hereby collectively referred to as the “Group”.

Solar Philippines Power Project Holdings, Inc. (“SPPPHI”), a company incorporated in the Philippines, is the ultimate parent company of SPNEC. As of December 31, 2022, SPPPHI holds 54.24% ownership of SPNEC’s outstanding common shares.

**(b) The Project**

On August 22, 2017, Solar Philippines Commercial Rooftop Projects, Inc. (“SPCRPI”), an affiliate of the Parent 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 Parent Company.



On February 23, 2018, the Department of Energy (“DOE”) acknowledged and approved the Deed of Assignment between SPCRPI and the Parent Company. Further, on that same day, the DOE issued and approved a new Certificate of Registration (“COR”) under the name of the Parent Company which recognizes the Parent 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 Parent Company targets that Phase 1A shall be commissioned by mid-2023 while Phase 1B is planned to be commissioned by end of 2025. The second phase of the Project is a 275 MWdc solar power plant (“Phase 2”).

On August 20, 2019, the Parent 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 Parent Company began construction of Phase 1A (see Note 7).

(c) Initial Public Offering (“IPO”)

The Parent 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 Parent Company for the listing of its 8,124,350,005 common shares on the Main Board of the PSE.

The common shares of the Parent Company consisting of 8,124,350,005 shares, inclusive of the primary offering of 2,700,000,000 common shares and the issued and outstanding shares of 5,424,350,005 common shares, were listed on the Main Board of the PSE on December 17, 2021 and are currently being traded under the stock symbol “SPNEC” (see Note 12).

(d) Stock Rights Offering (“SRO”)

On February 14, 2022, the Board of Directors (“BOD”) of the Parent Company approved the conduct of an 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 August 25, 2022, the SEC and the PSE approved the application of the Parent Company for the listing of its 1,875,649,995 common shares on the Main Board of the PSE.

On September 15, 2022, the primary offering of 1,875,649,995 common shares were listed on the Main Board of the PSE (see Note 12).

(e) Share Swap

On February 24, 2022, the BOD of the Parent Company approved the acquisition of 100% of the outstanding shares of SPPPHI and affiliates in various entities (“Solar Philippines Assets”) (see Note 12).



On July 4, 2022, the BOD of the Parent Company approved the authorization to accept the transfer by way of donation of shares in Solar Philippines entities owned by Leandro Antonio L. Leviste (“LLL”), the Chairman, President and Chief Executive Officer of the Parent Company, or Countryside Investments Holdings Corporation (“CIHC”), including shares in SP Holdings, Inc. (“SPHI”), which are not directly held by SPPPHI.

(f) Change in Corporate Name and Fiscal Year

On August 8, 2022, the BOD of the Parent Company approved a resolution to amend the Articles of Incorporation and By-Laws to (1) change the corporate name from Solar Philippines Nueva Ecija Corporation to SP New Energy Corporation; and (2) change the Parent Company’s fiscal year from July 1 to June 30 of each year to January 1 to December 31 of each year. This was subsequently approved by the Parent Company’s stockholders on August 30, 2022.

On October 24, 2022, the SEC approved the application for amendment of the Parent Company’s Articles of Incorporation and By-Laws.

On October 28, 2022, the complete requirements for the change in accounting period for tax purposes were submitted to the Bureau of Internal Revenue (“BIR”). The BIR approved the change in accounting period on January 11, 2023.

(g) Principal Office Address

The registered business address of the Parent Company is at 20th Floor, AIA Tower (formerly 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.

(h) Authorization for the Issuance of the Consolidated Financial Statements

The consolidated financial statements of the Group as of December 31, 2022 and June 30, 2022 and for the period from July 1, 2022 to December 31, 2022 and for the years ended June 30, 2022 and 2021 were authorized for issue by the BOD on April 17, 2023.

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

Basis of Preparation

The consolidated financial statements have been prepared using the historical cost basis. The consolidated financial statements are presented in Philippine Peso (₱), the Group’s functional and presentation currency. All amounts are rounded to the nearest ₱, unless otherwise indicated.

The amounts presented in the consolidated statements of comprehensive income, consolidated statements of changes in equity, consolidated statements of cash flows and the related notes, which are for the six months ended December 31, 2022 and for the years ended June 30, 2022 and 2021, respectively, are not comparable.





### Statement of Compliance

The consolidated financial statements 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, except for the adoption of new standards effective starting July 1, 2022. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

The adoption of these new standards did not have an impact on the consolidated financial statements.

- Amendments to PFRS 3, *Reference to the Conceptual Framework*

The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements. The amendments added an exception to the recognition principle of PFRS 3, *Business Combinations* to avoid the issue of potential ‘day 2’ gains or losses arising for liabilities and contingent liabilities that would be within the scope of PAS 37, *Provisions, Contingent Liabilities and Contingent Assets* or Philippine-IFRIC 21, *Levies*, if incurred separately.

At the same time, the amendments add a new paragraph to PFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

- Amendments to PAS 16, *Property, Plant and Equipment: Proceeds before Intended Use*

The amendments prohibit entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the costs of producing those items, in profit or loss.

- Amendments to PAS 37, *Onerous Contracts - Costs of Fulfilling a Contract*

The amendments specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a “directly related cost approach”. The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

- *Annual Improvements to PFRSs 2018-2020 Cycle*

- Amendments to PFRS 1, *First-time Adoption of Philippines Financial Reporting Standards, Subsidiary as a first-time adopter*



The amendment permits a subsidiary that elects to apply paragraph D16(a) of PFRS 1 to measure cumulative translation differences using the amounts reported in the Group's consolidated financial statements, based on the Group's date of transition to PFRS, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of PFRS 1.

- Amendments to PFRS 9, *Financial Instruments*, Fees in the '10 per cent' test for derecognition of financial liabilities

The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.

- Amendments to PAS 41, *Agriculture*, Taxation in fair value measurements

The amendment removes the requirement in paragraph 22 of PAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of PAS 41.

#### *Summary of Significant Accounting Policies*

##### Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiary as at December 31, 2022 and June 30, 2022.

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investees and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements; and,
- The Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statements of comprehensive income from the date the Group gains control until the date the Parent Company ceases to control the subsidiary.



Profit or loss and each component of OCI are attributed to the equity holders of the parent of the Group and to the NCI, even if this results in the NCI having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognizes the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognized in profit or loss. Any investment retained is recognized at fair value.

#### Subsidiary

The Parent Company and its wholly owned subsidiary Terra Nueva, Inc. ("TNI"), were separately incorporated and registered with the Philippine SEC.

TNI was incorporated on August 31, 2022 primarily to invest in, purchase, or otherwise acquire, own, and hold on assets purely for investment purposes.

#### Current versus Noncurrent Classification

The Group presents assets and liabilities in the consolidated statements of financial position based on the current/noncurrent 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 the normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve (12) months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve (12) months after the reporting period.

The terms of the liability that could, at the option of the counterparty, result in its settlement by the issue of equity do not affect its classification.

The Group classifies all other liabilities as noncurrent.

Deferred income tax assets and liabilities are classified as noncurrent assets and liabilities, respectively.

#### Cash

Cash in the consolidated statements of financial position comprise cash on hand and 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 Group's business model for managing them. The Group 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 Group'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 Group 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 Group 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 consolidated statements of comprehensive income when the asset is derecognized, modified or impaired.

The Group's financial assets at amortized cost include cash in banks, subscription receivable, due from related parties, surety and performance bond and cash bond deposit included under other current assets, as of December 31, 2022 and June 30, 2022 (see Notes 4, 5, 9, 11 and 16).



The Group 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 consolidated statements of comprehensive income when the liabilities are derecognized, as well as through the amortization process.

The Group's loans and borrowings include accounts payable and accrued expenses (excluding payable to employees and government agencies), due to a related party and lease liabilities as of December 31, 2022 and June 30, 2022 (see Notes 10, 11, 15 and 16).

As of December 31, 2022 and June 30, 2022, the Group 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 Group 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 Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained the risks and rewards of the asset but has transferred the control of the asset.

Where the Group 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 Group'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 Group 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 consolidated statements of comprehensive income.



### Impairment of Financial Assets

The Group 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 Group 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 consolidated statements 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 Group assesses that it has a currently enforceable right of offset if the right is not contingent on a future event, and is legally enforceable in the normal course of business, event of default, and event of insolvency or bankruptcy of the Group and all of the counterparties.

### *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 Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming 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 Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described 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 consolidated financial statements on a recurring basis, the Group 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 Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

#### Advances to Contractors

Advances to contractors pertain to advance payments made for purchases of construction materials, other services, and rental of equipment. 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 Group 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 (“ROU”) 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 Group’s policy to classify ROU assets as part of property, plant and equipment. The Group 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 Group 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).

#### Investment Properties

Investment properties include parcel of lands held by the Group for capital appreciation and are measured initially at cost less any impairment in value. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in profit or loss in the period in which they arise, including the corresponding tax effect.

Investment properties are derecognized when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognized in the consolidated statement of comprehensive income in the year of retirement or disposal.

Transfers are made to investment property when, and only when, there is a change in use, evidenced by ending of owner-occupation or commencement of an operating lease to another party. Transfers are made from investment property when there is a change in use, evidenced by commencement of owner-occupation or commencement of development with a view to sell.

For a transfer from investment property to owner-occupied property or inventories, the cost of property for subsequent accounting is its carrying value at the date of change in use. If the property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property and equipment up to the date of change in use.

#### Input Value-Added Tax (“VAT”)

Input VAT represents the VAT due or paid on purchases of goods and services that the Group 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 that are intended for future expansion, and are stated at the amount paid less any impairment in value. Upon successful transfer of title, the deposits for land acquisition will be reclassified to land as part of either investment property or property, plant and equipment.

#### Impairment of Nonfinancial Assets

The Group 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 Group 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 Group 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 consolidated statements of comprehensive income.

#### Capital Stock

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

#### Additional paid-in capital ("APIC")

When the shares of stock 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.

#### Subscription Receivable

Subscription receivable represents shares of stock subscribed and issued by the Parent Company but payment from the shareholders has not yet been received. Subscription receivable is presented as current assets when it is expected to be collected within twelve months after the financial reporting date. Otherwise, this is presented as reduction from equity.



#### 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 Group 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 Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group 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 Group 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 Group and payments of penalties for terminating a lease, if the lease term reflects the Group 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 Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

#### *Short-term leases*

The Group 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 Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the Group 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 Group 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 Group 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 Group and the weighted average number of common shares outstanding during the year, adjusted for the effect of all dilutive potential common shares. As of December 31, 2022 and June 30, 2022, the Group does not have any dilutive potential common shares. Hence, diluted EPS is the same as basic EPS.

#### Operating Segments

The Group has no operating segments as it has not yet commenced its commercial operations as of December 31, 2022 and June 30, 2022.

#### Contingencies

Contingent liabilities are not recognized in the consolidated 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 consolidated financial statements but are disclosed in the notes when an inflow of economic benefits is probable.

#### Events After the Financial Reporting Date

Events after the financial reporting date that provide additional information about the Group’s position at the balance sheet date (adjusting events) are reflected in the consolidated financial statements. Events after the financial reporting date that are not adjusting events are disclosed in the notes to consolidated financial statements when material.

#### Future Changes in Accounting Policies

Pronouncements issued but not yet effective are listed below. Unless otherwise indicated, the Group does not expect that the future adoption of the said pronouncements to have a significant impact on the consolidated financial statements. The Group intends to adopt the following pronouncements when they become effective.

#### *Effective beginning on or after January 1, 2023*

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



*Effective beginning on or after January 1, 2024*

- Amendments to PAS 1, *Classification of Liabilities as Current or Non-current*
- Amendments to PFRS 16, *Lease Liability in a Sale and Leaseback*

*Effective beginning on or after January 1, 2025*

- 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*

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### 3. Significant Accounting Estimate and Assumption

The consolidated financial statements prepared in accordance with PFRSs require management to make judgments and estimates that affect amounts reported in the consolidated financial statements and related notes. The judgments and estimates used in the consolidated financial statements are based upon management's evaluation of relevant facts and circumstances as of the date of the consolidated 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 Group assess to have significant risks arising from estimation uncertainties:

#### Judgment

In the process of applying the Group'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 consolidated financial statements. This judgment is based upon management's evaluation of relevant facts and circumstances as of the date of the consolidated financial statements.

#### *Determination of Control Over an Investee Company*

Control is presumed to exist when an investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The Group has established that it has the ability to control its subsidiary by virtue of 100% voting interest in the investee company.

#### *Assessing Impairment of Deposits for Land Acquisition*

The Group 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 from 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 December 31, 2022 and June 30, 2022, 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 ₱2,026.9 million and ₱621.5 million as of December 31, 2022 and June 30, 2022, respectively (see Notes 8 and 11).



## Estimates

### *Estimating Useful Lives of ROU Assets*

The Group 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 ₱281.5 million and ₱286.9 million as of December 31, 2022 and June 30, 2022, respectively (see Note 15).

### *Estimating Impairment of Financial Assets*

The measurement of impairment losses under PFRS 9 across all categories of financial assets requires judgment, in particular, the estimation of the amount and timing of future cash flows, including collectability, collateral values and other credit enhancements, when determining impairment losses. Increases or decreases to the allowance balance are recorded as general and administrative expenses in the consolidated statements of comprehensive income.

Under PFRS 9, *Financial Instruments*, additional judgments are also made in assessing a significant increase in credit risk in the case of financial assets measured using the general approach. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

The Group's impairment calculations are outputs of statistical models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the impairment models that are considered accounting judgments and estimates include:

- The Group's criteria for defining default and for assessing if there has been a significant increase in credit risk;
- The segmentation of financial and contract assets when impairment is assessed on a collective basis;
- The choice of inputs and the various formulas used in the impairment calculation;
- Determination of relationships between macroeconomic scenarios and, economic inputs, such as unemployment levels and collateral values, and the effect on PDs, EADs and LGDs; and,
- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the impairment models.

It has been the Group's policy to regularly review its models in the context of actual loss experience and adjust when necessary.

### *Measurement of expected credit losses*

ECLs are derived from unbiased and probability-weighted estimates of expected loss, and are measured as follows:

- *Financial assets that are not credit-impaired at the reporting date:* as the present value of all cash shortfalls over the expected life of the financial asset discounted by the effective interest rate. The cash shortfall is the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive.



- *Financial assets that are credit-impaired at the reporting date:* as the difference between the gross carrying amount and the present value of estimated future cash flows discounted by the effective interest rate.

The Group leverages existing risk management indicators (e.g., internal credit risk classification and restructuring triggers), credit risk rating changes and reasonable and supportable information which allows the Group to identify whether the credit risk of financial assets has significantly increased.

No provision for ECL was recognized by the Group for the period from July 1, 2022 to December 31, 2022 and for the years ended June 30, 2022 and 2021. The aggregate carrying values of cash in banks, subscription receivable, due from related parties, performance bond and cash bond amounted to ₱1,525.2 million and ₱1,445.3 million as of December 31, 2022 and June 30, 2022, respectively (Notes 4, 5, 11, 12, and 16).

#### *Estimating Impairment of Nonfinancial Assets*

The Group 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 Group 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:

	<b>December 31, 2022</b>	<b>June 30, 2022</b>
Deposits for land acquisition (Note 8)	<b>₱2,026,892,396</b>	₱621,499,933
Property, plant and equipment (Notes 1 and 7)	<b>1,389,743,501</b>	921,385,618
Investment properties (Note 6)	<b>312,626,010</b>	–
Right-of-use assets (Note 15)	<b>281,490,123</b>	286,910,493
Other noncurrent assets (Note 9)	<b>654,395,146</b>	114,218,372
<b>Balances at end of year</b>	<b>₱4,665,147,176</b>	<b>₱1,944,014,416</b>

There were no indicators of impairment of nonfinancial assets for the period from July 1, 2022 to December 31, 2022 and for the years ended June 30, 2022 and 2021.



*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 ₱30.2 million and ₱31.0 million as of December 31, 2022 and June 30, 2022, respectively (see Note 14). The Group did not recognize deferred income tax assets on the carryforward benefits of unused net operating loss carryover (“NOLCO”) amounting to ₱254.4 million and ₱190.6 million as of December 31, 2022 and June 30, 2022, 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 14).

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**4. Cash**

	<b>December 31, 2022</b>	June 30, 2022
Cash in banks	<b>₱37,132,084</b>	₱886,658,302
Cash on hand	<b>100,000</b>	100,000
	<b>₱37,232,084</b>	₱886,758,302

Cash in banks earn interest at the respective bank deposit rates. Total interest earned on cash in banks, net of final tax, amounted to ₱2.4 million, ₱0.5 million and ₱6,090 for the period from July 1, 2022 to December 31, 2022 and for the years ended June 30, 2022 and 2021, respectively.

Cash in banks include the balance of escrow account where the net proceeds of the IPO and SRO of the Parent Company are deposited. As provided in the escrow agreement, the escrow agent shall release to the Parent Company the offer proceeds within five banking days from the receipt of an instruction letter from the Parent 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 and/or SRO.

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

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**5. Other Current Assets**

	<b>December 31, 2022</b>	June 30, 2022
Surety and performance bond (Note 20)	<b>₱15,000,000</b>	₱15,000,000
Prepaid premiums (Notes 13 and 20)	<b>2,969,843</b>	1,350,000
Cash bond deposit (Note 15)	<b>552,038</b>	552,038
Others	<b>116,962</b>	3,887,350
	<b>₱18,638,843</b>	₱20,789,388





As part of the bid requirements for the Contract Capacity of 280MWdc under the Green Energy Auction Program (“GEAP”) of DOE, the Parent Company acquired bid security bond and performance bond. In 2022, the Parent Company paid premiums exclusive of VAT and other charges of ₱1.35 million for the bid security bond which was valid until September 15, 2022, and ₱7.5 million for the performance bond which shall be valid until August 2, 2023 (see Note 20).

Premiums recognized for the period from July 1, 2022 to December 31, 2022 and for the years ended June 30, 2022 and 2021 amounted to ₱2.1 million and nil, respectively, presented in “Others” as part of “Expenses” in the consolidated statements of comprehensive income (see Note 13).

Others include advances to employees of SPPPHI used for the operations that are subject for liquidation within 30 days.

## 6. Investment Properties

As of December 31, 2022, investment properties primarily include parcels of land located in Nueva Ecija with a total area of 316.46 hectares. These properties were obtained by TNI from various landowners through various Deeds of Absolute Sale (“DOAs”) Agreements executed in 2022.

The total cost of the investment properties, including land-related costs amounted to ₱312.6 million as at December 31, 2022.

The Group did not recognize any rental income and direct operating expenses arising from the investment properties for the period from July 1, 2022 to December 31, 2022. As of December 31, 2022, the carrying amount of the investment properties approximate their fair values.

## 7. Property, Plant and Equipment

	December 31, 2022		
	Transportation Equipment	Construction in progress	Total
<b>Cost:</b>			
Balance at beginning of the period	₱–	₱921,385,618	₱921,385,618
Additions (Notes 9 and 15)	207,600	468,164,123	468,371,723
<b>Balances at end of the period</b>	<b>207,600</b>	<b>1,389,549,741</b>	<b>1,389,757,341</b>
<b>Accumulated depreciation, amortization and impairment losses:</b>			
Depreciation (Note 13)	13,840	–	13,840
<b>Balances at end of the period</b>	<b>13,840</b>	<b>–</b>	<b>13,840</b>
<b>Net book value</b>	<b>₱193,760</b>	<b>₱1,389,549,741</b>	<b>₱1,389,743,501</b>

	June 30, 2022
	Construction in progress
<b>Cost:</b>	
Balance at beginning of the period	₱–
Additions (Notes 9 and 15)	921,385,618
<b>Balance at end of period</b>	<b>₱921,385,618</b>

The construction in progress pertains to costs capitalized for the Project of the Parent Company (see Note 1).



## 8. Deposits for Land Acquisition

### *Memorandum of Agreements (“MOA”)*

#### *a) Provincia Investments Corporation (“PIC”)*

On February 20, 2021, the Parent 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 68.62 hectares.

In October 2022, PIC filed with the National Irrigation Authority (“NIA”) for the issuance of certificate of non-irrigation coverage for approximately 18.0 hectares. As of April 17, 2023, PIC is still awaiting the release of the NIA certification and is in the process of preparing the application for the next batch of lands that will be filed with NIA in 2023.

#### *b) Lupang Hinirang Holdings Corporation (“LHHC”)*

On April 19, 2021, the Parent 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.

LHHC is finalizing the collation of all the necessary documentary requirements to be submitted to the DOE and Local Government Unit for the issuance of certification as priority project, and to the NIA for the issuance of certificate of non-irrigation coverage. LHHC aims to submit these documentary requirements to the appropriate government agencies in 2023.

As of December 31, 2022 and June 30, 2022, deposits for land acquisition related to these MOAs amounted to ₱537.0 million which represent full payment (see Note 11).

### *Contracts to Sell with Various Landowners*

In 2022, the Group entered into Contracts to Sell (“CTS”) with various landowners for the acquisition of parcels of land intended for future expansion. These CTS with a total contract price of ₱2,600.8 million, including land-related costs, covers certain parcels of land with a total area of 1,601.93 hectares.

As of December 31, 2022 and June 30, 2022, deposits for land acquisition to various landowners, including land-related costs amounted to ₱1,489.9 million and ₱84.5 million, respectively (see Note 11). The remaining balance will be settled when the conditions under the CTS are satisfied.

## 9. Other Noncurrent Assets

	December 31, 2022	June 30, 2022
Deposits (Notes 11 and 16)	<b>₱500,000,000</b>	<b>₱—</b>
Input VAT	<b>144,640,016</b>	96,601,001
Deferred input VAT	<b>480,000</b>	1,200,000
Advances to contractors	—	8,295,392
Others (Note 15)	<b>9,403,298</b>	8,250,146
	<b>654,523,314</b>	114,346,539
Less allowance for impairment of input VAT	<b>(128,168)</b>	(128,168)
	<b>₱654,395,146</b>	<b>₱114,218,371</b>



Deposits pertain to the refundable deposit amounting to ₱500.0 million that TNI has provided to SPPPHI to facilitate and expedite the performance of services by SPPPHI under the Deposits and Services Agreement entered into by both parties (see Note 11).

Advances to contractors pertain to advance payments for the purchase of goods and services in connection with the construction of the Project (see Note 1).

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#### 10. Accounts Payable and Accrued Expenses

	<b>December 31, 2022</b>	<b>June 30, 2022</b>
Accounts payable (Note 11)	<b>₱15,039,314</b>	₱9,766,610
Withholding tax payable	<b>47,298,615</b>	691,094
Accrued expenses	<b>2,836,359</b>	2,538,034
Other payables	<b>43,784</b>	4,522
	<b>₱65,218,072</b>	₱13,000,260

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 includes accrual of professional fees.

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#### 11. 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 Group 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. Following are the Group's related party transactions for the period from July 1, 2022 to December 31, 2022 and for the years ended June 30, 2022 and 2021, and the related outstanding balances as of December 31, 2022 and June 30, 2022:



	Transactions during the periods ended			Outstanding balances as of		Terms	Conditions
	December 31, 2022 (Six Months)	June 30, 2022 (One Year)	June 30, 2021 (One Year)	December 31, 2022	June 30, 2022		
<i>Deposits (Note 9)</i>							
SPPPHI	<b>₱500,000,000</b>	₱–	₱–	<b>₱500,000,000</b>	₱–	Refundable, non-interest bearing	Unsecured; Not impaired
<i>Deposits for land acquisition (Note 8)</i>							
LHHC	₱–	₱–	₱270,000,000	<b>₱270,000,000</b>	₱270,000,000	Deposits; non-interest bearing	Unsecured; Not impaired
PIC	–	–	267,000,000	<b>267,000,000</b>	267,000,000	-do-	-do-
				<b>₱537,000,000</b>	<b>₱537,000,000</b>		
<i>Due from related parties</i>							
Ultimate Parent Company						Due and demandable; non-interest bearing	Unsecured; Not impaired
SPPPHI	<b>₱8,700,000</b>	₱–	₱–	<b>₱8,700,000</b>	₱–		
Affiliates:							
SPHI	<b>251,890,000</b>	–	–	<b>793,590,000</b>	541,700,000	-do-	-do-
SPCRPI	<b>19,098,320</b>	–	–	<b>19,098,320</b>	–	-do-	-do-
				<b>812,688,320</b>	541,700,000		
				<b>₱821,388,320</b>	<b>₱541,700,000</b>		
<i>Due to a related party</i>							
SPPPHI	₱–	₱6,966,300	₱4,945,000	<b>₱22,770,229</b>	₱22,792,348	Due and demandable; non-interest bearing	Unsecured
<i>Accounts payable (Note 10)</i>							
SPPPHI	<b>₱80,800,000</b>	₱24,000,000	₱4,000,000	<b>₱12,700,000</b>	₱9,700,000	Due and demandable; non-interest bearing	Unsecured
SMSC	<b>23,450,790</b>	–	–	<b>2,339,094</b>	–	-do-	-do-
				<b>₱15,039,094</b>	<b>₱9,700,000</b>		

a. SPPPHI

*Deed of Assignment with SPPPHI*

On January 11, 2021, a Deed of Assignment was entered into by the Parent Company, as the assignee, and SPPPHI, as the assignor, whereby, SPPPHI assigned to the Parent 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 Parent Company accepted and assumed all of the said rights and obligations thus assigned, pursuant to the said Deed of Assignment (see Note 15).

*Management Services Agreement (“MSA”) with SPPPHI*

On April 30, 2021, the Parent Company entered into a MSA with SPPPHI 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, subject to 5% annual escalation.



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

Prior to May 2021, the administrative and finance functions of the Parent Company were being handled by SPPPHI at no cost to the Parent Company. Starting May 2021, the key administrative and finance functions are performed by SPPPHI through the MSA. Management fee recognized for the period from July 1, 2022 to December 31, 2022 and for the years ended June 30, 2022 and 2021 amounted to ₱12.8 million, ₱24.0 million and ₱4.0 million, respectively, presented as "Management fee" under "Expenses" in the consolidated statements of comprehensive income (see Note 13).

*Construction Support Services Agreement ("CSSA") with SPPPHI*

On September 30, 2022, the Parent Company entered into a CSSA with SPPPHI wherein SPPPHI shall provide support services, including engineering, procurement and construction ("EPC"), logistics, warehousing and other contractor-related services during the construction of the Project.

Construction support services recognized for the period from July 1, 2022 to December 31, 2022 and for the year ended June 30, 2022, amounted to ₱68.0 million, and nil, respectively, which were capitalized as part of construction in progress (see Note 7).

*Site Acquisition Services Agreement ("SASA") between TNI and SPPPHI*

On December 26, 2022, TNI entered into a SASA with SPPPHI which will cover site acquisition services covering a total area of 992.77 hectares for a consideration of ₱150.0 million, exclusive of VAT, from October 1, 2022 to December 31, 2022.

As of December 31, 2022, TNI has fully paid for the site acquisition services rendered by SPPPHI and has presented this as part of "Deposits for land acquisition" in the consolidated statement of financial position (see Note 8).

*Deposit and Services Agreement between TNI and SPPPHI*

On December 26, 2022, TNI entered into an agreement with SPPPHI, wherein SPPPHI shall provide assistance, representation, facilitation of documentation and submission of necessary documents and liaison with relevant government units, agencies and offices including government owned and controlled corporations to secure land use conversion orders from the Department of Agrarian Reform ("DAR") for the 992.77 hectares acquired by TNI and the delivery to TNI of the relevant conversion orders from the date of the agreement until

December 31, 2024. To facilitate and expedite the performance of the services by SPPPHI, TNI has provided SPPPHI a refundable deposit amounting to ₱500.0 million which is presented as "Deposits" as part of "Other noncurrent assets" in the consolidated statements of financial position (see Note 9).

b. LHHHC

*MOA with LHHHC*

On April 19, 2021, the Parent Company entered into a MOA with LHHHC to secure land covering a total area of 56.81 hectares for a total amount of ₱270.0 million (see Note 8).



c. PIC

*MOA with PIC*

On February 20, 2021, the Parent Company entered into a MOA with PIC, which was later amended on March 3, 2021, to secure land covering a total area of 68.62 hectares for a total amount of ₱267.0 million (see Note 8).

d. SPCRPI

*Project Development Services Agreement (“PDSA”) and Amendment Agreement with SPCRPI*

On September 30, 2022, the Parent Company entered into a PDSA with SPPPHI wherein SPPPHI shall provide project development services, including site identification, permitting and land acquisition, covering a total area of 925.61 hectares, for a consideration of ₱150.0 million, exclusive of VAT.

On October 5, 2022, SPPPHI assigned all of its rights and obligations under the PDSA to SPCRPI.

As of December 31, 2022, the Parent Company has fully paid the services rendered by SPCRPI and has presented this as part of “Deposits for land acquisition” in the consolidated statements of financial position (see Note 7).

*CSSA with SPCRPI*

On September 30, 2022, the Parent Company entered into a separate CSSA with SPCRPI wherein SPCRPI shall provide support services, including EPC, logistics, warehousing and other contractor-related services during the construction of the Project for a consideration of ₱100.0 million, exclusive of VAT.

On October 5, 2022, the parties agreed to amend the consideration of the CSSA from ₱100.0 million to ₱219.5 million, exclusive of VAT.

As of December 31, 2022, ₱219.5 million was capitalized as part of construction in progress (see Note 7).

e. Solar Maintenance Services Corporation (“SMSC”)

*Support Services Agreement with SMSC*

On September 29, 2022, the Parent Company entered into a Support Services Agreement with SMSC, an affiliate of the Parent Company, wherein SMSC shall provide support services during the construction and development of the Project. Manpower services recognized for the period from July 1, 2022 to December 31, 2022 and for the years ended June 30, 2022 and 2021, amounted to ₱23.5 million and nil, which was capitalized as part of construction in progress (see Note 7).



## 12. Equity

### Capital Stock and Additional Paid-in Capital

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

	December 31, 2022		June 30, 2022	
	Number of Shares	Amount	Number of 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	8,124,350,005	₱812,435,001	5,424,350,000	₱542,435,000
Issuance of shares during the period	1,875,649,995	187,564,999	2,700,000,005	270,000,001
Balances at end of period	10,000,000,000	₱1,000,000,000	8,124,350,005	₱812,435,001

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

In July 2021 and November 2021, the Parent Company entered into a Memorandum of Agreement with SPPPHI, whereby SPPPHI 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.

### *IPO*

On December 17, 2021, the Parent Company completed its IPO and was listed in the PSE under the stock symbol "SPNEC". The Parent 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 Parent Company approved amendments in the Parent 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 Parent Company on March 7, 2022. The proposal to increase the Parent Company's authorized capital stock would enable the Parent Company to acquire other solar projects and fund the expansion of its portfolio.

As of April 17, 2023, the Parent Company is in the process of filing the required documents with the SEC.

### *SRO*

On February 14, 2022, the BOD of the Parent Company approved the conduct of a 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 March 28, 2022, pursuant to the approval of its BOD, the Parent Company 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.

On April 8, 2022, the Parent Company filed with the SEC an application for Confirmation of Exempt Transaction covering the common shares to be issued relative to the SRO, pursuant to Section 10.1(e) (in respect of the Rights Offer) and 10.1(l) (in respect of the QB Take-Up) of the Securities Regulation Code (“SRC”) under which the exemption is based. The SEC issued the Confirmation of Exempt Transaction on July 19, 2022.

On August 18, 2022, the Parent Company notified the PSE of the final offer price of ₱1.50 per share, and offered the option to pay in installments, with a down payment of 25% and the balance of 75% within three months of the offer period.

On September 15, 2022, the Parent Company completed its SRO and issued 1,875,649,995 new common shares for a total consideration of ₱2,813.5 million or at ₱1.50 par value. This resulted to an additional paid-in capital of ₱2,591.4 million, net of transaction costs of ₱34.5 million.

On December 1, 2022, the Parent Company extended the payment period for partially paid Right Shares for a period of three months, from December 5, 2022 to March 5, 2023.

As of December 31, 2022, subscription receivable resulting from those that subscribed on installment payment amounted to ₱651.1 million. As of April 17, 2023, the Company has already received at least 99.84% of the payments and is currently coordinating with the relevant parties for the completion of the requirements of its SRO.

#### *Share Swap*

On February 24, 2022, the BOD of the Parent 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 Batangas Baseload Corporation
- Solar Philippines Batangas Corporation
- Solar Philippines Central Luzon Corporation
- Solar Philippines Central Visayas Corporation
- Solar Philippines Eastern Corporation
- Solar Philippines Retail Electricity, Inc.
- Solar Philippines Rooftop Corporation
- Solar Philippines South Luzon Corporation
- Solar Philippines Southern Mindanao Corporation
- Solar Philippines Southern Tagalog Corporation
- Solar Philippines Tarlac Baseload Corporation
- Solar Philippines Visayas Corporation
- Solar Philippines Western Corporation
- Laguna Solar Rooftop Corporation
- Solar Philippines Tanauan Corporation
- Terra Solar Philippines, Inc.





- SP Holdings, Inc.
- Solar Philippines Commercial Rooftop Projects, Inc.

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

*Pledge of Parent Company’s Shares owned by SPPPHI*

On June 25, 2021, SPPPHI executed a pledge over all the Parent Company’s shares it holds to secure a loan by its affiliate, PIC, from AC Energy Corporation (“ACEN”). The pledged stock certificates of the Parent Company’s shares 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.

On January 25, 2023, SPPPHI executed definitive agreements with ACEN to provide 500 million shares of SPNEC as pre-payment for part of the loan’s principal and payment of interest, other fees, and in consideration of ACEN releasing its pledge over shares owned by SPPPHI in SPNEC.

### 13. Expenses

	<b>December 31, 2022 (Six Months)</b>	<b>June 30, 2022 (One Year)</b>	<b>June 30, 2021 (One Year)</b>
Management fee (Note 11)	<b>₱12,800,000</b>	₱24,000,000	₱4,000,000
Taxes and licenses	<b>6,848,628</b>	10,592,654	1,453,987
Professional fees	<b>6,401,289</b>	6,540,000	2,652,032
Interest accretion of lease liabilities (Note 15)	<b>4,532,695</b>	9,142,009	7,648,652
Amortization of right-of-use assets (Note 15)	<b>2,584,193</b>	5,420,370	4,038,265
Penalties and surcharges	<b>1,819,212</b>	48,055	—
Supplies	<b>1,395,501</b>	409,081	—
Advertising	<b>784,398</b>	—	—
PSE Filing Fee	—	12,465,411	—
Bid-related costs	—	1,634,000	1,909,091
Others (Notes 5 and 7)	<b>5,377,739</b>	2,246,603	972,966
	<b>₱42,543,655</b>	<b>₱72,498,183</b>	<b>₱22,674,993</b>

For the period from July 1, 2022 to December 31, 2022, other expenses include premiums, notarial fees, trust fees, utilities, depreciation expense and travel expenses.



#### 14. Income Taxes

There is no provision for current income tax for the periods ended December 31, 2022 and June 30, 2022 due to the Group's net taxable loss positions.

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

	<b>December 31, 2022 (Six Months)</b>	<b>June 30, 2022 (One Year)</b>	<b>June 30, 2021 (One Year)</b>
Income tax benefit at statutory income tax rate	<b>(P4,170,289)</b>	(P7,195,000)	(P2,266,890)
Adjustments for:			
Movements in unrecognized deferred income tax assets	<b>8,254,469</b>	5,908,169	3,849,747
Transaction costs charged to APIC and retained earnings	<b>(3,452,558)</b>	(10,066,198)	(743,848)
Interest income subject to final tax	<b>(744,149)</b>	(54,818)	(609)
Nondeductible expenses	<b>377,665</b>	37,292	65,891
Provision for (benefit from) deferred income tax	<b>P265,138</b>	(P11,370,555)	P904,291

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

	<b>December 31, 2022</b>	<b>June 30, 2022</b>
Deferred income tax asset on lease liability	<b>P30,219,583</b>	P31,026,757
Deferred income tax liability on ROU asset	<b>(20,018,457)</b>	(20,560,493)
Net deferred income tax asset	<b>P10,201,126</b>	P10,466,264

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

<b>Period Incurred</b>	<b>Valid Until</b>	<b>Amount</b>
July 1, 2022 to December 31, 2022	December 31, 2025	P68,221,542
July 1, 2021 to June 30, 2022	June 30, 2027	172,229,330
January 1 to June 30, 2021	June 30, 2026	6,762,211
January 1 to December 31, 2020	December 31, 2025	7,162,169
		<b>P254,375,252</b>



The movements in NOLCO are as follows:

	For the six-month period ended*	For the year ended
Balances at beginning of period	<b>₱190,618,674</b>	₱19,078,574
Additions	<b>68,221,542</b>	172,229,330
Expirations	<b>(4,464,964)</b>	(689,230)
Balances at end of period	<b>₱254,375,252</b>	₱190,618,674

\*The beginning of period applicable for December 31, 2022 is July 1, 2022 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 December 31, 2022 and June 30, 2022 amounting to ₱254.8 million and ₱190.6 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.

## 15. Leases

- In 2019, the Parent 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 the parties.
- On January 11, 2021, a Deed of Assignment was entered between the Parent Company, as the assignee, and SPPPHI, as the assignor, whereby, SPPPHI assigned all of its rights and obligations under the September 6, 2016 lease agreement for certain parcels of land with a total area of 179.6 hectares in Peñaranda, Nueva Ecija. The Parent Company accepted and assumed all of the said rights and obligations thus assigned, in pursuance of the said Deed of Assignment. Further, as agreed by the parties, the lease of the updated total land area of 169.9 hectares commenced in March 2021.
- In May 2021, the Parent 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 five (5) years upon mutual agreement by the parties.
- ROU assets as of December 31, 2022 and June 30, 2022 are as follows:

	December 31 2022	June 30, 2022
Balances at beginning of period	<b>₱286,910,494</b>	₱297,751,234
Amortization capitalized to construction in progress*	<b>(2,836,178)</b>	(5,420,370)
Amortization during the period (Note 13)	<b>(2,584,193)</b>	(5,420,370)
Balances at end of period	<b>₱281,490,123</b>	₱286,910,494

\*Incurred during the construction period (see Notes 1 and 7)



- e. Lease liabilities as of December 31, 2022 and June 30, 2022 are as follows:

	December 31 2022*	June 30, 2022
Balances at beginning of period	<b>₱293,878,848</b>	₱289,525,826
Interest expense capitalized to construction in progress*	<b>4,726,877</b>	9,215,478
Interest expense (Note 13)	<b>4,532,695</b>	9,142,009
Payments	—	(14,004,465)
Total lease liabilities	<b>303,138,420</b>	293,878,848
Current portion of lease liabilities	<b>(4,538,676)</b>	(4,538,676)
Noncurrent portion of lease liabilities	<b>₱298,599,744</b>	₱289,340,172

\*Incurred during the construction period (see Notes 1 and 7)

- f. The following are the amounts recognized for the period from July 1, 2022 to December 31, 2022 and for the years ended June 30, 2022 and 2021 in the consolidated statements of comprehensive income:

	December 31, 2022 (Six Months)	June 30, 2022 (One Year)	June 30, 2021 (One Year)
Interest accretion of lease liabilities	<b>₱4,532,695</b>	₱9,142,009	₱7,648,652
Amortization of ROU assets	<b>2,584,193</b>	5,420,370	4,038,265
Total amount recognized in the consolidated statements of comprehensive income	<b>₱7,116,888</b>	₱14,562,379	₱11,686,917

- g. As of December 31, 2022 and June 30, 2022, cash bond deposit amounting to ₱0.6 million, pertain to cash bond deposits paid to DAR for the conversion of leased land from agricultural to industrial land.
- h. On April 30, 2021, the Parent 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 Parent Company to effectively cause the conversion of said land from agricultural to industrial classification.
- i. On December 28, 2022, the Parent Company received the DAR order for the conversion of 83.8 hectares of leased lands.

## 16. Financial Instruments and Financial Risk Management

### Financial Risk Management Objectives and Policies

The Group's principal financial instruments comprise of cash, subscription receivable, due from related parties, performance bond, cash bond deposit, accounts payable and accrued expenses, due to a related party and lease liabilities. The main purpose of these financial instruments is to finance the Group's operations.



The BOD has overall responsibility for the establishment and oversight of the Group's risk management framework. The Group's risk management policies are established to identify and manage the Group'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 Group's activities.

The Group 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 Group, which comprise cash in banks, due from related parties, performance bond and cash bond deposit, the Group's exposure to credit risk arises from default of the counterparty, with maximum exposure equal to the carrying amount of these instruments. The Group's cash in banks, subscription receivable, due from related parties, performance bond and cash bond deposit amounted to ₱1,525.2 million and ₱1,445.3 million as of December 31, 2022 and June 30, 2022, respectively.

#### *Cash in banks*

For cash in banks, the Group 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 Group'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 Group 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.

#### *Due from related parties, performance bond and cash bond deposit*

The Group'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 Group 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 Group will not be able to meet its financial obligations as they fall due. The Group'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 Group's credit standing.

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



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

December 31, 2022					
	On Demand	< 1 Year	1 to 5 Years	More than 5 Years	Total
<i>(In Thousand Pesos)</i>					
<b>Financial assets at amortized cost:</b>					
Cash in banks	₱37,132	₱—	₱—	₱—	₱37,132
Subscription receivable	651,116	—	—	—	651,116
Due from related parties	821,388	—	—	—	821,388
Performance bond and cash bond deposit	15,552	—	—	—	15,552
	<b>₱1,525,188</b>	<b>₱—</b>	<b>₱—</b>	<b>₱—</b>	<b>₱1,525,188</b>
<b>Financial liabilities at amortized cost:</b>					
Accounts payable	₱15,039	₱—	₱—	₱—	₱15,039
Accrued expenses	2,836	—	—	—	2,836
Due to a related party	22,770	—	—	—	22,770
Lease liabilities	4,539	4,539	101,981	567,270	678,329
	<b>₱45,185</b>	<b>₱4,539</b>	<b>₱101,981</b>	<b>₱567,270</b>	<b>₱718,975</b>

June 30, 2022					
	On Demand	< 1 Year	1 to 5 Years	More than 5 Years	Total
<i>(In Thousand Pesos)</i>					
<b>Financial assets at amortized cost:</b>					
Cash in banks	₱886,658	₱—	₱—	₱—	₱886,658
Due from related parties	541,700	—	—	—	541,700
Performance bond and cash bond deposit	15,552	—	—	—	15,552
	<b>₱1,443,910</b>	<b>₱—</b>	<b>₱—</b>	<b>₱—</b>	<b>₱1,443,910</b>
<b>Financial liabilities at amortized cost:</b>					
Accounts payable	₱9,767	₱—	₱—	₱—	₱9,767
Accrued expenses	2,538	—	—	—	2,538
Due to a related party	22,792	—	—	—	22,792
Lease liabilities	4,539	4,539	91,597	577,654	678,329
	<b>₱39,636</b>	<b>₱4,539</b>	<b>₱91,597</b>	<b>₱577,654</b>	<b>₱713,426</b>

#### 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, subscription receivable, due from related parties, performance bond, cash bond, accounts payable and accrued expenses and due to a related party*

The carrying amounts of these financial instruments approximate their fair values due to their short-term maturities.

#### *Lease liabilities*

The fair values for the Group'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 8.59% and 7.46% as at December 31, 2022 and June 30, 2022, respectively. The fair value of the lease liabilities amounted to ₱233.1 million and ₱253.4 million as of December 31, 2022 and June 30, 2022 respectively, while the carrying value of the lease liabilities amounted to ₱303.1 million and ₱293.9 million as of December 31, 2022 and June 30, 2022, respectively.

As of December 31, 2022 and June 30, 2022, the fair value of lease liabilities are measured using Level 3 valuation technique. For the years ended December 31, 2022 and June 30, 2022, there were no transfers into and out of Level 3 fair value measurements.



### Capital Management

The Group manages its capital structure and makes adjustments to it, in light of changes in business and economic conditions. To maintain or adjust the capital structure, the Group may issue new shares. No significant changes have been made in the objectives, policies and processes of the Group for the for the period from July 1, 2022 to December 31, 2022 and for the years ended June 30, 2022 and 2021.

The Group considers the following as its core capital:

	<b>December 31, 2022</b>	<b>June 30, 2022</b>
Capital stock	<b>₱1,000,000,000</b>	₱812,435,001
Additional paid-in capital	<b>4,938,722,430</b>	2,347,338,021
Deficit	<b>(126,125,941)</b>	(85,716,108)
	<b>₱5,812,596,489</b>	₱3,074,056,914

As of December 31, 2022 and June 30, 2022, the Group was able to meet its capital management objectives.

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### 17. **Basic/Diluted Loss Per Share**

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

	<b>December 31, 2022 (Six Months)</b>	<b>June 30, 2022 (One Year)</b>	<b>June 30, 2021 (One Year)</b>
(a) Net loss attributable to equity holders of the Parent Company	<b>₱40,409,833</b>	₱60,579,448	₱23,573,194
(b) Weighted average number of common shares outstanding	<b>9,374,783,335</b>	6,999,350,005	461,195,834
Basic/diluted loss per share (a/b)	<b>₱0.0043</b>	₱0.0087	₱0.0511

The Group does not have any dilutive potential common shares as at December 31, 2022 and June 30, 2022.

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### 18. **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.

In November 2022, the DOE issued Department Circular No. 2022-11-0034 which amends the Implementing Rules and Regulations of the Act. The amendment removes the nationality requirement imposed on the business engaged in the exploration, development, and utilization of solar, wind, hydropower and ocean energy, thereby allowing the entry of foreign capital into the country’s renewable energy industry.

## 19. Changes in Liabilities Arising From Financing Activities

### December 31, 2022

	July 1, 2022	Cash flows	Others	December 31, 2022
Due to a related party	₱22,792,348	₱–	(₱22,119)	₱22,770,229
Lease liabilities	293,878,848	–	9,259,572	303,138,420
Total liabilities from financing activities	<b>₱316,671,196</b>	<b>₱–</b>	<b>₱9,237,453</b>	<b>₱325,908,649</b>

### June 30, 2022

	July 1, 2021	Cash flows	Others	June 30, 2022
Due to a related party	₱22,792,348	₱–	₱–	₱22,792,348
Lease liabilities	289,525,826	(14,004,465)	18,357,487	293,878,848
Total liabilities from financing activities	<b>₱312,318,174</b>	<b>(₱14,004,465)</b>	<b>₱18,357,487</b>	<b>₱316,671,196</b>

### June 30, 2021

	July 1, 2020	Cash flows	Others	June 30, 2021
Due to a related party	₱15,366,623	₱7,425,725	₱–	₱22,792,348
Lease liabilities	45,275,983	–	244,249,843	289,525,826
Total liabilities from financing activities	<b>₱60,642,606</b>	<b>₱7,425,725</b>	<b>₱244,249,843</b>	<b>₱312,318,174</b>



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## 20. Other Matters

### *Change in Allocation of IPO Proceeds*

On December 20, 2021, the BOD of the Parent 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 Parent Company to allocate such IPO proceeds towards bid bonds, bid security, and other expenses for potential off-take agreements, to enable the Parent Company to be responsive to contracting opportunities as soon as they arise, in support of the Parent 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 Parent 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 Parent Company for the use of such proceeds.
- d) The authority to file and submit all compliance, disclosures and any other reportorial requirements of the Parent 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 Parent Company approved the acquisition of land in support of the Parent Company's plan to develop ten (10) gigawatt 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 Parent 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.

On April 6, 2022, the BOD of the Parent 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 SPHI, given that SPHI is a shareholder in Terra and that SPHI is to be a subsidiary by the Parent Company, 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 Parent Company's projects.

### *Renewable Power Supply Agreement with Angeles Electric Corporation ("AEC")*

On October 14, 2021, the Parent Company expressed its interest to participate in the Competitive Selection Process ("CSP") of AEC, a distribution utility in Pampanga Province for the supply of renewable energy to AEC.

On December 7, 2021, the Parent Company was determined to be the winning supplier for the said bidding.

On February 7, 2022, the Parent Company secured a 10-year Offtake Agreement with AEC, under which the Parent Company will supply AEC 97.8 MWh daily, representing a portion of the Project's capacity to supply energy once completed. The Offtake Agreement awarded is for a term of ten (10) years commencing on March 26, 2023, or upon ERC approval, whichever comes later. Since the Parent Company has excess capacity beyond this Offtake Agreement, the Parent 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 CSPs. In the absence of additional Offtake Agreements, the Parent Company intends to supply its excess generation power through the Wholesale Electricity Spot Market.



On January 23, 2023, the Parent Company and AEC jointly filed the PSA with the ERC. As of April 17, 2023, the Parent Company and AEC are still awaiting approval from the ERC.

The Parent Company provided a performance bond in relation to the project amounting to ₱15.0 million valid until May 25, 2023. The performance bond is presented as part of “Other current assets” in the consolidated statements of financial position (see Note 5).

*Green Energy Auction Program (“GEAP”)*

On June 24, 2022, the Parent Company was awarded as one of the winning bidders by the DOE on its First Green Energy Auction Round. The Parent Company will supply the electricity from the 280MWdc Santa Rosa Nueva Ecija 2 Solar Power Project. The winning bids under the GEAP, which are expected to commence operations between 2023 and 2025, will be awarded 20-year power supply agreements. In 2022, the Parent Company submitted a surety bond as one of the requirements for the bidding process, and a performance bond pursuant to the requirements of the program.

As of December 31, 2022 and June 30, 2022, prepaid premiums amounted to ₱2.8 million and ₱1.35 million, respectively, presented as part of “Other current assets” in the consolidated statements of financial position (see Note 5).

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## 21. Events After the Financial Reporting Date

*Investment by Metro Pacific Investments Corporation (“MPIC”) in SPNEC*

In March 2023, MPIC has entered into a sale and purchase agreement with SPPPHI to acquire 16% equity stake or 1,600,000,000 shares in SPNEC for an aggregate consideration of ₱2.0 billion.

The completion of the transaction is subject to the satisfaction of certain conditions precedent, including the procurement of regulatory approvals and execution of a separate agreement which will, among others, grant the MPIC Group the option to increase its interest in SPNEC to 43% of its outstanding shares after SPNEC increases its authorized capital stock from ₱10.0 billion to ₱50.0 billion through an asset-for-share swap which involves the infusion of SPPPHI assets into SPNEC.

*Memorandum of Agreements (“MOA”) between SPPPHI and Prime Infrastructure, Inc. (“Prime”)*

On February 9, 2023, the BOD of SPNEC approved the MOAs between SPPPHI and Prime for their joint ventures in Terra Solar Philippines, Inc. (“TSPI”), Solar Tanauan Corporation (“Solar Tanauan”), and Solar Philippines Tarlac Corporation (“Solar Tarlac”). The MOAs cover the following:

- a) Amendments to the Shareholders’ Agreement of TSPI between SPPPHI and Prime to streamline the decision-making process and reach agreements efficiently and commercially via deadlock resolution mechanisms. On this basis, the parties agreed to continue their joint venture in TSPI. TSPI has signed a 850 MWac Mid-Merit Power Supply Agreement (“PSA”) with Manila Electric Company (“Meralco”) with a scheduled delivery date by the first quarter of 2026, and plans to break ground within 2023.
- b) Sale of common shares in Solar Tanauan by SPPPHI to Prime for ₱1.0 billion upon execution of the agreements, which would result in Prime owning 100% of Solar Tanauan (with the proceeds of this sale going to SPNEC after the share swap, subject to regulatory approval). Solar Tanauan has a PSA with Meralco for 50 MWac, has secured over 140 hectares of land, and is currently under construction.



- c) Redemption or purchase of preferred shares in Solar Tarlac of Prime by Solar Tarlac or SPPPHI for ₱1.5 billion plus accrued dividends by or before March 31 2024, which, with additional equity, would result in SPPPHI (or SPNEC after the share swap) owning 100% of Solar Tarlac. Solar Tarlac has a PSA with Meralco for 85 MWac, has secured over 140 hectares of land, and currently has 100 MW operating and 50 MW under construction.

Terms of the MOAs will apply to SPNEC upon the completion of its share swap with SPPPHI.



## **INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY SCHEDULES**

The Board of Directors and Stockholders  
SP New Energy Corporation  
20<sup>th</sup> Floor AIA Tower  
8767 Paseo de Roxas  
Makati City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of SP New Energy Corporation (formerly Solar Philippines Nueva Ecija Corporation, a subsidiary of Solar Philippines Power Project Holdings, Inc.) and its subsidiary (collectively referred to as the "Group") as at December 31, 2022 and June 30, 2022, and for the period from July 1, 2022 to December 31, 2022 and for the years ended June 30, 2022 and 2021, included in this Form 17-A, and have issued our report thereon dated April 17, 2023. Our audits were made for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The schedules listed in the Index to the Consolidated Financial Statements and Supplementary Schedules are the responsibility of the Group's management. These schedules are presented for purposes of complying with the Revised Securities Regulation Code Rule 68, and are not part of the consolidated financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the consolidated 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 consolidated 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. 114122-SEC (Group A)

Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions

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. 08-001998-103-2022, November 7, 2022, valid until November 6, 2025

PTR No. 9564628, January 3, 2023, Makati City

April 17, 2023



## **INDEPENDENT AUDITOR'S REPORT ON COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS**

The Board of Directors and Stockholders  
SP New Energy Corporation  
20<sup>th</sup> Floor AIA Tower  
8767 Paseo de Roxas  
Makati City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of SP New Energy Corporation (formerly Solar Philippines Nueva Ecija Corporation, a subsidiary of Solar Philippines Power Project Holdings, Inc.) and its subsidiary (collectively referred to as the "Group") as at December 31, 2022 and June 30, 2022, and for the period from July 1, 2022 to December 31, 2022 and for the years ended June 30, 2022 and 2021, and have issued our report thereon dated April 17, 2023. Our audits were made for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The Supplementary Schedule on Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Group's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRSs) and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for the purpose of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the consolidated financial statements prepared in accordance with PFRSs. The components of these financial soundness indicators have been traced to the Group's consolidated financial statements as at December 31, 2022 and June 30, 2022, and for the period from July 1, 2022 to December 31, 2022 and for the years ended June 30, 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. 114122-SEC (Group A)

Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions

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. 08-001998-103-2022, November 7, 2022, valid until November 6, 2025

PTR No. 9564628, January 3, 2023, Makati City

April 17, 2023



**SP NEW ENERGY CORPORATION**  
**(Formerly Solar Philippines Nueva Ecija Corporation,**  
**a Subsidiary of Solar Philippines Power Project Holdings, Inc.)**  
**AND SUBSIDIARY**

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**INDEX TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**AND SUPPLEMENTARY SCHEDULES**  
**DECEMBER 31, 2022**

<b>Schedule</b>	<b>Contents</b>
<i>Index to the Consolidated Financial Statements</i>	
I	Map Showing the Relationships Between and Among the Companies in the Group, its Ultimate Parent Company and Co-subsidiaries
II	Reconciliation of Retained Earnings Available for Dividend Declaration
III	Financial Soundness Indicators
<i>Supplementary Schedules</i>	
A	Financial Assets
B	Amounts Receivable from Directors, Officers, Employees, Related Parties, and Principal Stockholders (Other than Related parties)
C	Amounts Receivable from Related Parties and Amounts Payable to Related Parties which are Eliminated during the Consolidation of Financial Statements (not applicable)
D	Long-Term Debt (not applicable)
E	Indebtedness to Related Parties
F	Guarantees of Securities of Other Issuers (not applicable)
G	Capital Stock

**SP NEW ENERGY CORPORATION**  
**(Formerly Solar Philippines Nueva Ecija Corporation,**  
**a Subsidiary of Solar Philippines Power Project Holdings, Inc.)**

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**SUPPLEMENTARY SCHEDULE OF RETAINED EARNINGS**  
**AVAILABLE FOR DIVIDEND DECLARATION**  
**DECEMBER 31, 2022**

Deficit, July 1, 2022		(P85,716,108)
Add: Deferred tax assets		(10,466,264)
Deficit, July 1, 2022, as adjusted		(96,182,372)
Net loss during the year closed to deficit	(P36,002,217)	
Less: Non-actual/unrealized income (net of tax)		
Benefit from income tax - deferred	265,138	
Net loss actually incurred for the year		(35,737,079)
<b>TOTAL DEFICIT, December 31, 2022</b>		<b>(P131,919,451)</b>

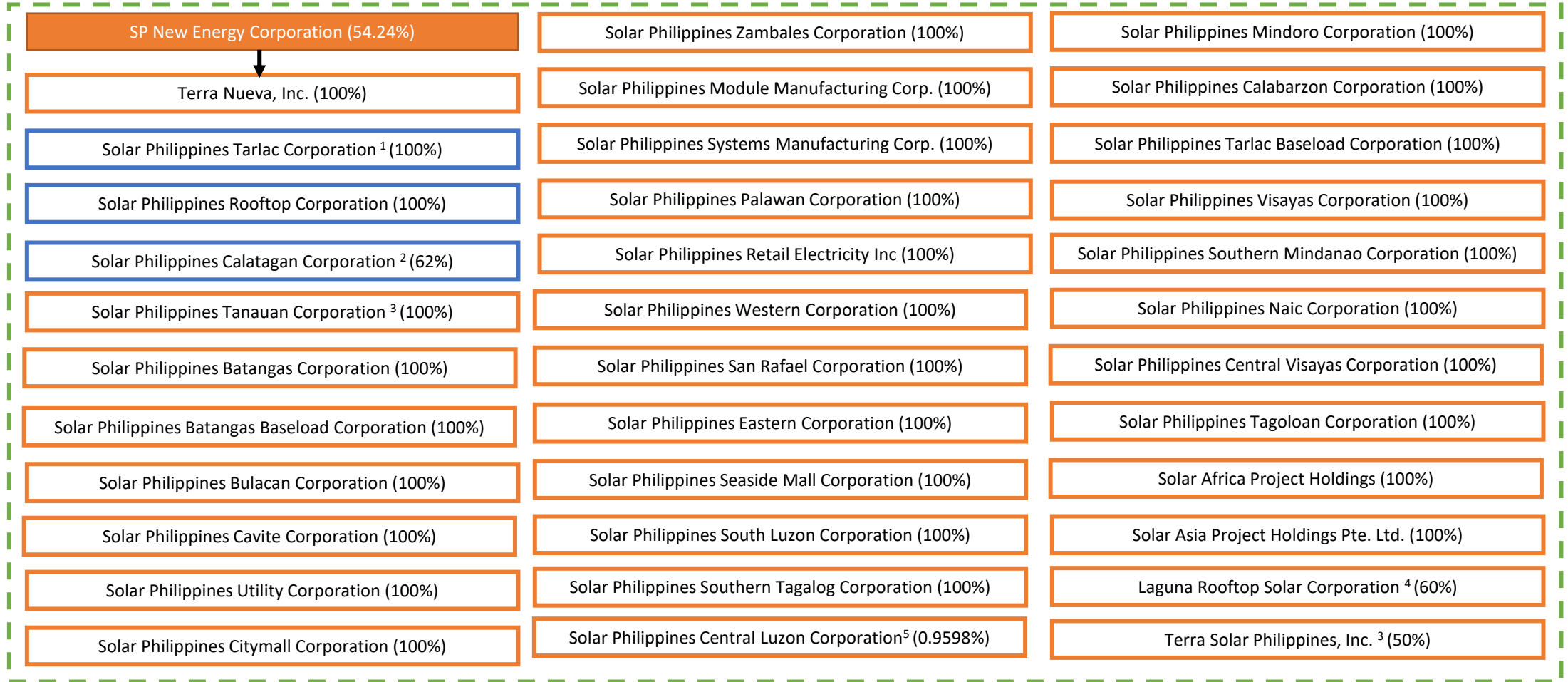
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**Solar Philippines Power Project Holdings, Inc. & Subsidiaries**  
**Corporate Structure**  
**December 31, 2022**



**Solar Philippines Power Project Holdings, Inc.**



**Notes:**

1 In partnership with Prime Metro Power Holdings Corporation

2 In partnership with KEPCO Philippines Holdings, Inc.

3 In partnership with Prime Infrastructure Capital, Inc.

4 In partnership with DGA SP B.V.

5 In partnership with AC Energy Corporation

**Legend:**

Operating Entities

Non-operating Entities

## **SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS**

**SP New Energy Corporation**  
(Formerly Solar Philippines Nueva Ecija Corporation)  
and Subsidiary

As of December 31, 2022 and June 30, 2022

<b>Ratio</b>	<b>Formula</b>	<b>December 2022</b>	<b>June 2022</b>
Current ratio	Dividing total current assets over total current liabilities	16.52	35.93
Acid test ratio	Dividing total current assets less inventory over total current liabilities	16.52	35.93
Solvency ratio	Dividing net income excluding depreciation and non-cash provisions over total debt obligations	N/A	N/A
Debt-to-equity ratio	Dividing total liabilities over stockholders' equity	0.07	0.11
Asset-to-equity ratio	Dividing total assets over total stockholders' equity	1.07	1.11
Interest rate coverage ratio	Dividing earnings before interest and taxes of one period over interest expense of the same period	N/A	N/A
Net debt-to-equity Ratio	Dividing total interest-bearing debts less cash and cash equivalents over total stockholders' equity	N/A	N/A
Return on equity (%)	Dividing the net income (annual basis) by total stockholders' equity (average)	N/A	N/A
Return on assets (%)	Dividing the net income (annual basis) by the total assets (average)	N/A	N/A

**Annex 68-E**

**SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS**

\_\_\_\_\_  
Name of Company

As of December 31, \_\_\_\_\_

Ratio	Formula	Current Year	Prior Year
Current ratio			
Acid test ratio			
Solvency ratios			
Debt-to-equity ratio			
Asset-to-equity ratio			
Interest rate coverage ratio			
Return on equity			
Return on assets			
Net profit margin			
Other ratios			

**Solar Philippines Nueva Ecija Corporation**

**INDEX TO SUPPLEMENTARY SCHEDULES**  
**Form 17-A, Item 7**

**Supplementary Schedules**

- A. Financial Assets
- B. Amounts Receivable from Directors, Officers, Employees,  
and Principal Stockholders (Other than Related Parties)
- C. Amounts Receivable from Related Parties which are Eliminated  
during the Consolidation of Financial Statements
- D. Long-Term Debt (*not applicable*)
- E. Indebtedness to Related Parties
- F. Guarantees of Securities of Other Issuers (*not applicable*)
- G. Capital Stock

**SOLAR PHILIPPINES NUEVA ECIJA CORPORATION****SCHEDULE A - FINANCIAL ASSETS**

As of December 31, 2022

FINANCIAL ASSETS	Name of Issuing Entity & association of each use	Amount shown in the balance sheet	Income received and accrued
<b>Loans and receivables:</b> Cash and cash equivalents Trade Receivables Due from related parties Loans and notes receivables Advances to employees Non-trade Accounts Receivables Long term receivables Debt Service Reserve Account  <b>Financial assets at FVOCI</b> Equity Investments Debt investments <b>Financial asset at FVPL</b>  <b>Derivative Assets</b>		37,232,084  821,388,320	2,398,960
<b>TOTAL</b>		858,620,404	2,398,960

**SOLAR PHILIPPINES NUEVA ECIJA CORPORATION****SCHEDULE B - AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES AND PRINCIPAL STOCKHOLDERS (OTHER THAN RELATED PARTIES)**

As of December 31, 2022

Name and Designation of Debtor	Balance at Beginning of Period	Additions	Amounts Collected	Accounts Written-off	Current	Not Current	Balance at End of Period
Employees	17,923	978,082	(916,807)	-	79,198	-	79,198
Directors							
<b>TOTAL</b>	<b>17,923</b>	<b>978,082</b>	<b>(916,807)</b>	<b>-</b>	<b>79,198</b>	<b>-</b>	<b>79,198</b>

Note: The Company keeps the information on the name & designation of employees and other details confidential. As per written agreement with the concerned employees, any outstanding balance at the time of retirement shall be deducted from the retirement benefit proceeds.

**SOLAR PHILIPPINES NUEVA ECIJA CORPORATION**

SCHEDULE C - Amounts Receivable from Related Parties which are Eliminated during the Consolidation of Financial Statements

As of December 31, 2022

Name of Related Party	Balance at July 1, 2022	Additions	Amounts Collected	Offsetting	Reclassification	Cumulative Translation Adjustment	Current	Non- Current	Amount Eliminated
Terra Nueva, Inc.	-	1,603,059,243	-	-	-	-	1,603,059,243	-	1,603,059,243
<b>TOTAL</b>	-	<b>1,603,059,243</b>	-	-	-	-	<b>1,603,059,243</b>	-	<b>1,603,059,243</b>

SOLAR PHILIPPINES NUEVA ECIJA CORPORATION  
SCHEDULE D - LONG-TERM DEBT  
As of December 31, 2022

Title of Issue and Type of Obligation	Amount Authorized by Indenture		Balance at		Current Portion of Long-Term Debt		Long-Term Debt (Net of Current Portion)		Interest Rate	Amount and Number of Periodic Payments				Maturity Date
	(In original currency)	(In PhP)	(In original currency)	(In PhP)	(In original currency)	(In PhP)	(In original currency)	(In PhP)		(In original currency)		(Approx in PhP)	Periodic Payments	
TOTAL		-		-		-		-						



**SOLAR PHILIPPINES NUEVA ECIJA CORPORATION**  
**SCHEDULE E - INDEBTEDNESS TO RELATED PARTIES**  
As of December 31, 2022

Name of Related Parties	Balance at beginning of period	Balance at end of period
SOLAR PHILIPPINES POWER PROJECT HOLDINGS, INC.	22,792,348.00	22,770,229.00

**SOLAR PHILIPPINES NUEVA ECIJA CORPORATION**  
**SCHEDULE F - GUARANTEES OF SECURITIES OF OTHER ISSUERS**  
As of December 31, 2022

Name of issuing entity of securities guaranteed by the company for which this statement is filed	Title of issue of each class of securities guaranteed	Total amount guaranteed and outstanding	Nature of guarantee

**SOLAR PHILIPPINES NUEVA ECIJA CORPORATION**  
**SCHEDULE G - CAPITAL STOCK**  
As of December 31, 2022

Title of Issue	Number of shares authorized	Number of shares outstanding	Number of shares reserved for options, warrants, conversion and other rights	Number of shares held by related parties	Number of shares held by Directors and key executive officers
Common Share	10,000,000,000	10,000,000,000		5,424,349,998	6

# ANNEX "B"



## STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **Solar Philippines Nueva Ecija Corporation** is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, as of and for the fiscal year ended June 30, 2022 and 2021, in accordance with Philippine Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement whether due to fraud or error.

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

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

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

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

  
**LEANDRO L. LEVISTE**

*President/CEO/Chairman of the Board*

  
**JESUSA LORETO A. ARELLANO**

*CFO/ Treasurer*

SUBSCRIBED AND SWORN to before me this **JUL 25 2022**  
at Makati City, Philippines. Affiant exhibited to me his/her  
competent ID # \_\_\_\_\_ valid until \_\_\_\_\_

Signed this 25<sup>th</sup> day of July 2022.

DOC. NO. 448  
PAGE NO. 91  
BOOK NO. XXV  
SERIES OF 1022

  
**MA. ESMERALDA R. CHIANAN**

*Notary Public*

Until December 31, 2023

Appt No M-002 (2022-2023) Attorney's Roll No. 34562

MCLE Compliance No. VII-0004035/7-19-2021

PTR No. 8852113/1-3-2022/Makati City

20<sup>th</sup> Floor Philamlife Tower, 8767 Paseo De Roxas Avenue, Makati City, 1227 Philippines

Ground Level, Dela Rosa Carpark I

Dela Rosa St. Legaspi Village,

Makati City

+632 8 817 2585 | [www.solarnuevaecija.ph](http://www.solarnuevaecija.ph)

# COVER SHEET

## for AUDITED FINANCIAL STATEMENTS

SEC Registration Number

C	S	2	0	1	6	2	7	3	0	0
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### COMPANY NAME

S	O	L	A	R		P	H	I	L	I	P	P	I	N	E	S		N	U	E	V	A		E	C	I	J	A	
C	O	R	P	O	R	A	T	I	O	N		(	A		S	u	b	s	i	d	i	a	r	y		o	f		S
o	l	a	r		P	h	i	l	i	p	p	i	n	e	s		P	o	w	e	r		P	r	o	j	e	c	t
	H	o	l	d	i	n	g	s	,		I	n	c	.															

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

2	0	T	H		F	L	O	O	R	,		P	H	I	L	A	M	L	I	F	E		T	O	W	E	R		
8	7	6	7		P	A	S	E	O		D	E		R	O	X	A	S	,	1	2	2	6						
M	A	K	A	T	I		C	I	T	Y																			

Form Type

A	A	F	S
---	---	---	---

Department requiring the report

C	R	M	D
---	---	---	---

Secondary License Type, If Applicable

Certificate of Permit to Offer Securities for Sale
---

### COMPANY INFORMATION

Company's Email Address

spnec@solarphilippines.ph

Company's Telephone Number

(02) 8817-2585

Mobile Number

09988889326

No. of Stockholders

16

Annual Meeting (Month / Day)

First Monday of May

Fiscal Year (Month / Day)

06/30

### CONTACT PERSON INFORMATION

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

Name of Contact Person

Hazel Iris P. Lafuente

Email Address

hazel@solarphilippines.ph

Telephone Number/s

(02) 8817-2585

Mobile Number

09178816684

### CONTACT PERSON'S ADDRESS

20<sup>th</sup> 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.



## INDEPENDENT AUDITOR'S REPORT

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

### Report on the Audit of the Financial Statements

#### Opinion

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

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at June 30, 2022 and 2021, and its financial performance and its cash flows for each of the three years in the period ended June 30, 2022 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 Financial Statements* section of our report. We are independent of the Company in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit of the financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Key Audit Matters

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

### ***Impairment Assessment of Deposits for Land Acquisition***

As of June 30, 2022, the Company has deposits with a carrying value of ₱621.5 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 financial statements.

### **Audit Response**

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.

### **Other Information**

Management is responsible for the other information. The other information comprises the SEC Form 17-A for the year ended June 30, 2022 but does not include the financial statements and our auditor's report thereon, which we obtained prior to the date of this auditor's report, and the SEC Form 20-IS (Definitive Information Statement) and Annual Report for the year ended June 30, 2022, which are expected to be made available to us after that date.

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

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



If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

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

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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 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 financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.





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

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

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



### **Report on the Supplementary Information Required Under Revenue Regulations 15-2010**

Our audits were conducted for the purpose of forming an opinion on the financial statements taken as a whole. The supplementary information required under Revenue Regulations 15-2010 in Note 19 to the financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of the management of Solar Philippines Nueva Ecija Corporation. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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. 114122-SEC (Group A)

Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions

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

July 25, 2022



**SOLAR PHILIPPINES NUEVA ECIJA CORPORATION**  
**(A Subsidiary of Solar Philippines Power Project Holdings, Inc.)**  
**STATEMENTS OF FINANCIAL POSITION**

	<b>June 30</b>	
	<b>2022</b>	<b>2021</b>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash (Notes 4 and 14)	<b>₱886,758,302</b>	₱351,251
Due from a related party (Notes 10 and 14)	<b>541,700,000</b>	–
Other current assets (Note 5)	<b>20,789,388</b>	776,092
<b>Total Current Assets</b>	<b>1,449,247,690</b>	1,127,343
<b>Noncurrent Assets</b>		
Construction in progress (Notes 1 and 6)	<b>921,385,618</b>	–
Deposits for land acquisition (Note 7)	<b>621,499,933</b>	537,000,000
Right-of-use assets (Note 13)	<b>286,910,494</b>	297,751,234
Deferred income tax asset - net (Note 12)	<b>10,466,264</b>	–
Other noncurrent assets (Note 8)	<b>114,218,371</b>	1,370,284
<b>Total Noncurrent Assets</b>	<b>1,954,480,680</b>	836,121,518
<b>TOTAL ASSETS</b>	<b>₱3,403,728,370</b>	₱837,248,861
<b>LIABILITIES AND EQUITY</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued expenses (Notes 9, 10 and 14)	<b>₱13,000,260</b>	₱6,728,056
Due to a related party (Notes 10 and 14)	<b>22,792,348</b>	22,792,348
Current portion of lease liabilities (Notes 13 and 14)	<b>4,538,676</b>	14,004,465
<b>Total Current Liabilities</b>	<b>40,331,284</b>	43,524,869
<b>Noncurrent Liabilities</b>		
Lease liabilities - net of current portion (Notes 13 and 14)	<b>289,340,172</b>	275,521,361
Deferred income tax liability (Note 12)	<b>–</b>	904,291
<b>Total Noncurrent Liabilities</b>	<b>289,340,172</b>	276,425,652
<b>Total Liabilities</b>	<b>329,671,456</b>	319,950,521
<b>Equity (Note 11)</b>		
Capital stock	<b>812,435,001</b>	542,435,000
Additional paid-in capital	<b>2,347,338,021</b>	–
Deficit	<b>(85,716,108)</b>	(25,136,660)
<b>Total Equity</b>	<b>3,074,056,914</b>	517,298,340
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>₱3,403,728,370</b>	₱837,248,861

*See accompanying Notes to Financial Statements.*



**SOLAR PHILIPPINES NUEVA ECIJA CORPORATION**  
**(A Subsidiary of Solar Philippines Power Project Holdings, Inc.)**  
**STATEMENTS OF COMPREHENSIVE INCOME**

	Years Ended June 30		
	2022	2021	2020
<b>INTEREST INCOME</b> (Note 4)	<b>₱548,180</b>	<b>₱6,090</b>	<b>₱698</b>
<b>EXPENSES</b>			
Management fee (Note 10)	24,000,000	4,000,000	—
Filing fees (Note 11)	12,465,411	—	—
Taxes and licenses	10,589,980	1,453,987	87,530
Interest accretion of lease liabilities (Note 13)	9,142,009	7,648,652	2,023,771
Professional fees	6,540,000	2,652,032	2,611,471
Amortization of right-of-use assets (Note 13)	5,420,370	4,038,265	2,717,551
Bid-related costs	1,634,000	1,909,091	—
Others	2,706,413	972,966	1,096,265
	<b>72,498,183</b>	<b>22,674,993</b>	<b>8,536,588</b>
<b>LOSS BEFORE INCOME TAX</b>	<b>71,950,003</b>	<b>22,668,903</b>	<b>8,535,890</b>
<b>PROVISION FOR (BENEFIT FROM)</b>			
<b>INCOME TAX - DEFERRED</b> (Note 12)	<b>(11,370,555)</b>	<b>904,291</b>	<b>—</b>
<b>NET LOSS</b>	<b>60,579,448</b>	<b>23,573,194</b>	<b>8,535,890</b>
<b>OTHER COMPREHENSIVE INCOME</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>TOTAL COMPREHENSIVE LOSS</b>	<b>₱60,579,448</b>	<b>₱23,573,194</b>	<b>₱8,535,890</b>
<b>Basic/Diluted Loss Per Share</b> (Note 15)	<b>₱0.0087</b>	<b>₱0.0511</b>	<b>₱1.2416</b>

*See accompanying Notes to Financial Statements.*



**SOLAR PHILIPPINES NUEVA ECIJA CORPORATION**  
**(A Subsidiary of Solar Philippines Power Project Holdings, Inc.)**  
**STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE YEARS ENDED JUNE 30, 2022, 2021 AND 2020**

	Capital Stock		Additional Paid-in Capital	Deficit	Total
	Subscribed	Subscription Receivable			
<b>Balances at June 30, 2019</b>	<b>₱250,000</b>	<b>(₱187,500)</b>	<b>₱—</b>	<b>(₱6,839,093)</b>	<b>(₱6,776,593)</b>
Total comprehensive loss for the year	—	—	—	(8,535,890)	(8,535,890)
<b>Balances at June 30, 2020</b>	<b>250,000</b>	<b>(187,500)</b>	<b>—</b>	<b>(15,374,983)</b>	<b>(15,312,483)</b>
Collection of subscription receivable (Note 11)	—	187,500	—	—	187,500
Issuance of shares of stock (Note 11)	542,185,000	—	21,250,000	—	563,435,000
Application of APIC against deficit (Note 11)	—	—	(21,034,193)	21,034,193	—
Stock issuance costs (Note 11)	—	—	(215,807)	(7,222,676)	(7,438,483)
Total comprehensive loss for the year	—	—	—	(23,573,194)	(23,573,194)
<b>Balances at June 30, 2021</b>	<b>542,435,000</b>	<b>—</b>	<b>—</b>	<b>(25,136,660)</b>	<b>517,298,340</b>
Issuance of shares of stock, net of stock issuance costs (Note 11)	270,000,001	—	2,329,338,021	—	2,599,338,022
Additional paid-in capital (Note 11)	—	—	18,000,000	—	18,000,000
Total comprehensive loss for the year	—	—	—	(60,579,448)	(60,579,448)
<b>Balances at June 30, 2022</b>	<b>₱812,435,001</b>	<b>₱—</b>	<b>₱2,347,338,021</b>	<b>(₱85,716,108)</b>	<b>₱3,074,056,914</b>

*See accompanying Notes to Financial Statements.*



**SOLAR PHILIPPINES NUEVA ECIJA CORPORATION**  
**(A Subsidiary of Solar Philippines Power Project Holdings, Inc.)**  
**STATEMENTS OF CASH FLOWS**

	<b>Years Ended June 30</b>		
	<b>2022</b>	<b>2021</b>	<b>2020</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Loss before income tax	<b>(₱71,950,003)</b>	(₱22,668,903)	(₱8,535,890)
Adjustments for:			
Interest accretion of lease liabilities (Note 13)	<b>9,142,009</b>	7,648,652	2,023,771
Amortization of right-of-use assets (Note 13)	<b>5,420,370</b>	4,038,265	2,717,551
Interest income (Note 4)	<b>(548,180)</b>	(6,090)	(698)
Unrealized foreign exchange loss	<b>274,709</b>	—	—
Provision for impairment of input VAT	—	109,091	14,243
Operating loss before working capital changes	<b>(57,661,095)</b>	(10,878,985)	(3,781,023)
Decrease (increase) in other current assets	<b>(20,013,297)</b>	(869,053)	1,672,546
Increase (decrease) in accounts payable and accrued expenses	<b>6,272,205</b>	6,269,885	(472,164)
Cash used in operations	<b>(71,402,187)</b>	(5,478,153)	(2,580,641)
Interest received	<b>548,180</b>	6,090	698
Net cash flows used in operating activities	<b>(70,854,007)</b>	(5,472,063)	(2,579,943)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Additions to:			
Construction in progress (Notes 1 and 6)	<b>(906,749,770)</b>	—	—
Due from a related party (Note 10)	<b>(541,700,000)</b>	—	—
Deposits for land acquisition (Note 7)	<b>(84,499,933)</b>	(537,000,000)	—
Right-of-use assets (Note 13)	—	(20,121,600)	—
Other noncurrent assets	<b>(112,848,087)</b>	(802,361)	(552,038)
Cash flows used in investing activities	<b>(1,645,797,790)</b>	(557,923,961)	(552,038)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from issuance of shares of stock, net of transaction costs (Note 11)	<b>2,599,338,022</b>	555,996,517	—
Additional capital contribution (Note 11)	<b>18,000,000</b>	—	—
Payment of lease liability (Note 13)	<b>(14,004,465)</b>	—	(4,311,742)
Net advances from related parties	—	7,425,725	6,921,995
Collection of subscription receivable (Note 11)	—	187,500	—
Net cash flows from financing activities	<b>2,603,333,557</b>	563,609,742	2,610,253
<b>EFFECTS OF EXCHANGE RATE CHANGES ON CASH</b>	<b>(274,709)</b>	—	—
<b>NET INCREASE (DECREASE) IN CASH</b>	<b>886,407,051</b>	213,718	(521,728)
<b>CASH AT BEGINNING OF YEAR</b>	<b>351,251</b>	137,533	659,261
<b>CASH AT END OF YEAR (Notes 4 and 14)</b>	<b>₱886,758,302</b>	₱351,251	₱137,533

*See accompanying Notes to Financial Statements.*



# **SOLAR PHILIPPINES NUEVA ECIJA CORPORATION**

**(A Subsidiary of Solar Philippines Power Project Holdings, Inc.)**

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## **NOTES TO FINANCIAL STATEMENTS**

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### **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 July 25, 2022, the Company has not yet started commercial operations and targets to start by mid 2023 [see details in (b) The Project below].

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) 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 mid 2023 while Phase 1B is planned to be commissioned by end of 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 began construction of Phase 1A (see Note 6).

(c) 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.

The common shares of the Company consisting of 8,124,350,005 shares, inclusive of the primary offering of 2,700,000,000 common shares and the issued and outstanding shares of 5,424,350,005 common shares, were listed on the Main Board of the PSE on December 17, 2021 and are currently being traded under the stock Symbol "SPNEC" (see Note 11).

(d) Stock Rights Offering (SRO) and Share Swap

SRO

On February 14, 2022, the Board of Directors (BOD) of the Company approved the conduct of an 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.

The Company plans 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.

On April 8, 2022, the Company filed with the SEC an application for Confirmation of Exempt Transaction covering the common shares to be issued relative to the SRO, pursuant to Section 10.1(e) (in respect of the Rights Offer) and 10.1(l) (in respect of the QB Take-Up) of the Securities Regulation Code (“SRC”) under which the exemption is based. The Confirmation of Exempt Transaction was subsequently issued by the SEC on July 19, 2022.

On July 12, 2022, the Company adjusted the offer price range to ₱1.50 to ₱1.76 per share, and offered the option to pay in installments, with a down payment of 25% and the balance of 75% within three months of the offer period (see Note 11).

Share Swap

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”) (see Note 11).

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 (see Note 11).

(e) Acceptance of Donation of Shares

On July 4, 2022, the BOD of the Company approved the authorization to accept the transfer by way of donation of shares in Solar Philippines entities owned by Leandro Antonio L. Leviste (LLL), the Chairman, President and Chief Executive Officer of the Company, or Countryside Investments Holdings Corporation (CIHC), including shares in SP Holdings, Inc. (SPHI), which are not directly held by SPPPHI.

(f) Change in Fiscal Year

On March 29, 2021, the 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.

(g) 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.

(h) Authorization for the Issuance of the Financial Statements

The financial statements of the Company as of June 30, 2022 and 2021 and for the years ended June 30, 2022, 2021 and 2020 were authorized for issue by the BOD on July 25, 2022.

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

### Basis of Preparation

The 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.

### Statement of Compliance

The 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 statement of financial position based on the current/noncurrent 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 noncurrent assets and liabilities, respectively.

#### Cash in banks

Cash in the 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 statement of comprehensive income when the asset is derecognized, modified or impaired.

The Company's financial assets at amortized cost include cash in banks, due from a related party, and performance bond and cash bond deposit included under other current assets as of June 30, 2022 and 2021 (see Notes 4, 5, 10 and 14).

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 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 a related party and lease liabilities as of June 30, 2022 and 2021 (see Notes 9, 10, 13 and 14).



As of June 30, 2022 and 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 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 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 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 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 construction materials, other services, and rental of equipment. 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 (ROU) 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 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 June 30, 2022, 2021 and 2020, 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 June 30, 2022 and 2021.

#### Contingencies

Contingent liabilities are not recognized in the 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 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 financial statements. Post year-end events that are not adjusting events are disclosed in the notes to 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 financial statements. The Company intends to adopt the following pronouncements when they become effective.

#### *Effective beginning on or after July 1, 2022*

- 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, 2023*

- 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, 2024*

- Amendments to PAS 1, *Classification of Liabilities as Current or Noncurrent*

*Effective beginning on or after July 1, 2025*

- 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*

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### 3. Significant Accounting Estimate and Assumption

The Company's financial statements prepared in accordance with PFRSs require management to make judgments and estimates that affect amounts reported in the financial statements and related notes. The judgments and estimates used in the financial statements are based upon management's evaluation of relevant facts and circumstances as of the date of the Company's 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 financial statements. This judgment is based upon management's evaluation of relevant facts and circumstances as of the date of the 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 June 30, 2022 and 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 ₱621.5 million and ₱537.0 million as of June 30, 2022 and 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 ₱286.9 million and ₱297.8 million as of June 30, 2022 and 2021, respectively (see Note 13).

#### *Estimating Impairment of Financial Assets*

The measurement of impairment losses under PFRS 9 across all categories of financial assets requires judgment, in particular, the estimation of the amount and timing of future cash flows, including collectability, collateral values and other credit enhancements, when determining impairment losses. Increases or decreases to the allowance balance are recorded as general and administrative expenses in the statement of comprehensive income.

Under PFRS 9, *Financial Instruments*, additional judgments are also made in assessing a significant increase in credit risk in the case of financial assets measured using the general approach. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

The Company's impairment calculations are outputs of statistical models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the impairment models that are considered accounting judgments and estimates include:

- The Company's criteria for defining default and for assessing if there has been a significant increase in credit risk;
- The segmentation of financial and contract assets when impairment is assessed on a collective basis;
- The choice of inputs and the various formulas used in the impairment calculation;
- Determination of relationships between macroeconomic scenarios and, economic inputs, such as unemployment levels and collateral values, and the effect on PDs, EADs and LGDs; and,
- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the impairment models.

It has been the Company's policy to regularly review its models in the context of actual loss experience and adjust when necessary.



*Measurement of expected credit losses*

ECLs are derived from unbiased and probability-weighted estimates of expected loss, and are measured as follows:

- *Financial assets that are not credit-impaired at the reporting date:* as the present value of all cash shortfalls over the expected life of the financial asset discounted by the effective interest rate. The cash shortfall is the difference between the cash flows due to the Company in accordance with the contract and the cash flows that the Company expects to receive.
- *Financial assets that are credit-impaired at the reporting date:* as the difference between the gross carrying amount and the present value of estimated future cash flows discounted by the effective interest rate.

The Company leverages existing risk management indicators (e.g., internal credit risk classification and restructuring triggers), credit risk rating changes and reasonable and supportable information which allows the Company to identify whether the credit risk of financial assets has significantly increased.

No provision for ECL was recognized by the Company for the years ended June 30, 2022 and 2021. The aggregate carrying values of cash in banks, due from a related party, performance bond and cash bond amounted to ₱1,443.91 million and ₱0.90 million as of June 31, 2022 and 2021, respectively.

*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:

	2022	2021
Construction in progress (Notes 1 and 6)	<b>₱921,385,618</b>	<b>₱—</b>
Deposits for land acquisition (Note 7)	<b>621,499,933</b>	537,000,000
Right-of-use assets (Note 13)	<b>286,910,494</b>	297,751,234
Other noncurrent assets (Note 8)	<b>114,218,371</b>	1,370,284
Balances at end of year	<b>₱1,944,014,416</b>	<b>₱836,121,518</b>



There were no indicators of impairment of nonfinancial assets in 2022 and 2021.

*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 June 30, 2022 and 2021, respectively (see Note 12). The Company did not recognize deferred income tax assets on the carryforward benefits of unused net operating loss carryover (NOLCO) amounting to ₱190.6 million and ₱19.1 million as of June 30, 2022 and 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 12).

#### 4. Cash

	2022	2021
Cash in banks	<b>₱886,658,302</b>	₱351,251
Cash on hand	<b>100,000</b>	—
	<b>₱886,758,302</b>	₱351,251

Cash in banks earn interest at the respective bank deposit rates. Total interest earned on cash in banks, net of final tax, amounted to ₱548,180, ₱6,090 and ₱698 in 2022, 2021 and 2020, 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

	2022	2021
Surety and performance bond (Note 18)	<b>₱16,350,000</b>	₱—
Cash bond deposit (Note 13)	<b>552,038</b>	552,038
Others	<b>3,887,350</b>	224,054
	<b>₱20,789,388</b>	₱776,092



Others include advances to employees of the Parent Company used for the operations that are subject for liquidation within 30 days.

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## 6. Construction in Progress

The Company's construction in progress amounting to ₱921.4 million as of June 30, 2022 (nil in 2021) pertains to costs capitalized for the Project (see Note 1).

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 middle of 2023 while Phase 1B is planned to be commissioned by 2023 or within nine months of closing financing for Phase 1B.

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

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## 7. Deposits for Land Acquisition

*Memorandum of Agreements (MOA) with Provincia Investments Corporation (PIC) and Lupang Hinirang Holdings Corporation (LHHC)*

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.

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.

As of July 25, 2022, PIC and LHHC are collating all the necessary documentary requirements to be submitted to the Department of Energy and Local Government Unit for the issuance of certification as priority project, and to the National Irrigation Authority for the issuance of certificate of non-irrigation coverage. PIC and LHHC aim to submit these documentary requirements to the appropriate government agencies in 2022.

*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 190.89 hectares.

The advance payments made by the Company to PIC, LHHC and various landowners totaling to ₱621.5 million and ₱537.0 million, respectively, are presented as "Deposits for land acquisition" as of June 30, 2022 and 2021, respectively (see Note 10).



## 8. Other Noncurrent Assets

	2022	2021
Input VAT	<b>₱96,601,001</b>	₱157,926
Advances to contractors	<b>8,295,392</b>	—
Deferred input VAT	<b>1,200,000</b>	480,000
Others (Note 13)	<b>8,250,146</b>	860,526
	<b>114,346,539</b>	1,498,452
Less allowance for impairment of input VAT	<b>128,168</b>	128,168
	<b>₱114,218,371</b>	₱1,370,284

## 9. Accounts Payable and Accrued Expenses

	2022	2021
Accounts payable (Note 10)	<b>₱9,766,610</b>	₱3,880,000
Accrued expenses	<b>2,538,035</b>	2,771,054
Withholding tax payable	<b>691,094</b>	73,080
Other payables	<b>4,521</b>	3,922
	<b>₱13,000,260</b>	₱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.

## 10. 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. Following are the amounts of transactions and outstanding balances as of and for the years ended June 30, 2022, 2021 and 2020 with the Parent Company and SPHI, an affiliate:

	Transactions during the years ended June 30			Outstanding balance as of June 30		Terms	Conditions
	2022	2021	2020	2022	2021		
<i>Due from a related party</i>							
Affiliate:							
SPHI							
						Due and demandable; non-interest bearing	Unsecured, no impairment
Cash advances	<b>₱541,700,000</b>	P—	P—	<b>₱541,700,000</b>	P—		





	Transactions during the years ended June 30			Outstanding balance as of June 30			
	2022	2021	2020	2022	2021	Terms	Conditions
Due to a related party							
Parent:							
SPPPHI						Due and demandable; non-interest bearing	
Cash advances	₱–	₱6,966,300	₱4,945,000	₱22,792,348	₱22,792,348		Unsecured
Accounts payable (Note 9)							
SPPPHI						Due and demandable; non-interest bearing	
Management fee	₱24,000,000	₱4,000,000	₱–	₱9,700,000	₱3,880,000		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 P267.0 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 P270.0 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 13).
- 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 P2.0 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. On April 6, 2022, the BOD of the Company, pursuant to the Company's BOD approval on December 20 2021, 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 SPHI, given that SPHI is a shareholder in Terra and that SPHI is to become a subsidiary of the Company, 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.

As of June 30, 2022, the Company has advances to SPHI amounting to P541.7 million.

- g. 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 year ended June 30, 2022 and 2021 amounted to P24.0 million and P4.0 million, respectively.



## 11. Equity

### Capital Stock and Additional Paid-in Capital

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

	2022		2021	
	Number of Shares	Amount	Number of 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 year	5,424,350,000	₱542,435,000	10,000,000	₱1,000,000
Issuance of shares during the year	2,700,000,005	270,000,001	5,414,350,000	541,435,000
Balances at end of year	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.

As of July 25, 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 common 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 the Company and its parent and affiliates.

On March 28, 2022, pursuant to the approval of its BOD, the Company 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.

On April 8, 2022, the Company filed with the SEC an application for Confirmation of Exempt Transaction covering the common shares to be issued relative to the SRO, pursuant to Section 10.1(e) (in respect of the Rights Offer) and 10.1(l) (in respect of the QB Take-Up) of the Securities Regulation Code (“SRC”) under which the exemption is based. The SEC issued the Confirmation of Exempt Transaction on July 19, 2022.

On July 4, 2022, the BOD of the Company approved the authorization to accept the transfer by way of donation of shares in Solar Philippines entities owned by LLL or CIHC, including shares in SP Holdings, Inc. (SPHI), which are not directly held by SPPPHI.



On July 12, 2022, the Company adjusted the offer price range to ₱1.50 to ₱1.76 per share, and offered the option to pay in installments, with a down payment of 25% and the balance of 75% within three months of the offer period.

*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 pledged stock certificates of the Company's shares 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.

## 12. Income Taxes

The Company has no provision for current income tax in 2022 and 2021 since it is in gross loss and net tax loss positions.

The Company was registered with the BIR on April 6, 2017. 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 reconciliation of income tax benefit at the statutory income tax rates to the provision for (benefit from) income tax are as follows:

	2022	2021	2020
Income tax benefit at statutory income tax rates	(₱7,195,000)	(₱2,266,890)	(₱853,589)
Adjustments for:			
Transaction costs charged to APIC and retained earnings	(10,066,198)	(743,848)	–
Movement in unrecognized deferred income tax assets	5,908,169	3,849,747	849,885
Nondeductible expenses	37,292	65,891	3,774
Interest income subject to final tax	(54,818)	(609)	(70)
Provision for (benefit from) income tax – deferred	(₱11,370,555)	₱904,291	₱–

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

	2022	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 June 30, 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 June 2022	June 30, 2027	₱172,229,330
January to June 2021	June 30, 2026	6,762,211
2020	December 31, 2025	7,162,169
2019	December 31, 2022	4,464,964
		<b>₱190,618,674</b>

The movements in NOLCO are as follows:

	<b>June 30, 2022</b>	June 30, 2021
Balances at beginning of year	<b>₱19,078,574</b>	₱12,316,363
Additions	<b>172,229,330</b>	6,762,211
Expirations	<b>(689,230)</b>	—
Balances at end of year	<b>₱190,618,674</b>	₱19,078,574

No deferred income tax asset was recognized on the carryforward benefits of NOLCO as of June 30, 2022 and 2021 amounting to ₱190.6 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 June 30, 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 income tax rate applies.



### 13. 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 the parties.
- 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 of 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. 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 the parties.
- d. ROU assets as of June 30, 2022 and 2021 are as follows:

	<b>June 30 2022</b>	June 30, 2021
Balances at beginning of year	<b>₱297,751,234</b>	₱45,066,708
Additions	—	256,722,791
Amortization	<b>(5,420,370)</b>	(4,038,265)
Amortization capitalized to construction in progress *	<b>(5,420,370)</b>	—
Balances at end of year	<b>₱286,910,494</b>	₱297,751,234

\*Incurred during the construction period (see Notes 1 and 6)

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

	<b>June 30 2022*</b>	June 30, 2021
Balances at beginning of year	<b>₱289,525,826</b>	₱45,275,983
Additions	—	236,601,191
Interest expense	<b>9,142,009</b>	7,648,652
Interest expense capitalized to construction in progress *	<b>9,215,478</b>	—
Payments	<b>(14,004,465)</b>	—
Total lease liabilities	<b>293,878,848</b>	289,525,826
Current portion of lease liabilities	<b>(4,538,676)</b>	(14,004,465)
Noncurrent portion of lease liabilities	<b>₱289,340,172</b>	₱275,521,361

\*Incurred during the construction period (see Notes 1 and 6)



- f. The following are the amounts recognized for the years ended June 30, 2022, 2021 and 2020 in the statements of comprehensive income:

	2022	2021	2020
Interest accretion of lease liabilities	<b>₱9,142,009</b>	₱7,648,652	₱2,023,771
Amortization of ROU assets	<b>5,420,370</b>	4,038,265	2,717,551
Total amount recognized in the statements of comprehensive income	<b>₱14,562,379</b>	₱11,686,917	₱4,741,322

- g. As of June 30, 2022 and 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.

#### 14. Financial Instruments and Financial Risk Management

##### Financial Risk Management Objectives and Policies

The Company's principal financial instruments comprise of cash in banks, due from a related party, performance bond, cash bond deposit, accounts payable and accrued expenses, due to a related party 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, due from a related party, performance bond and cash bond deposit, the Company's 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, due from a related party, performance bond and cash bond deposit amounted to ₱1,443.9 million and ₱0.9 million as of June 30, 2022 and 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.

### *Due from a related party, performance bond and 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 June 30, 2022 and 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:

	June 30, 2022				
	On Demand	< 1 Year	1 to 5 Years	More than 5 Years	Total
(In Thousand Pesos)					
Financial assets at amortized cost:					
Cash in banks	₱886,658	₱—	₱—	₱—	₱886,658
Due from a related party	541,700	—	—	—	541,700
Performance bond and cash bond deposit	15,552	—	—	—	15,552
	₱1,443,910	₱—	₱—	₱—	₱1,443,910
Financial liabilities at amortized cost:					
Accounts payable	₱9,767	₱—	₱—	₱—	₱9,767
Accrued expenses	2,538	—	—	—	2,538
Due to a related party	22,792	—	—	—	22,792
Lease liabilities	4,539	—	91,597	582,193	678,329
	₱39,636	₱—	₱91,597	₱582,193	₱713,426
	June 30, 2021				
	On Demand	< 1 Year	1 to 5 Years	More than 5 Years	Total
(In Thousand Pesos)					
Financial assets at amortized cost:					
Cash in banks	₱351	₱—	₱—	₱—	₱351
Cash bond deposit	552	—	—	—	552
	₱903	₱—	₱—	₱—	₱903





	June 30, 2021				Total
	On Demand	< 1 Year	1 to 5 Years	More than 5 Years	
Financial liabilities at amortized cost:					
Accounts payable	₱3,880	₱—	₱—	₱—	₱3,880
Accrued expenses	2,771	—	—	—	2,771
Due to a related party	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, due from a related party, performance bond, cash bond deposit, accounts payable, accrued expenses and due to a related party*

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 7.46% and 5.96% as at June 30, 2022 and 2021, respectively. The fair value of the lease liabilities amounted to ₱253.4 million and ₱299.2 million as of June 30, 2022 and 2021, respectively, while the carrying value of the lease liabilities amounted to ₱293.9 million and ₱289.5 million as of June 30, 2022 and 2021, respectively.

As of June 30, 2022 and 2021, the fair value of lease liabilities are measured using Level 3 valuation technique. For the years ended June 30, 2022 and 2021, there were no transfers into and out of Level 3 fair value measurements.

#### Capital Management

The Company manages its capital structure and makes adjustments to it, in light of changes in business and economic conditions. To maintain or adjust the capital structure, the Company may issue new shares.

No changes were made in the objectives, policies or processes for the years ended June 30, 2022 and 2021.

The Company considers the following as its core capital:

	2022	2021
Capital stock	₱812,435,001	₱542,435,000
Additional paid-in capital	2,347,338,021	—
Deficit	(85,716,108)	(25,136,660)
	₱3,074,056,914	₱517,298,340



## 15. Basic/Diluted Loss Per Share

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

	2022	2021	2020
(a) Net loss attributable to equity holders of the Company	<b>₱60,579,448</b>	₱23,573,194	₱8,535,890
(b) Weighted average number of common shares outstanding	<b>6,999,350,005</b>	461,195,834	6,875,000
Basic/diluted loss per share (a/b)	<b>₱0.0087</b>	₱0.0511	₱1.2416

The Company does not have any dilutive potential common shares as at June 30, 2022, 2021 and 2020.

## 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:

- 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;
- 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;
- 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
- 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:

- 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;
- 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. Changes in Liabilities Arising From Financing Activities

### June 30, 2022

	July 1, 2021	Cash flows	Others	June 30, 2022
Due to a related party	₱22,792,348	₱—	₱—	₱22,792,348
Lease liabilities	289,525,826	(14,004,465)	18,357,487	293,878,848
Total liabilities from financing activities	<b>₱312,318,174</b>	<b>(₱14,004,465)</b>	<b>₱18,357,487</b>	<b>₱316,671,196</b>



June 30, 2021

	July 1, 2020	Cash flows	Others	June 30, 2021
Due to a related party	₱15,366,623	₱7,425,725	₱–	₱22,792,348
Lease liabilities	45,275,983	–	244,249,843	289,525,826
Total liabilities from financing activities	₱60,642,606	₱7,425,725	₱244,249,843	₱312,318,174

June 30, 2020

	July 1, 2019	Cash flows	Others	June 30, 2020
Due to a related party	₱8,444,628	₱6,921,995	₱–	₱15,366,623
Lease liabilities	47,563,954	(4,311,742)	2,023,771	45,275,983
Total liabilities from financing activities	₱56,008,582	₱2,610,253	₱2,023,771	₱60,642,606

**18. Other Matters**

*Change in Allocation of IPO Proceeds*

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

- 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.
- The authority to transact with financial institutions to secure bid bonds and bid security for the projects of the Company.
- 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.
- 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.
- 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.

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 SPHI, given that SPHI is a shareholder in Terra and that SPHI is to be a subsidiary by the Company, 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.



*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 Wholesale Electricity Spot Market.

The Company provided a performance bond in relation to the project amounting to ₱15.0 million valid until May 25, 2023. The performance bond is presented as part of "Other current assets" in the statement of financial position (see Note 5).

*Green Energy Auction Program (GEAP)*

On June 24, 2022, the Company was awarded as one of the winning bidders by the DOE for the first round of the Green Energy Auction. The Company submitted a surety bond, as part of the bidding requirements. The premium of ₱1.35 million that was paid for the surety bond is presented as part of the "Other current assets" in the statement of financial position (see Note 5).

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**19. Supplementary Information Required Under Revenue Regulations (RR) No. 15-2010**

The Company reported and accrued/paid the following types of taxes in 2022:

VAT

The Company's sales are subject to output VAT while its purchases of goods and services from other VAT-registered individuals or corporations are subject to input VAT. The VAT rate is 12%.

- a. The Company has no declared and paid output VAT in 2022.
- b. The amount of input VAT claimed is broken down as follows:

Balance at July 1	₱157,926
Domestic purchase of goods other than capital goods	—
Importation of goods	90,545,295
Domestic purchase of services	5,897,779
Balance at June 30	<u>₱96,601,000</u>



Taxes and Licenses

Details of taxes and licenses are as follows:

Mayor's permit and other fees	₱6,842,636
Payment to other government agencies	2,426,852
Real property tax	1,075,373
BIR annual registration fee	500
Others	75,677
Total	₱10,421,038

Withholding Taxes

The Company reported a total expanded withholding tax on professional fees, management fees, rental, commissions, and payments to certain contractors amounting to P18.1 million.

Documentary Stamp Tax

Non-life insurance policy	₱168,750
Loose documentary stamps	192
Total	₱168,942

Tax Contingencies

The Company did not receive any final tax assessments in 2022, nor did it have tax cases under preliminary investigation, litigation and/or prosecution in courts or bodies outside the administration of the BIR.



## INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of Solar Philippines Nueva Ecija Corporation (the Company, a subsidiary of Solar Philippines Power Project Holdings Inc.) as at June 30, 2022 and for the year then ended, on which we have rendered the attached report dated July 25, 2022.

In compliance with the Revised Securities Regulation Code Rule 68, we are stating that the Company has twelve (12) stockholders owning one hundred (100) or more shares each.

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. 114122-SEC (Group A)

Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions

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

July 25, 2022



## **INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY SCHEDULES**

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

We have audited in accordance with Philippine Standards on Auditing, the financial statements of Solar Philippines Nueva Ecija Corporation (the Company, a subsidiary of Solar Philippines Power Project Holdings, Inc.) as at June 30, 2022 and 2021, and for each of the three years in the period ended June 30, 2022, included in this Form 17-A, and have issued our report thereon dated July 25, 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. 114122-SEC (Group A)

Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions

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

July 25, 2022





# **SOLAR PHILIPPINES NUEVA ECIJA CORPORATION**

**(A Subsidiary of Solar Philippines Power Project Holdings Inc.)**

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## **INDEX TO THE FINANCIAL STATEMENTS**

### **AND SUPPLEMENTARY SCHEDULES**

**JUNE 30, 2022**

<b>Schedule</b>	<b>Contents</b>
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I	Map Showing the Relationships Between and Among the Companies in the Group
II	Reconciliation of Retained Earnings Available for Dividend Declaration
III	Financial Soundness Indicators
<i>Supplementary Schedules</i>	
A	Financial Assets
B	Amounts Receivable from Directors, Officers, Employees, Related Parties, and Principal Stockholders (Other than Related parties)
C	Amounts Receivable from Related Parties and Amounts Payable to Related Parties which are Eliminated during the Consolidation of Financial Statements (not applicable)
D	Long-Term Debt (not applicable)
E	Indebtedness to Related Parties
F	Guarantees of Securities of Other Issuers (not applicable)
G	Capital Stock

**Solar Philippines Power Project Holdings, Inc. & Subsidiaries**  
**Corporate Structure**  
**June 30, 2022**



**Solar Philippines Power Project Holdings, Inc.**



**Notes:**

- 1 In partnership with Prime Metro Power Holdings Corporation
- 2 In partnership with KEPCO Philippines Holdings, Inc.
- 3 In partnership with Prime Infrastructure Capital, Inc.
- 4 In partnership with DGA SP B.V.
- 5 In partnership with AC Energy Corporation

**Legend:**

- Operating Entities
- Non-operating Entities

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

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**SUPPLEMENTARY SCHEDULE OF RETAINED EARNINGS****AVAILABLE FOR DIVIDEND DECLARATION****JUNE 30, 2022**

Deficit, July 1, 2021		(₱25,136,660)
Net loss during the year closed to deficit	(60,579,448)	
Less: Non-actual/unrealized income (net of tax)		
Benefit from income tax - deferred	(11,370,555)	
Net loss actually incurred for the year		(71,950,003)
<b>TOTAL DEFICIT, JUNE 30, 2022</b>		<b>(₱97,086,663)</b>

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## **SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS**

Solar Philippines Nueva Ecija Corporation  
As of June 30, 2022 and 2021

<b>Ratio</b>	<b>Formula</b>	<b>June 2022</b>	<b>June 2021</b>
Current ratio	Dividing total current assets over total current liabilities	35.93	0.03
Acid test ratio	Dividing total current assets less inventory over total current liabilities	35.93	0.03
Solvency ratio	Dividing net income excluding depreciation and non-cash provisions over total debt obligations	N/A	N/A
Debt-to-equity ratio	Dividing total liabilities over stockholders' equity	0.11	0.62
Asset-to-equity ratio	Dividing total assets over total stockholders' equity	1.11	1.62
Interest rate coverage ratio	Dividing earnings before interest and taxes of one period over interest expense of the same period	N/A	N/A
Net debt-to-equity Ratio	Dividing total interest-bearing debts less cash and cash equivalents over total stockholders' equity	N/A	N/A
Return on equity (%)	Dividing the net income (annual basis) by total stockholders' equity (average)	N/A	N/A
Return on assets (%)	Dividing the net income (annual basis) by the total assets (average)	N/A	N/A

**Solar Philippines Nueva Ecija Corporation**

**INDEX TO SUPPLEMENTARY SCHEDULES**

**Form 17-A, Item 7**

**Supplementary Schedules**

- A. Financial Assets
- B. Amounts Receivable from Directors, Officers, Employees,  
and Principal Stockholders (Other than Related Parties)
- C. Amounts Receivable from Related Parties which are Eliminated  
during the Consolidation of Financial Statements (*not applicable*)
- D. Long-Term Debt (*not applicable*)
- E. Indebtedness to Related Parties
- F. Guarantees of Securities of Other Issuers (*not applicable*)
- G. Capital Stock

As of June 30, 2022

FINANCIAL ASSETS	Name of Issuing Entity & association of each use	Amount shown in the balance sheet	Income received and accrued
<b>Loans and receivables:</b> Cash and cash equivalents Trade Receivables Due from related parties Loans and notes receivables Advances to employees Non-trade Accounts Receivables Long term receivables Debt Service Reserve Account  <b>Financial assets at FVOCI</b> Equity Investments Debt investments <b>Financial asset at FVPL</b>  <b>Derivative Assets</b>		902,210,340  541,700,000	548,180
TOTAL		1,443,910,340	548,180

**SOLAR PHILIPPINES NUEVA ECIJA CORPORATION****SCHEDULE B - AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES AND PRINCIPAL STOCKHOLDERS (OTHER THAN RELATED PARTIES)**

As of June 30, 2022

Name and Designation of Debtor	Balance at Beginning of Period	Additions	Amounts Collected	Accounts Written-off	Current	Not Current	Balance at End of Period
Employees	220,036	345,150	(547,263)	-	17,923	-	17,923
Directors							
<b>TOTAL</b>	<b>220,036</b>	<b>345,150</b>	<b>(547,263)</b>	<b>-</b>	<b>17,923</b>	<b>-</b>	<b>17,923</b>

Note: The Company keeps the information on the name & designation of employees and other details confidential. As per written agreement with the concerned employees, any outstanding balance at the time of retirement shall be deducted from the retirement benefit proceeds.

**SOLAR PHILIPPINES NUEVA ECIJA CORPORATION**

SCHEDULE C - Amounts Receivable from Related Parties which are Eliminated during the Consolidation of Financial Statements

As of June 30, 2022

[illegible]



SOLAR PHILIPPINES NUEVA ECIJA CORPORATION  
SCHEDULE D - LONG-TERM DEBT  
As of June 30, 2022

Title of Issue and Type of Obligation	Amount Authorized by Indenture		Balance at		Current Portion of Long-Term Debt		Long-Term Debt (Net of Current Portion)		Interest Rate	Amount and Number of Periodic Payments			Maturity Date
	(In original currency)	(In PhP)	(In original currency)	(In PhP)	(In original currency)	(In PhP)	(In original currency)	(In PhP)		(In original currency)		(Approx in PhP)	
TOTAL		-		-		-		-					

**SOLAR PHILIPPINES NUEVA ECIJA CORPORATION**  
**SCHEDULE E - INDEBTEDNESS TO RELATED PARTIES**  
 As of June 30, 2022

[illegible]

**SOLAR PHILIPPINES NUEVA ECIJA CORPORATION**  
**SCHEDULE F - GUARANTEES OF SECURITIES OF OTHER ISSUERS**  
As of June 30, 2022

Name of issuing entity of securities guaranteed by the company for which this statement is filed	Title of issue of each class of securities guaranteed	Total amount guaranteed and outstanding	Nature of guarantee

**SOLAR PHILIPPINES NUEVA ECIJA CORPORATION**  
**SCHEDULE G - CAPITAL STOCK**  
As of June 30, 2022

Title of Issue	Number of shares authorized	Number of shares outstanding	Number of shares reserved for options, warrants, conversion and other rights	Number of shares held by related parties	Number of shares held by Directors and key executive officers
Common Share	10,000,000,000	8,124,350,005		5,724,485,998	359,007

# ANNEX "C"

## Annex A: Reporting Template

(For additional guidance on how to answer the Topics, organizations may refer to Annex B: Topic Guide)

### Contextual Information

Name of Organization:	SP New Energy Corporation, formerly Solar Philippines Nueva Ecija Corporation, or "SPNEC"
Location of Headquarters:	20 <sup>th</sup> Floor AIA Tower (formerly PhilamLife Tower), 8767 Paseo de Roxas, Barangay Bel-Air, Makati City, Philippines 1226 <sup>1</sup>
Location of Operations:	Barangay Las Piñas, Municipality of Peñaranda, Province of Nueva Ecija
Report Boundary: (Legal entities and subsidiaries included in this report)	SP New Energy Corporation (formerly Solar Philippines Nueva Ecija Corporation, the Parent Company) and Terra Nueva Inc. (the Subsidiary)
Business Model, including Primary Activities, Brands, Products, and Services:	Renewable energy development and electricity production
Reporting Period:	Jan to Dec 2022
Highest Ranking Person responsible for this report:	Chief Executive Officer

### Materiality Process

Explain how you applied the materiality principle (or the materiality process) in identifying your material topics. <sup>2</sup>
<p>The determination of materiality of the topics discussed in this report was based on guidelines and process set out in the GRI 3: Material Topics, as follows:</p> <ul style="list-style-type: none"><li>• Understanding of the organization's context which helped identify critical activities, principles, and stakeholders around which the Company operates</li><li>• Identification and contextualization of the organization's potential impacts on the economy, environment, people, and other stakeholders</li><li>• Assessment of the significance of the identified impacts through quantitative and qualitative analysis</li></ul> <p>We note that SPNEC cannot provide most of the information required for this report as the Company was still in the development phase and had not yet commenced commercial operations as of 31 December 2022. Notwithstanding the foregoing, SPNEC is committed to the objectives of the sustainability requirements and shall continuously improve the sustainability reporting including the identification and the discussion of the Company's impacts and relevant actions in the succeeding reports.</p>

<sup>1</sup> Based on the Company's Amended Articles of Incorporation, its principal office is at 112 Legaspi Street, Legaspi Village, Barangay San Lorenzo, Makati City, Philippines 1229.

<sup>2</sup> See [GRI 102-46](#) (2016) for more guidance.

## **Economic Performance**

### **Direct Economic Value Generated and Distributed**

<b>Disclosure</b>	<b>Amount</b>	<b>Units</b>
Direct economic value generated (revenue)	-nil-	PhP
Direct economic value distributed:		
a. Operating costs	-nil-	PhP
b. Employee wages and benefits	-nil-	PhP
c. Payments to suppliers, other operating costs	35,644,027.00	Php
d. Dividends given to stockholders and interest payments to loan providers	-nil-	PhP
e. Taxes given to government	6,848,628.00	PhP
f. Investments to community (e.g. donations, CSR)	51,000.00	PhP

<b>What is the impact and where does it occur? What is the organization's involvement in the impact?</b>	<b>Which stakeholders are affected?</b>	<b>Management Approach</b>
SPNEC was incorporated on 23 November 2016, primarily to construct, erect, assemble, commission, operate, and maintain power-generating plants, installations, shops, laboratories, pipelines, repair shops, electrical works, powerhouses, 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,	<ul style="list-style-type: none"> <li>• Shareholders (public and private)</li> <li>• Business partners (contractors, suppliers)</li> <li>• Government</li> <li>• Host communities</li> </ul>	<p>SPNEC Vision, Mission, and Sustainability Priorities</p> <p><u>Vision</u> To make the provinces more prosperous than Manila by creating virtuous cycles of development</p> <p><u>Mission</u> <u>To accelerate the adoption of solar energy through proactive project development.</u></p> <p>Company's Sustainability Priorities</p> <ul style="list-style-type: none"> <li>• Economic development. SPNEC is committed to the creation of sustainable economic opportunities in the provinces (i.e., ex-Metro Manila) through employment to the locals therein, as well as continuous provision of benefits to host communities and positive spillover effects of the taxes</li> </ul>

<p>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 resource 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.</p> <p>As of 31 December 2022, SPNEC had not yet commenced commercial operations, and was still in the process of development, of the Phase 1A of the solar power plant located in the Peñaranda, Nueva Ecija with a capacity of 50 MWdc.</p>		<p>paid to the local governments during the development phase and once the projects start commercial operations.</p> <ul style="list-style-type: none"> <li>• Stakeholder engagement. SPNEC commits to continuously engage with various stakeholders and be receptive to their feedbacks for the company to provide better service and work for their greater benefit.</li> </ul>
<b>What are the Risk/s Identified?</b>	<b>Which stakeholders are affected?</b>	<b>Management Approach</b>
<p>The following risks may adversely impact SPNEC's operations, and financial performance and position:</p> <ul style="list-style-type: none"> <li>• Climate-related events (e.g., severe flooding, earthquake, etc.) that could impact the power plant's integrity and reliability</li> <li>• Market-related risks such as persistently high inflation, increasing interest rates, and economic downturn which could</li> </ul>	<ul style="list-style-type: none"> <li>• Shareholders (public and private)</li> <li>• Business partners (contractors, suppliers)</li> <li>• Government</li> <li>• Host communities</li> </ul>	<p>SPNEC has a manual on corporate governance which provides for an adequate enterprise-wide risk management and oversight.</p> <p>In particular, its Board of Directors is organized into relevant committees whose main thrust is to provide strategic guidance and mitigate the identified risks, as follows.</p>

<p>translate to higher costs for the Company</p> <ul style="list-style-type: none"> <li>• Failure to respond with speed and agility to government mandates, rules and regulations, and hence, which might impede the Company's ability to service its customers or market</li> <li>• Loss of key personnel related to the Company's senior management and operations</li> <li>• Possible claims against the Company</li> <li>• Other unforeseen excessive rise in costs (i.e., capital expenditures and operating expenses)</li> </ul>		<ul style="list-style-type: none"> <li>• Audit and Risk Management Committee <i>Its main responsibilities include: recommending the appointment of external auditors whose report they review; monitoring the system of internal controls and corporate compliance with laws, regulations and code of ethics; serving as a direct channel of communications to the Board for the internal auditors, the Compliance Officer, and the general counsel.</i></li> <li>• Corporate Governance Committee <i>The committee shall:</i> <ol style="list-style-type: none"> <li>1. Assist the Board in the performance of its corporate governance responsibilities in accordance with the relevant laws and regulations;</li> <li>2. Review and evaluate the qualifications of all persons nominated to the Board as well as those nominated to other positions requiring appointment by the Board and provide assessment on the Board's effectiveness in directing the process of renewing and replacing Board members; and</li> <li>3. Establish formal and transparent procedure for developing a policy on executive remuneration, and for fixing the remuneration packages of corporate officers and directors, and provide oversight over remuneration of senior management and other key personnel.</li> </ol> </li> <li>• Related Party Transactions Committee <i>This committee shall be responsible for reviewing all material related party transactions of the company and shall be responsible for reviewing and proposing policies for related party</i></li> </ul>
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		<i>transactions. This committee shall also be responsible for checking compliance with the related-party transactions policies as may be adopted by the Board.</i>
<b>What are the Opportunity/ies Identified?</b>	<b>Which stakeholders are affected?</b>	<b>Management Approach</b>
<p>SPNEC has identified the following opportunities with respect to its business:</p> <ul style="list-style-type: none"> <li>• Maximizing the capacity of the solar power plants that the Company is currently building</li> <li>• Further expansion in and outside the current area where the power plant is being developed</li> <li>• Continued investments in the projects once they have started commercial operations</li> </ul>	<ul style="list-style-type: none"> <li>• Shareholders (public and private)</li> <li>• Business partners (contractors, suppliers)</li> <li>• Government</li> <li>• Host communities</li> </ul>	<p>SPNEC is in the process of developing what could be the largest solar power plant in Asia, for which the proceeds of the Initial Public Offering (“IPO”) and the Stock Rights Offering (“SRO”) were substantially allocated.</p> <p>The Company is also in the process of completing the assets-for-shares transaction with its parent company, Solar Philippines Power Project Holdings, Inc. (“SPPPHI”) to expand its project portfolio including existing and currently operational projects.</p> <p>The Company’s senior management and Board of Directors are committed to be constantly on the lookout for opportunities that will ensure SPNEC’s continuous and sustainable growth.</p>

### Climate-related risks and opportunities<sup>3</sup>

Governance	Strategy	Risk Management	Metrics and Targets
<p><b>SPNEC</b> has board-level committees, i.e., Audit and Risk Management Committee, Corporate Governance Committee, and Related Party Transactions Committee which respectively institutionalize the provisions of the</p>	<p>SPNEC, being a renewable energy company, is at the forefront of mitigating the risks that stem from climate change. As such, the Company is well aware of the potential impacts of the same on its business, that is, climate change-</p>	<p>All board-level committees are mandated to ensure compliance of the Company with its Corporate Governance Manual which includes, among others, compliance with environmental laws, rules and regulations.</p>	<p>While the Company is yet to start commercial operations, it is in the process of benchmarking with the industry to set concrete metrics and targets to ensure sustainable and environmentally-responsible practices.</p>

<sup>3</sup> Adopted from the Recommendations of the Task Force on Climate-Related Financial Disclosures. The TCFD Recommendations apply to non-financial companies and financial-sector organizations, including banks, insurance companies, asset managers and asset owners.

<p>Company's Corporate Governance Manual, which is the primary source of guidance on all aspects of governance including statutory guidance under which SPNEC operates.</p>	<p>induced catastrophes that threaten the integrity and reliability of its facilities that are critical to its delivery of its main business of supplying electricity from renewable sources.</p> <p><u>Opportunities</u></p> <ul style="list-style-type: none"> <li>• The Company recognizes its role in the fight against climate change, specifically in the reduction of the country's reliance on fossil fuels, and is determined to lead the expansion in this sector</li> <li>• SPNEC is setting the bar further higher in the reduction of carbon footprint in all areas of its operations, such as its minimal reliance on resources such as water, production of wastes in order to produce power and serve its customers.</li> </ul> <p><u>Risks</u></p> <ul style="list-style-type: none"> <li>• Stiffer regulation that would impede the growth plans of the Company</li> <li>• Severe economic downturn and market risks that might suddenly make the projects economically viable, or increase</li> </ul>	<p>Within the organization, SPNEC taps its parent company's able safety and community officers through a management agreement to make sure the Corporate Governance Manual is observed in the ordinary course of business.</p>	
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	costs associated with maintaining low environment footprint		
<b>Recommended Disclosures</b>			
<p><i>a) Describe the board's oversight of climate-related risks and opportunities</i></p> <p><b>The Board</b> of Directors is mandated, among others, to oversee the development of and approve SPNEC's business objectives and strategy, and monitor their implementation, in order to sustain the Company's long-term viability and strength. The Board is also duty-bound to act on a fully informed basis, in good faith, with due diligence and care, and in the best interest of the Company, its stockholders, and other relevant stakeholders, as well as maintain the sustainability and socially responsible nature of the Company. While oversight of the climate-related risks and opportunities is not expressly stated in the Board's mandates, the same is inherently ingrained in the fundamental duties and responsibilities of</p>	<p><i>a) Describe the climate-related risks and opportunities the organization has identified over the short, medium and long term</i></p> <p>The Company shall properly spell out these climate-related risks and opportunities once the commercial operations have commenced.</p>	<p><i>a) Describe the organization's processes for identifying and assessing climate-related risks</i></p> <p>The Company shall be able to lay down this requirement once the commercial operations have commenced.</p>	<p><i>a) Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process</i></p> <p>The Company shall be able to lay down this requirement once the commercial operations have commenced.</p>

the Board stated in the foregoing.			
<p><b>b) Describe management's role in assessing and managing climate-related risks and opportunities</b></p> <p><b>The Company shall be able to lay down this requirement once the commercial operations have commenced.</b></p>	<p><i>b) Describe the impact of climate-related risks and opportunities on the organization's businesses, strategy and financial planning.</i></p> <p>The Company shall be able to lay down this requirement once the commercial operations have commenced.</p>	<p><i>b) Describe the organization's processes for managing climate-related risks</i></p> <p>The Company shall be able to lay down this requirement once the commercial operations have commenced.</p>	<p><i>b) Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets</i></p> <p>The Company shall be able to lay down this requirement once the commercial operations have commenced.</p>
	<p><i>c) Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios including a 2°C or lower scenario</i></p> <p>The Company shall be able to lay down this requirement once the commercial operations have commenced.</p>	<p><i>c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management</i></p> <p>The Company shall be able to lay down this requirement once the commercial operations have commenced.</p>	

## **Procurement Practices**

### **Proportion of spending on local suppliers**

<b>Disclosure</b>	<b>Quantity</b>	<b>Units</b>
<p>Percentage of procurement budget used for significant locations of operations that is spent on local suppliers</p> <ul style="list-style-type: none"> <li>- The majority of spend as of 31 December 2022 is attributable to imported photovoltaic (PV) panels since the Company is still in development phase</li> </ul>	40	%

<b>What is the impact and where does it occur? What is the organization's involvement in the impact?</b>	<b>Which stakeholders are affected?</b>	<b>Management Approach</b>
SPNEC taps into local residents via its sub-contractor and local businesses for its requirements to build the solar power plant project in the province of Nueva Ecija. By doing this, the Company spurs economic activity that would lead to sustainable progress at the grassroots level.	Business partners and host communities	SPNEC follows its Vision and Mission, and its Corporate Governance Manual to ensure that local economic development is achieved in the area where it intends to operate.
<b>What are the Risk/s Identified?</b>	<b>Which stakeholders are affected?</b>	<b>Management Approach</b>
<ul style="list-style-type: none"> <li>• Reliability and competence of local residents to perform the requirements of its sub-contractor, as well as that of the local suppliers</li> <li>• Competitiveness of the costs associated with tapping local communities in the development of the project</li> </ul>	Business partners and host communities	SPNEC has manuals for construction, as well as health and safety, for purposes of developing and operating and maintaining its plants. The Company ensures that these are accordingly followed in dealing with the concerned stakeholders.
<b>What are the Opportunity/ies Identified?</b>	<b>Which stakeholders are affected?</b>	<b>Management Approach</b>
There is opportunity to ensure ethical, transparent, and competent procurement practices once the Company establishes its own Procurement unit prior to commencement of commercial operations.	Employees, business partners, host communities	<p>SPNEC has a construction management services contract with its ultimate parent company, SPPPHI, which includes the procurement of its requirements while in the development phase.</p> <p>The Company is in the process of establishing its own Procurement Unit, guided by a clear set of policies and rules.</p>

## Anti-corruption

### Training on Anti-corruption Policies and Procedures

Disclosure	Quantity	Units
Percentage of employees to whom the organization's anti-corruption policies and procedures have been communicated to	0	%
Percentage of business partners to whom the organization's anti-corruption policies and procedures have been communicated to	0	%
Percentage of directors and management that have received anti-corruption training	0	%
Percentage of employees that have received anti-corruption training	0	%

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
The Company's directors and officers are responsible for ensuring adherence to policies with respect to maintaining business relationships that uphold the good name of the Company.	Directors and officers, External business partners, Government, General public	SPNEC's standards of ethical conduct is in the Corporate Governance Manual and is in the process of creating a clear code of conduct and ethical business policy as it prepares to become a fully operational company prior to its projects' start of commercial operations.
What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
Possibility of corruption incidence occurring between the company's directors and/or officers and a third party.	Directors and officers, External business partners, Government, General public	The Corporate Governance Manual and the charters of the board-level committees are deemed sufficient to ensure that this is properly monitored and acted upon.
What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
Creation of a robust anti-corruption policy that will apply to all stakeholders	Directors and officers, External business partners, Government, General public	SPNEC's standards of ethical conduct is in the Corporate Governance Manual and is in the process of creating a clear code of conduct and ethical business policy as it prepares to become a fully operational company prior to its projects' start of commercial operations.

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### Incidents of Corruption

Disclosure	Quantity	Units
Number of incidents in which directors were removed or disciplined for corruption	0	#
Number of incidents in which employees were dismissed or disciplined for corruption	0	#
Number of incidents when contracts with business partners were terminated due to incidents of corruption	0	#

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
Directors and officers of the Company as they are the ones dealing with the Company's stakeholders. The Company had no other employees as of 31 December 2022.	Directors and officers, External business partners, Government, General public	SPNEC's standards of ethical conduct is in the Corporate Governance Manual and is in the process of creating a clear code of conduct and ethical business policy as it prepares to become a fully operational company prior to its projects' start of commercial operations.
What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
Possible conflict of interest Possible receipt or offering of bribery/gifts  <i>Identify risk/s related to material topic of the organization</i>	Directors and officers, External business partners, Government, General public	SPNEC's standards of ethical conduct is in the Corporate Governance Manual and is in the process of creating a clear code of conduct and ethical business policy as it prepares to become a fully operational company prior to its projects' start of commercial operations.
What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
Creation of a robust anti-corruption policy that will apply to all stakeholders	Directors and officers, External business partners, Government, General public	SPNEC's standards of ethical conduct is in the Corporate Governance Manual and is in the process of creating a clear code of conduct and ethical business policy as it

		prepares to become a fully operational company prior to its projects' start of commercial operations.
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## ENVIRONMENT

SPNEC was still in the development or pre-operating stage as of 31 December 2022, and, as such, the information being asked under this section were not applicable as of date. Moreover, the development or the pre-operating stage is being handled by third parties. Hence, SPNEC has no access to the requested information. It bears to emphasize however, that SPNEC is in the process of integrating sustainability practices even from the development or pre-operating phase of SPNEC's project.

### Resource Management

#### Energy consumption within the organization:

Disclosure	Quantity	Units
Energy consumption (renewable sources)	n/a	GJ
Energy consumption (gasoline)	n/a	GJ
Energy consumption (LPG)	n/a	GJ
Energy consumption (diesel)	n/a	GJ
Energy consumption (electricity)	n/a	kWh

#### Reduction of energy consumption

Disclosure	Quantity	Units
Energy reduction (gasoline)	n/a	GJ
Energy reduction (LPG)	n/a	GJ
Energy reduction (diesel)	n/a	GJ
Energy reduction (electricity)	n/a	kWh
Energy reduction (gasoline)	n/a	GJ

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
<i>Identify the impact and where it occurs (i.e., primary business operations and/or supply chain)</i> <i>Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship)</i>	<i>(e.g. employees, community, suppliers, government, vulnerable groups)</i>	<i>What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?</i>
n/a	n/a	n/a

<b>What are the Risk/s Identified?</b>	<b>Which stakeholders are affected?</b>	<b>Management Approach</b>
<i>Identify risk/s related to material topic of the organization</i> n/a	n/a	n/a
<b>What are the Opportunity/ies Identified?</b>	<b>Which stakeholders are affected?</b>	<b>Management Approach</b>
<i>Identify the opportunity/ies related to material topic of the organization</i> n/a	n/a	n/a

#### Water consumption within the organization

<b>Disclosure</b>	<b>Quantity</b>	<b>Units</b>
Water withdrawal	None	Cubic meters
Water consumption	None	Cubic meters
Water recycled and reused	None	Cubic meters

<b>What is the impact and where does it occur? What is the organization's involvement in the impact?</b>	<b>Which stakeholders are affected?</b>	<b>Management Approach</b>
<i>Identify the impact and where it occurs (i.e., primary business operations and/or supply chain)</i> <i>Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship)</i> n/a	<i>(e.g. employees, community, suppliers, government, vulnerable groups)</i> n/a	<i>What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?</i> n/a
<b>What are the Risk/s Identified?</b>	<b>Which stakeholders are affected?</b>	<b>Management Approach</b>
<i>Identify risk/s related to material topic of the organization</i> n/a	n/a	n/a
<b>What are the Opportunity/ies Identified?</b>	<b>Which stakeholders are affected?</b>	<b>Management Approach</b>
<i>Identify the opportunity/ies related to material topic of the organization</i>		

n/a	n/a	n/a
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#### Materials used by the organization

Disclosure	Quantity	Units
Materials used by weight or volume		
• renewable	None yet	kg/liters
• non-renewable	None yet	kg/liters
Percentage of recycled input materials used to manufacture the organization's primary products and services	n/a	n/a %

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
Identify the impact and where it occurs (i.e., primary business operations and/or supply chain) Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship) n/a	(e.g. employees, community, suppliers, government, vulnerable groups)  n/a	What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?  n/a
What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
Identify risk/s related to material topic of the organization  n/a	  n/a	  n/a
What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
Identify the opportunity/ies related to material topic of the organization n/a	  n/a	  n/a

#### Ecosystems and biodiversity (whether in upland/watershed or coastal/marine)

Disclosure	Quantity	Units
Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	(identify all sites) None	n/a
Habitats protected or restored	None	n/a

IUCN <sup>4</sup> Red List species and national conservation list species with habitats in areas affected by operations	(list) None	n/a
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What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
Identify the impact and where it occurs (i.e., primary business operations and/or supply chain) Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship)	(e.g. employees, community, suppliers, government, vulnerable groups)	What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?
n/a	n/a	n/a
What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
Identify risk/s related to material topic of the organization		
n/a	n/a	n/a
What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
Identify the opportunity/ies related to material topic of the organization		
n/a	n/a	n/a

## Environmental impact management

### Air Emissions

#### GHG

Disclosure	Quantity	Units
Direct (Scope 1) GHG Emissions	None	Tonnes CO <sub>2</sub> e
Energy indirect (Scope 2) GHG Emissions	None	Tonnes CO <sub>2</sub> e
Emissions of ozone-depleting substances (ODS)	None	Tonnes

What is the impact and where does it occur? What is the	Which stakeholders are affected?	Management Approach
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<sup>4</sup> International Union for Conservation of Nature

<b>organization's involvement in the impact?</b>		
<i>Identify the impact and where it occurs (i.e., primary business operations and/or supply chain) Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship)</i> n/a	<i>(e.g. employees, community, suppliers, government, vulnerable groups)</i>  n/a	<i>What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?</i>  n/a
<b>What are the Risk/s Identified?</b>	<b>Which stakeholders are affected?</b>	<b>Management Approach</b>
<i>Identify risk/s related to material topic of the organization</i> n/a	n/a	n/a
<b>What are the Opportunity/ies Identified?</b>	<b>Which stakeholders are affected?</b>	<b>Management Approach</b>
<i>Identify the opportunity/ies related to material topic of the organization</i>  n/a	n/a	n/a

#### Air pollutants

<b>Disclosure</b>	<b>Quantity</b>	<b>Units</b>
NO <sub>x</sub>	None	n/a kg
SO <sub>x</sub>	None	n/a kg
Persistent organic pollutants (POPs)	None	n/a kg
Volatile organic compounds (VOCs)	None	n/a kg
Hazardous air pollutants (HAPs)	None	n/a kg
Particulate matter (PM)	None	n/a kg

<b>What is the impact and where does it occur? What is the organization's involvement in the impact?</b>	<b>Which stakeholders are affected?</b>	<b>Management Approach</b>
<i>Identify the impact and where it occurs (i.e., primary business operations and/or supply chain) Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship)</i>	<i>(e.g. employees, community, suppliers, government, vulnerable groups)</i>	<i>What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?</i>

n/a	n/a	n/a
<b>What are the Risk/s Identified?</b>	<b>Which stakeholders are affected?</b>	<b>Management Approach</b>
<i>Identify risk/s related to material topic of the organization</i>		
n/a	n/a	n/a
<b>What are the Opportunity/ies Identified?</b>	<b>Which stakeholders are affected?</b>	<b>Management Approach</b>
<i>Identify the opportunity/ies related to material topic of the organization</i>		
n/a	n/a	n/a

## **Solid and Hazardous Wastes**

### **Solid Waste**

<b>Disclosure</b>	<b>Quantity</b>	<b>Units</b>
Total solid waste generated	None	kg
Reusable	None	kg
Recyclable	None	kg
Composted	None	kg
Incinerated	None	kg
Residuals/Landfilled	None	kg

<b>What is the impact and where does it occur? What is the organization's involvement in the impact?</b>	<b>Which stakeholders are affected?</b>	<b>Management Approach</b>
<i>Identify the impact and where it occurs (i.e., primary business operations and/or supply chain) Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship)</i>	<i>(e.g. employees, community, suppliers, government, vulnerable groups)</i>	<i>What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?</i>
n/a	n/a	n/a
<b>What are the Risk/s Identified?</b>	<b>Which stakeholders are affected?</b>	<b>Management Approach</b>
<i>Identify risk/s related to material topic of the organization</i>		

n/a	n/a	n/a
<b>What are the Opportunity/ies Identified?</b>	<b>Which stakeholders are affected?</b>	<b>Management Approach</b>
<i>Identify the opportunity/ies related to material topic of the organization</i>		
n/a	n/a	n/a

#### Hazardous Waste

Disclosure	Quantity	Units
Total weight of hazardous waste generated	None	kg
Total weight of hazardous waste transported	None	kg

<b>What is the impact and where does it occur? What is the organization's involvement in the impact?</b>	<b>Which stakeholders are affected?</b>	<b>Management Approach</b>
<i>Identify the impact and where it occurs (i.e., primary business operations and/or supply chain) Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship)</i>	<i>(e.g. employees, community, suppliers, government, vulnerable groups)</i>	<i>What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?</i>
n/a	n/a	n/a
<b>What are the Risk/s Identified?</b>	<b>Which stakeholders are affected?</b>	<b>Management Approach</b>
<i>Identify risk/s related to material topic of the organization</i>		
n/a	n/a	n/a
<b>What are the Opportunity/ies Identified?</b>	<b>Which stakeholders are affected?</b>	<b>Management Approach</b>
<i>Identify the opportunity/ies related to material topic of the organization</i>		
n/a	n/a	n/a

## Effluents

Disclosure	Quantity	Units
Total volume of water discharges	None	Cubic meters
Percent of wastewater recycled	None	%

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
<i>Identify the impact and where it occurs (i.e., primary business operations and/or supply chain)</i> <i>Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship)</i> n/a	<i>(e.g. employees, community, suppliers, government, vulnerable groups)</i> n/a	<i>What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?</i> n/a
What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
<i>Identify risk/s related to material topic of the organization</i> n/a	n/a	n/a
What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
<i>Identify the opportunity/ies related to material topic of the organization</i> n/a	n/a	n/a

## Environmental compliance

### Non-compliance with Environmental Laws and Regulations

Disclosure	Quantity	Units
Total amount of monetary fines for non-compliance with environmental laws and/or regulations	None	PhP
No. of non-monetary sanctions for non-compliance with environmental laws and/or regulations	None	#
No. of cases resolved through dispute resolution mechanism	None	#



<b>What is the impact and where does it occur? What is the organization's involvement in the impact?</b>	<b>Which stakeholders are affected?</b>	<b>Management Approach</b>
<i>Identify the impact and where it occurs (i.e., primary business operations and/or supply chain)</i> <i>Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship)</i>  n/a	<i>(e.g. employees, community, suppliers, government, vulnerable groups)</i>  n/a	<i>What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?</i>  n/a
<b>What are the Risk/s Identified?</b>	<b>Which stakeholders are affected?</b>	<b>Management Approach</b>
<i>Identify risk/s related to material topic of the organization</i> n/a	n/a	n/a
<b>What are the Opportunity/ies Identified?</b>	<b>Which stakeholders are affected?</b>	<b>Management Approach</b>
<i>Identify the opportunity/ies related to material topic of the organization</i>  n/a	n/a	n/a

## SOCIAL

The Parent Company did not employ any personnel from 31 December 2017 to 30 April 2021. During this period, the Parent Company's operations, business development, administrative, and finance functions were handled by its ultimate parent corporation, Solar Philippines Power Project Holdings, Inc. ("SPPPHI"). On 30 April 2021, the parent Company entered into a Management Service Agreement with SPPPHI to provide executive and leadership support and execute its strategic direction while managing its business operations from 1 May 2021 to 30 April 2024, renewable or may be extended upon mutual agreement of the parties. The Management Service Agreement covers all necessary administrative and advisory services on management, investment, and technical matters involving the Parent Company's operations, including, but not limited to, human resources, legal, finance, and information technology.

### Employee Management

#### Employee Hiring and Benefits

##### Employee data

Disclosure	Quantity	Units
Total number of employees <sup>5</sup>		
a. Number of female employees	None	#
b. Number of male employees	None	#
Attrition rate <sup>6</sup>	None	Rate
Ratio of lowest paid employee against minimum wage	None	Ratio

##### Employee benefits

List of Benefits	Y/N	% of female employees who availed for the year	% of male employees who availed for the year
SSS	n/a	None, as there are no employees yet	None, as there are no employees yet
PhilHealth	n/a	None, as there are no employees yet	None, as there are no employees yet
Pag-ibig	n/a	None, as there are no employees yet	None, as there are no employees yet
Parental leaves	n/a	None, as there are no employees yet	None, as there are no employees yet
Vacation leaves	n/a	None, as there are no employees yet	None, as there are no employees yet
Sick leaves	n/a	None, as there are no employees yet	None, as there are no employees yet

<sup>5</sup> Employees are individuals who are in an employment relationship with the organization, according to national law or its application ([GRI Standards 2016 Glossary](#))

<sup>6</sup> Attrition are = (no. of new hires – no. of turnover)/(average of total no. of employees of previous year and total no. of employees of current year)

Medical benefits (aside from PhilHealth))	n/a	None, as there are no employees yet	None, as there are no employees yet
Housing assistance (aside from Pag-ibig)	n/a	None, as there are no employees yet	None, as there are no employees yet
Retirement fund (aside from SSS)	n/a	None, as there are no employees yet	None, as there are no employees yet
Further education support	n/a	None, as there are no employees yet	None, as there are no employees yet
Company stock options	n/a	None, as there are no employees yet	None, as there are no employees yet
Telecommuting	n/a	None, as there are no employees yet	None, as there are no employees yet
Flexible-working Hours	n/a	None, as there are no employees yet	None, as there are no employees yet
(Others)	n/a	None, as there are no employees yet	None, as there are no employees yet

<b>What is the impact and where does it occur? What is the organization's involvement in the impact?</b>	<b>Management Approach</b>
<i>Identify the impact and where it occurs (i.e., primary business operations and/or supply chain)</i> <i>Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship)</i> n/a	<i>What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?</i> n/a
<b>What are the Risk/s Identified?</b>	<b>Management Approach</b>
<i>Identify risk/s related to material topic of the organization</i> n/a	n/a
<b>What are the Opportunity/ies Identified?</b>	<b>Management Approach</b>
<i>Identify the opportunity/ies related to material topic of the organization</i> n/a	n/a

#### Employee Training and Development

<b>Disclosure</b>	<b>Quantity</b>	<b>Units</b>
Total training hours provided to employees		
a. Female employees	None, as there are no employees yet	Hours
b. Male employees	None, as there are no employees yet	Hours

Average training hours provided to employees		
a. Female employees	None, as there are no employees yet	hours/employee
b. Male employees	None, as there are no employees yet	hours/employee

<b>What is the impact and where does it occur? What is the organization's involvement in the impact?</b>	<b>Management Approach</b>
<i>Identify the impact and where it occurs (i.e., primary business operations and/or supply chain)</i> <i>Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship)</i> n/a	<i>What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?</i> n/a
<b>What are the Risk/s Identified?</b>	<b>Management Approach</b>
<i>Identify risk/s related to material topic of the organization</i> n/a	n/a
<b>What are the Opportunity/ies Identified?</b>	<b>Management Approach</b>
<i>Identify the opportunity/ies related to material topic of the organization</i> n/a	n/a

#### Labor-Management Relations

Disclosure	Quantity	Units
% of employees covered with Collective Bargaining Agreements	None, as there are no employees yet	%
Number of consultations conducted with employees concerning employee-related policies	None, as there are no employees yet	#

<b>What is the impact and where does it occur? What is the organization's involvement in the impact?</b>	<b>Management Approach</b>
<i>Identify the impact and where it occurs (i.e., primary business operations and/or supply chain)</i> <i>Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship)</i>	<i>What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?</i>

n/a	n/a
<b>What are the Risk/s Identified?</b>	<b>Management Approach</b>
<i>Identify risk/s related to material topic of the organization</i>	
n/a	n/a
<b>What are the Opportunity/ies Identified?</b>	<b>Management Approach</b>
<i>Identify the opportunity/ies related to material topic of the organization</i>	
n/a	n/a

### Diversity and Equal Opportunity

<b>Disclosure</b>	<b>Quantity</b>	<b>Units</b>
% of female workers in the workforce	None, as there are no employees yet	%
% of male workers in the workforce	None, as there are no employees yet	%
Number of employees from indigenous communities and/or vulnerable sector*	None, as there are no employees yet	#

\*Vulnerable sector includes, elderly, persons with disabilities, vulnerable women, refugees, migrants, internally displaced persons, people living with HIV and other diseases, solo parents, and the poor or the base of the pyramid (BOP; Class D and E).

<b>What is the impact and where does it occur? What is the organization's involvement in the impact?</b>	<b>Management Approach</b>
<i>Identify the impact and where it occurs (i.e., primary business operations and/or supply chain) Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship)</i>	<i>What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?</i>
n/a	n/a
<b>What are the Risk/s Identified?</b>	<b>Management Approach</b>
<i>Identify risk/s related to material topic of the organization</i>	
n/a	n/a
<b>What are the Opportunity/ies Identified?</b>	<b>Management Approach</b>
<i>Identify the opportunity/ies related to material topic of the organization</i>	
n/a	n/a

## Workplace Conditions, Labor Standards, and Human Rights

### Occupational Health and Safety

Disclosure	Quantity	Units
Safe Man-Hours	328, 544 as of 31 December 2022	Man-hours
No. of work-related injuries	None, as there are no employees yet	#
No. of work-related fatalities	None, as there are no employees yet	#
No. of work related ill-health	None, as there are no employees yet	#
No. of safety drills	Twice a year	#

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
<i>Identify the impact and where it occurs (i.e., primary business operations and/or supply chain)</i> <i>Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship)</i> n/a	<i>What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?</i> n/a
What are the Risk/s Identified?	Management Approach
<i>Identify risk/s related to material topic of the organization</i> n/a	n/a
What are the Opportunity/ies Identified?	Management Approach
<i>Identify the opportunity/ies related to material topic of the organization</i> n/a	n/a

### Labor Laws and Human Rights

Disclosure	Quantity	Units
No. of legal actions or employee grievances involving forced or child labor	None, as there are no employees yet	#

Do you have policies that explicitly disallows violations of labor laws and human rights (e.g. harassment, bullying) in the workplace?

Topic	Y/N	If Yes, cite reference in the company policy
Forced labor	n/a	None yet
Child labor	n/a	None yet
Human Rights	n/a	None yet

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
<i>Identify the impact and where it occurs (i.e., primary business operations and/or supply chain)</i> <i>Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship)</i> n/a	<i>What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?</i> n/a
What are the Risk/s Identified?	Management Approach
<i>Identify risk/s related to material topic of the organization</i> n/a	n/a
What are the Opportunity/ies Identified?	Management Approach
<i>Identify the opportunity/ies related to material topic of the organization</i> n/a	n/a

## Supply Chain Management

Do you have a supplier accreditation policy? If yes, please attach the policy or link to the policy:

\_\_\_\_\_

Do you consider the following sustainability topics when accrediting suppliers?

Topic	Y/N	If Yes, cite reference in the supplier policy
Environmental performance	None, as these are all covered by law and all suppliers need to be legally compliant	We just rely on the law for this.
Forced labor	same	same
Child labor	same	same
Human rights	same	same
Bribery and corruption	same	same

<b>What is the impact and where does it occur? What is the organization's involvement in the impact?</b>	<b>Management Approach</b>
<i>Identify the impact and where it occurs (i.e., primary business operations and/or supply chain)</i> <i>Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship)</i>  n/a	<i>What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?</i>  n/a
<b>What are the Risk/s Identified?</b>	<b>Management Approach</b>
<i>Identify risk/s related to material topic of the organization</i>  n/a	n/a
<b>What are the Opportunity/ies Identified?</b>	<b>Management Approach</b>
<i>Identify the opportunity/ies related to material topic of the organization</i>  n/a	n/a

## **Relationship with Community**

### **Significant Impacts on Local Communities**

<b>Operations with significant (positive or negative) impacts on local communities (exclude CSR projects; this has to be business operations)</b>	<b>Location</b>	<b>Vulnerable groups (if applicable)*</b>	<b>Does the particular operation have impacts on indigenous people (Y/N)?</b>	<b>Collective or individual rights that have been identified that or particular concern for the community</b>	<b>Mitigating measures (if negative) or enhancement measures (if positive)</b>
None	n/a	n/a	n/a	n/a	n/a
None	n/a	n/a	n/a	n/a	n/a
None	n/a	n/a	n/a	n/a	n/a
None	n/a	n/a	n/a	n/a	n/a
None	n/a	n/a	n/a	n/a	n/a



*\*Vulnerable sector includes children and youth, elderly, persons with disabilities, vulnerable women, refugees, migrants, internally displaced persons, people living with HIV and other diseases, solo parents, and the poor or the base of the pyramid (BOP; Class D and E)*

For operations that are affecting IPs, indicate the total number of Free and Prior Informed Consent (FPIC) undergoing consultations and Certification Preconditions (CPs) secured and still operational and provide a copy or link to the certificates if available: \_\_\_\_\_

Certificates	Quantity	Units
FPIC process is still undergoing	n/a	#
CP secured	n/a	#

What are the Risk/s Identified?	Management Approach
Identify risk/s related to material topic of the organization  n/a	  n/a
What are the Opportunity/ies Identified?	Management Approach
Identify the opportunity/ies related to material topic of the organization  n/a	  n/a

## **Customer Management**

### **Customer Satisfaction**

Disclosure	Score	Did a third party conduct the customer satisfaction study (Y/N)?
Customer satisfaction	n/a	n/a

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
Identify the impact and where it occurs (i.e., primary business operations and/or supply chain) Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship)  n/a	What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?  n/a
What are the Risk/s Identified?	Management Approach
Identify risk/s related to material topic of the organization	

n/a	n/a
<b>What are the Opportunity/ies Identified?</b>	<b>Management Approach</b>
<i>Identify the opportunity/ies related to material topic of the organization</i>	
n/a	n/a

#### Health and Safety

Disclosure	Quantity	Units
No. of substantiated complaints on product or service health and safety*	none	#
No. of complaints addressed	none	#

\*Substantiated complaints include complaints from customers that went through the organization's formal communication channels and grievance mechanisms as well as complaints that were lodged to and acted upon by government agencies.

<b>What is the impact and where does it occur? What is the organization's involvement in the impact?</b>	<b>Management Approach</b>
<i>Identify the impact and where it occurs (i.e., primary business operations and/or supply chain) Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship)</i>	<i>What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?</i>
n/a	n/a
<b>What are the Risk/s Identified?</b>	<b>Management Approach</b>
<i>Identify risk/s related to material topic of the organization</i>	
n/a	n/a
<b>What are the Opportunity/ies Identified?</b>	<b>Management Approach</b>
<i>Identify the opportunity/ies related to material topic of the organization</i>	
n/a	n/a

#### Marketing and labelling

Disclosure	Quantity	Units
No. of substantiated complaints on marketing and labelling*	none	#
No. of complaints addressed	none	#

*\*Substantiated complaints include complaints from customers that went through the organization's formal communication channels and grievance mechanisms as well as complaints that were lodged to and acted upon by government agencies.*

<b>What is the impact and where does it occur? What is the organization's involvement in the impact?</b>	<b>Management Approach</b>
<i>Identify the impact and where it occurs (i.e., primary business operations and/or supply chain)</i> <i>Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship)</i> n/a	<i>What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?</i> n/a
<b>What are the Risk/s Identified?</b>	<b>Management Approach</b>
<i>Identify risk/s related to material topic of the organization</i> n/a	n/a
<b>What are the Opportunity/ies Identified?</b>	<b>Management Approach</b>
<i>Identify the opportunity/ies related to material topic of the organization</i> n/a	n/a

#### Customer privacy

<b>Disclosure</b>	<b>Quantity</b>	<b>Units</b>
No. of substantiated complaints on customer privacy*	none	#
No. of complaints addressed	None	#
No. of customers, users and account holders whose information is used for secondary purposes	None	#

*\*Substantiated complaints include complaints from customers that went through the organization's formal communication channels and grievance mechanisms as well as complaints that were lodged to and acted upon by government agencies.*

<b>What is the impact and where does it occur? What is the organization's involvement in the impact?</b>	<b>Management Approach</b>
<i>Identify the impact and where it occurs (i.e., primary business operations and/or supply chain)</i> <i>Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship)</i>	<i>What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?</i>

n/a	n/a
<b>What are the Risk/s Identified?</b>	<b>Management Approach</b>
<i>Identify risk/s related to material topic of the organization</i>	
n/a	n/a
<b>What are the Opportunity/ies Identified?</b>	<b>Management Approach</b>
<i>Identify the opportunity/ies related to material topic of the organization</i>	
n/a	n/a

### Data Security

<b>Disclosure</b>	<b>Quantity</b>	<b>Units</b>
No. of data breaches, including leaks, thefts and losses of data	None	#

<b>What is the impact and where does it occur? What is the organization's involvement in the impact?</b>	<b>Management Approach</b>
<i>Identify the impact and where it occurs (i.e., primary business operations and/or supply chain)</i>	<i>What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?</i>
<i>Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship)</i>	
n/a	n/a
<b>What are the Risk/s Identified?</b>	<b>Management Approach</b>
<i>Identify risk/s related to material topic of the organization</i>	
n/a	n/a
<b>What are the Opportunity/ies Identified?</b>	<b>Management Approach</b>
<i>Identify the opportunity/ies related to material topic of the organization</i>	
n/a	n/a

## UN SUSTAINABLE DEVELOPMENT GOALS

### Product or Service Contribution to UN SDGs

Key products and services and its contribution to sustainable development.

Key Products and Services	Societal Value / Contribution to UN SDGs	Potential Negative Impact of Contribution	Management Approach to Negative Impact
Supply of electricity	<p><b>Goal 7: Affordable and Clean Energy</b></p> <p>The Company will produce electricity purely from solar energy, a clean source of energy. It is committed to making electricity available to the public at a lower price compared to the market.</p> <p>In support of the UN SDG 7, the Company has contracted a portion of its generation for PhP3.4567/kWh, which is lower compared to the market price of PhP7.53/kWh average in January to October 2022. Once fully built, the 500MWdc project will have saved 474,204 metric tons of carbon emissions, equivalent to more than 1.7 million trees.</p> <p><b>Goal 9: Industry, Innovation, and Infrastructure</b></p> <p>The Company builds energy infrastructure that are modularly constructed and are thus more resilient to typhoons which affect the country. By design, solar power plants have no single</p>	The Company's source of energy, its main business, is a renewable energy source and is poised to positively contribute, rather than negatively, to the attainment of the UN SDGs.	The Company's source of energy, its main business, is a renewable energy source and is poised to positively contribute, rather than negatively, to the attainment of the UN SDGs. Notwithstanding, the Company's management continues to be cognizant of its role in keeping the business from negatively impacting the attainment of the UN SDGs.

	<p>point of failure. Thus, repairs can be done without shutting the plant completely. The design also means that there are no complete plant shutdowns during maintenance unlike traditional sources of energy. The Company also uses the latest technology in solar panels and inverters. These drive continuous gains in efficiencies by improving productivity and reducing costs. Newer technologies also have higher energy densities which require less area for development. These also have longer projected lifespans and lower maintenance requirements, reducing waste from repairs and replacements.</p> <p><b>Goal 11: Sustainable Cities and Communities</b></p> <p>The Company, through its solar power development, contributes to the overall reduction in air pollution in cities and communities by promoting the use of renewable and emission-free electricity resources. Compared to other energy sources, solar power technology produces little to no noise pollution, by-products, and water waste. Given these factors, SP as Group (and consequently SPNEC) believes its use of solar</p>		
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	<p>power technology offers the least negative impact in the communities it operates in.</p> <p><b>Goal 13: Climate Action</b></p> <p>As part of the SP Group, the Company is also at the forefront of the adoption of renewable energy in the Philippines with its development of 500MW in installed capacity, which can generate 742.7 GWh annually, enough to displace about half a million metric tons of emissions produced by fossil-fired power plants. Furthermore, with close to 10 gigawatts (GW) in the pipeline over the next five years, the SP Group is poised to become the largest pure-play solar energy company in the country and among the largest renewable energy focused firms. The SP Group firmly believes that its 10GW goal stands as an important pillar in the Philippine's goal to shift the country's consumption towards more clean energy.</p>		
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*\* None/Not Applicable is not an acceptable answer. For holding companies, the services and products of its subsidiaries may be disclosed.*