

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, 2023
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
Philippines
6. Industry Classification Code(SEC Use Only)
7. Address of principal office
20th Floor Philam Life 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
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	50,073,050,000

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 ("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, 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

PhP 10,800,443,273.4

**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, 2023
Currency	PHP

Balance Sheet

	Year Ending Dec 31, 2023	Previous Year Ending Dec 31, 2022
Current Assets	11,224,119,104	1,528,374,908
Total Assets	51,182,814,306	6,203,723,210
Current Liabilities	1,466,879,475	92,526,977
Total Liabilities	8,762,839,303	391,126,721
Retained Earnings/(Deficit)	5,546,151,067	-126,125,941
Stockholders' Equity	42,419,975,003	5,812,596,489
Stockholders' Equity - Parent	-	-
Book Value Per Share	1.23	0.58

Income Statement

	Year Ending Dec 31, 2023	Previous Year Ending Dec 31, 2022
Gross Revenue	635,451,217	-
Gross Expense	-327,103,277	-
Non-Operating Income	6,008,335,292	-
Non-Operating Expense	-207,914,077	-38,010,960
Income/(Loss) Before Tax	5,971,530,581	-40,144,695
Income Tax Expense	23,949,830	265,138
Net Income/(Loss) After Tax	5,947,580,751	-40,409,833
Net Income/(Loss) Attributable to Parent Equity Holder	5,706,730,751	-40,409,833
Earnings/(Loss) Per Share (Basic)	0.23	-0
Earnings/(Loss) Per Share (Diluted)	0.23	-0

Financial Ratios

	Formula	Fiscal Year Ended Dec 31, 2023	Previous Fiscal Year Dec 31, 2022
Liquidity Analysis Ratios:			
Current Ratio or Working Capital Ratio	Current Assets / Current Liabilities	7.65	16.52
Quick Ratio	(Current Assets - Inventory - Prepayments) / Current Liabilities	7.63	16.52
Solvency Ratio	Total Assets / Total Liabilities	0.7	-
Financial Leverage Ratios			
Debt Ratio	Total Debt/Total Assets	-	-
Debt-to-Equity Ratio	Total Debt/Total Stockholders' Equity	0.21	0.07
Interest Coverage	Earnings Before Interest and Taxes (EBIT) / Interest Charges	36.7	-
Asset to Equity Ratio	Total Assets / Total Stockholders' Equity	1.21	1.07
Profitability Ratios			

Gross Profit Margin	Sales - Cost of Goods Sold or Cost of Service / Sales	-	-
Net Profit Margin	Net Profit / Sales	-	-
Return on Assets	Net Income / Total Assets	11.62	-
Return on Equity	Net Income / Total Stockholders' Equity	14.02	-
Price/Earnings Ratio	Price Per Share / Earnings Per Common Share	-	-

Other Relevant Information

-

Filed on behalf by:

Name	Arrenz Joseph Magnabihon
Designation	Head, Investor Relations and Corporate Communications

COVER SHEET

CS 2 0 1 6 2 7 3 0 0

S.E.C. Registration Number

SP NEW ENERGY CORPORATION
(formerly Solar Philippines
Nueva Ecija Corporation)

(Company's Full Name)

20th Floor, Philamlife Tower,
8767 Pasco de Roxas, Makati
City 1226

(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 3 1
Month Day

Fiscal Year

SEC Form 17-A

Form Type

1st Meeting 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 ID

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 2023**
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 1229¹**
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
Common	50,073,050,000²

11. Are any or all of these 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 ("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 ☐

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

² Only 9,998,828,397 common shares are registered with the Securities and Exchange Commission. 40,073,050,000 common shares are not yet listed.

(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.

Number of Shares Owned by Non-Affiliates (Public)	8,182,153,995
Closing Price as of December 31, 2023	1.32
Aggregate Market Value of Voting Stock Held by Non-Affiliates (Public) as of December 31, 2023	Php 10,800,443,273.4

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

PART I - BUSINESS AND GENERAL INFORMATION

Item 1. Business

SP New Energy Corporation ("SPNEC," the "Corporation", 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). TNI was incorporated and registered with the SEC on 31 August 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.

Acquisition of Solar Philippines Assets

On 15 May 2023, SPNEC entered into a Contract to Sell Shares with SPPPHI and individual stockholder (Sellers) for SPNEC (Buyer) to purchase SPPPHI and Leandro Antonio L. Leviste's ("Mr. Leviste") rights, titles, and interests in and to the Solar Philippines Assets (as defined below), using the proceeds of SPPPHI's subscription to 24.37 billion SPNEC common

shares, premised on the SEC approval of SPNEC's increase in authorized capital stock.

On the same date, SPNEC entered into Deeds of Absolute Sale ("DOAS") with SPPPHI for SPNEC to purchase SPPPHI's rights, titles, and interests in and to Solar Philippines Tarlac Corporation ("SPTC") and Solar Philippines Rooftop Corporation ("SPRC") for a purchase price of ₱2,325.0 million.

On 9 June 2023, SPNEC entered into another DOAS with SPPPHI for SPNEC to purchase SPPPHI's rights, titles, and interests in and to the following for a purchase price of ₱79.9 million:

- Solar Philippines Batangas Corporation ("SPBATC")
- Solar Philippines Batangas Baseload Corporation ("SPBBC")
- Solar Philippines Central Luzon Corporation ("SPCLC")
- Solar Philippines Central Visayas Corporation ("SPCVC")
- Solar Philippines Eastern Corporation ("SPEC")
- Solar Philippines Retail Electricity, Inc. ("SPREI")
- Solar Philippines South Luzon Corporation ("SPSLC")
- Solar Philippines Southern Mindanao Corporation ("SPSMINC")
- Solar Philippines Southern Tagalog Corporation ("SPSTAGC")
- Solar Philippines Tarlac Baseload Corporation ("SPTBC")
- Solar Philippines Visayas Corporation ("SPVC")
- Solar Philippines Western Corporation ("SPWC")
- Laguna Rooftop Solar Corporation ("LRSC")
- Terra Solar Philippines, Inc. ("TSPI")

On 29 June 2023, SPNEC entered into a DOAS with SPPPHI for SPNEC to purchase SPPPHI's rights, titles, and interests in and to Solar Philippines Calatagan Corporation ("SPCC") for a purchase price of ₱499.1 million.

(the rights, titles, and interests in and to SPTC, SPRC, SPBATC, SPBBC, SPCLC, SPCVC, SPEC, SPREI, SPSLC, SPSMINC, SPSTAGC, SPTBC, SPVC, SPWC, LRSC, TSPI and SPCC shall collectively be referred to as the "Solar Philippines Assets")

On 9 November 2023, SPNEC entered into a Deed of Donation and Acceptance with Countryside Investments Holdings Corporation ("CIHC"), where the latter voluntarily and absolutely ceded, transferred, and conveyed by way of donation unto the former all its rights over, title and interests in and to the SP Holdings, Inc. ("SPHI") shares,

On 20 November 2023, SPNEC and Mr. Leviste entered into a DOAS for SPNEC to purchase the rights and interests to SPCC's 60.0 million common shares for a purchase price of ₱245.4 million. As of 31 December 2023, SPNEC is still waiting for the issuance of ECAR regarding the transfer of SPCC shares from Mr. Leviste to SPNEC.

Investment of Metro Pacific Investments Corporation ("MPIC")

On 27 March 2023, MPIC entered into a Share Purchase Agreement ("SPA") with SPPPHI to acquire its rights, title and interest in and to SPNEC for a total of 1,600.0 million common shares

(Sale Shares) for a total consideration of ₱2,000.0 million.

On 5 May 2023, SPNEC entered into an Option Agreement with SPPPHI and MPIC, which grants the MPIC Group the option to acquire up to 17,400.0 million shares of the SPNEC, comprising up to 10,000.0 million primary shares for up to P12,500.0 million (Primary Option) and up to 7,400.0 million secondary shares for up to P9,250.0 million (Secondary Option), supported by the approval of SPNEC's increase in authorized capital stock from 10,000.0 million to 50,000.0 million shares. Together with the initial acquisition by MPIC from SPPPHI of the Sale Shares, a full exercise of these options may result in the MPIC Group investing a total of P23,750.0 million for 19,000.0 million shares and becoming the largest shareholder with approximately 42.82% ownership in SPNEC.

Investment by MGen Renewable Energy, Inc. ("MGreen")

On 30 November 2023, SPNEC entered into a Subscription Agreement with MGreen, the renewable energy development arm of Meralco Powergen Corporation ("MGen"), to subscribe (i) 15.7 billion common shares with par value of P1.0 per share and (ii) 19.4 billion preferred shares with par value of P0.01 per share for a total subscription price of P15.9 billion. MGen is a wholly-owned subsidiary of the Manila Electric Company, the country's largest private sector electric distribution utility company. The transaction will support the expansion of the Company's project portfolio, including the development of a planned 3.5GW solar power plant and 4 GWh of battery storage.

On the same date, SPNEC received partial cash subscription from MGreen amounting to P7.0 billion, and the balance amounting to P8.9 billion was received on 27 December 2023.

On 6 December 2023, SPNEC filed its application for an increase in authorized capital stock (the "ACS Increase Application") with the SEC. On 17 January 2024, the SEC approved SPNEC's ACS Increase Application, which approval was received by SPNEC on 19 January 2024. On the same day, SPNEC issued the subscription shares to MGreen, resulting in the latter owning 50.53% of the total outstanding capital stock of SPNEC.

Subsequently, on 26 January 2024, MGreen purchased 2,173,913,000 common shares held by SPPPHI for a total consideration of PhP2,499,999,950.00. With this, MGreen's resulting ownership in SPNEC is now at 53.66%.

Acquisition of controlling interest in Terra Solar Philippines, Inc. ("TSPI") from Prime Infrastructure, Inc. ("Prime")

On 11 December 2023, SPNEC executed a DOAS to acquire 100% of the shares of Prime in TSPI for P6,000.0 million. Together with SPNEC's previously acquired shares in TSPI, SPNEC is now the legal and beneficial owner of 100% of TSPI.

The aforementioned acquisitions resulted in 100% interest in the Solar Philippines Assets, except for SPCC, LRSC, and SPCLC in which SPNEC acquired 62%, 60%, and 1% interests, respectively, and excluding preferred shares in SPTC.

As of 31 December 2023, SPNEC, TNI, SPHI, Terra Renewables Holdings, Inc. and the Solar Philippines Assets are referred to herein as the "Group".

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, 2023, the Group is in the process of developing and acquiring land 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.

SPNEC has leases with 25 years term 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 (5) 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 with a total area of 125.43 hectares. The Company is currently surveying proposed project sites for possible future acquisitions.

In 2022 and 2023, The Parent Company and TNI entered into Contracts to Sell ("CTS") with various landowners for the acquisition of parcels of land with a total land area of 1,287.63 hectares and 798.57 hectares, respectively. TNI also entered into various Deeds of Absolute Sale Agreement for a total land area of 534.76 hectares which are intended for the Group's project and for future expansion.

In addition, as part of the business combination under common control, the land with a total area of 135.68 hectares, deposits for land acquisition with a total land area of 93.53 hectares, and leased properties with a total land area of 102.49 hectares, which were owned by SP Tarlac and SP Calatagan were consolidated as part of the Group's properties as of December 31, 2023.

The Company is developing Phase 1 of the project, a 225 megawatts of direct current ("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-2024 while Phase 1B is planned to be commissioned by end of 2025.

Further, SP Calatagan, SP Tarlac and among others were also consolidated through business combination. SP Calatagan Solar Power Project is a 63.359 megawatt (MW) solar photovoltaic (PV) facility situated in Batangas and SP Tarlac is a solar power of 100-megawatt ("MW") solar photovoltaic ("PV") facility situated in Tarlac. SP Tarlac has also a 5MW expansion in the same location.

Other than those mentioned, the Group did not own any other properties as of 31 December 2023.

Item 3. Legal Proceedings

To the best of the Group's knowledge, as of 31 December 2023, 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. Moreover, the Company has threatened legal action by suppliers for payment of outstanding payables which it does not consider material as they are also in the ordinary course of business.

Further, to the best of the Group's knowledge, as of 31 December 2023, its affiliates are involved in a few routine criminal cases for complaints of theft or pilferage of company property. To the best of the Group's knowledge, some of its affiliates have threatened legal action by suppliers for payment of outstanding payables. 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 a material effect on the present financial position of the Group.

Finally, 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 the business of renewable energy development, operation, and production.

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

A. The Company held its annual stockholders' meeting for the year 2023 (the "**Annual Meeting**") on 8 June 2023.

The following matters were voted upon during the Annual Meeting:

I. 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. Ms. Hazel Iris P. Lafuente, as regular director,
- f. Mr. Aresty M. Lapitan, as regular director, and
- g. Mr. Martin Charles Crotty, as regular director.

Below is a tabulation of the votes cast for each of the above-named individuals:¹

#	Name of Nominee	Number of Votes Cast
1	Leandro Antonio L. Leviste	7,019,014,832
2	J. Carlitos G. Cruz	7,008,064,833
3	Benjamin I. Espiritu	7,008,064,833
4	Carlos Jose P. Gatmaitan	7,008,064,832
5	Hazel Iris P. Latuente	7,088,064,843
6	Aresty M. Lapitan	7,088,064,833
7	Martin Charles Crotty	7,007,491,634

2. Approval of Minutes of Previous Stockholders' Meetings

Approval by the stockholders of the minutes of the annual meeting held on 30 August 2022 was sought.

For this item, 5,409,551,948 shares or 77.17% of the Company's shares present or represented at the meeting were voted in favor of the approval of the minutes of the previous meeting of the Company's stockholders.

3. Approval of the Audited Financial Statements and Management Report for the Calendar Year Ended 31 December 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 calendar year ended 31 December 2022 was sought.

For this item, 5,409,711,947 shares or 77.17% 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 calendar year ended 31 December 2022.

4. Approval to Confirm Previous Approval of the Company's Increase in Authorized Capital Stock, the Subsequent Amendment of the Company's Articles of Incorporation For Purposes Enumerated

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: (i) increase the Company's authorized capital stock from PhP1 Billion divided into 10 Billion common shares at a par value of PhP0.10 per share to PhP5 Billion divided into 50 Billion common shares at a par value of PhP0.10; (ii) file an amendment of the Company's Articles of Incorporation for the purpose, including (x) the issuance of 24.373 Billion shares to SPPPHI,

¹ Note: The following directors resigned and were replaced by individuals set out opposite their names, effective on the dates provided below:

Outgoing Director	Incoming Director	Effective Date
Jesusa Lorcto A. Arellano	Martin Charles Crotty	31 January 2023
Carlos Jose P. Gatmaitan	Rochel Donato R. Gloria	11 December 2023
J. Carlitos G. Cruz	Pedro Emilio O. Roxas	27 December 2023
Martin Charles Crotty	Amanda Roselle A. Bengson	27 December 2023
Aresty M. Lapitan	Mamuel V. Pangilinan	27 December 2023

(y) the acquisition by SPNEC of Solar Philippines Assets, and (z) subsequent issuance of shares to MPIC.

For this item, 7,009,685,073 shares or 70.09% of the Company's total outstanding capital stock were voted in favor of the aforementioned items.

5. Approval of the Waiver of Any Applicable Required Rights Offers or Other Required Public Offering in Respect of Certain Transactions

Upon recommendation of the BOD, approval by the stockholders representing at least a majority of the shares owned by the Company's minority shareholders present or represented at the meeting was sought to waive any applicable required rights offers or other required public offering in respect of: (i) issuance of 24,373,050,000 shares to SPPPHI; (ii) acquisition by SPNEC, paid at cost and in cash, of 100% of the shares of SPPPHI in Solar Philippines Assets; and (iii) subsequent issuance of shares to MPIC in relation to SPNEC's increase in authorized capital stock.

For this item, 3,361,715,945 shares or 100% of the shares held by the Company's minority shareholders present or represented at the meeting were voted in favor of the aforementioned items.

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, 7,009,711,948 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 30 August 2022 up to present was sought.

For this item, 5,409,711,948 shares or 77.17% of the Company's shares present or represented at the meeting were voted in favor of the ratification.

B. The Company held a special stockholders' meeting (the "Special Meeting") on 4 December 2023.

The following matters were voted upon during the Special Meeting:

1. Approval of Minutes of Previous Stockholders' Meetings

Approval by the stockholders of the minutes of the annual meeting held on 8 June 2023 was sought.

For this item, 31,038,152,987 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 meeting of the Company's stockholders.

2. Approval of the Amendment of the Company's Articles of Incorporation to Increase its Authorized Capital Stock, Subscription of MGreen and Increase in the Number of Directors

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: (i) amend the Company's Articles of Incorporation to increase its authorized capital stock from PhP5 Billion divided into 50 Billion common shares at a par value of PhP0.10 per share to PhP7,750,000,000.00 divided into 75 Billion common shares with a par value of PhP0.10 per share and 25 Billion preferred shares with a par value of PhP0.01 per share, which shares shall be voting, redeemable and preferred in payment in case of liquidation and subject to such returns on investment in such class of shares as may be determined by the Board of Directors; (ii) accept the subscription of MGreen to 15,700,000,000 common shares and 19,404,202,552 preferred shares to be issued out of the increase in authorized capital stock; and (iii) amend the Corporations' Articles of Incorporation to increase the number of directors from seven (7) to nine (9).

For this item, 31,038,152,987 shares or 90.30% of Company's total outstanding capital stock were voted in favor of the aforementioned items.

3. Waiver of the Applicable Mandatory Rights Offer or Public Offering in Relation to or Arising from the Issuance of Shares to MGreen

Upon recommendation of the BOD, approval by the stockholders representing at least a majority of the shares owned by the Company's minority shareholders present or represented at the meeting was sought to waive the applicable mandatory rights offer or public offering in relation to the issuance of shares to MGreen of 15,700,000,000 common shares and 19,404,202,552 preferred shares to be issued out of the increase in authorized capital stock.

For this item, 1,417,106,982 shares or 99.99% of the shares held by the Company's minority shareholders present or represented at the meeting were voted in favor of the aforementioned items.

4. Conduct of Follow-On Offering to Support the Expansion of the Company's Project Portfolio and Increase the Public Ownership of its Shares

Upon recommendation of the BOD, approval by the stockholders representing at least a majority of the total outstanding capital stock of the Company was sought to: (i) offer for sale and issue common shares and/or preferred shares, as may be determined by the BOD, from the unissued authorized capital stock and/or from increase in the authorized capital stock by way of public offering or private placement transactions; (ii) do a follow-on offering of the

Company's shares, subject to the registration requirements of the SEC and the listing requirements of the PSE; and (iii) ascertain the number of shares to be offered for sale and its offer price, appoint the Sole Issue Manager, Bookrunner, and Lead Underwriter and designate authorized representatives therefor.

For this item, 31,038,152,987 shares or 99.99% of Company's total outstanding capital stock were voted in favor of the aforementioned items.

5. Ratification of Acts, Resolutions, and Decisions of the BOD and Management From 8 June 2023

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 8 June 2023 up to present was sought.

For this item, 31,038,152,987 shares or 99.99% of Company's total outstanding capital stock 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

As of date, the Issuer has an authorized capital stock of ₱7,750,000,000.00 divided into 75,000,000,000 common shares with a par value ₱0.10 per share and 25,000,000,000 preferred shares with a par value of ₱0.01 per share divided into 5,595,797,448 Class A preferred shares and 19,404,202,552 Class B preferred shares.

The total issued and subscribed capital stock of the Company is ₱5,201,347,025.52.00, divided into 50,073,050,000 common shares with a par value of ₱0.10 per share and 19,404,202,552 Class B preferred shares with a par value of ₱0.01 per share.

The Articles of Incorporation delegated to the Board of Directors of the Company the determination of the features of Class A Preferred Shares, Class B Preferred Shares, on the other hand, are (1) voting; (2) non-cumulative; (3) not entitled to any economic returns or dividends; (4) redeemable at the option of the Company, at issue price, and at such other terms and conditions as may be determined by the Board of Directors (and shall be immediately retireable upon redemption thereof); and (5) in the event of the liquidation, dissolution or winding up of the Company (whether voluntary or involuntary), have preference over the Common Shares in respect of the assets of the Company available for distribution after payment of the liabilities of the Company.

Common shares are not entitled to pre-emptive rights.

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.

Stock Rights Offering

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

On 8 April 2022, SPNEC 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 10.11 (in respect of the Rights Offer) and 10.1(I) (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 19 July 2022.

On 18 August 2022, SPNEC 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 15 September 2022, SPNEC 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 1 December 2022, SPNEC extended the payment period for partially paid Right Shares for a period of three months, from 5 December 2022 to 5 March 2023.

As of 31 December 2023 and 2022, subscription receivable resulting from those that subscribed on installment payment amounted to ₱1.3 million and ₱651.1 million, respectively. SPNEC 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.

As of 29 February 2024, 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.

As of 29 February 2024, 9,998,828,397 of the Issuer's common shares are listed with the PSE.

Market Information

The Company's shares are traded on the Philippine Stock Exchange. The high and low sales prices of SPNEC shares for each quarter for the last two fiscal years and the first quarter of 2024 are as follows:

	2022		2023		2024	
	High	Low	High	Low	High	Low

Jan-Mar	2.29	1.15	1.79	1.17	1.40	1.02
Apr-Jun	1.90	1.43	1.76	1.36	-	-
Jul-Sep	1.78	1.12	Not Traded	Not Traded	-	-
Oct-Dec	1.42	0.99	1.40	1.04	-	-

The closing price of the Corporation's common shares as of 12 April 2024 is P1.03 per share.

Holders

Based on the report of the Stock Transfer Agent for the period ended 31 March 2024, the following are the stockholders of the Company:

Name	Nationality	No. of Shares with Option 1 (100% full payment)	No. of Shares with Option 2 (25% partial payment)	No. of Shares with Option 1 (100% full payment) & Option 2 (25% partial payment)	Percentage (based on issued common shares)
SOLAR PHILIPPINES POWER PROJECT HOLDINGS, INC.*	FILIPINO	18,993,050,000		18,993,050,000	37.9306832717
MGEN RENEWABLE ENERGY, INC.**	FILIPINO	15,700,000,000**		15,700,000,000	31.3541915262*
PCD NOMINEE CORPORATION - FILIPINO	FILIPINO	7,073,934,225	1,171,603	7,075,105,828	14.1295683566
ASIA PACIFIC INSTITUTE FOR GREEN DEVELOPMENT INC.**	FILIPINO	4,150,000,000		4,150,000,000	8.2878913907
METRO PACIFIC INVESTMENTS CORPORATION	FILIPINO	1,600,000,000		1,600,000,000	3.1953316205
PAMULINAWEN HOLDINGS OPC**	FILIPINO	1,580,000,000		1,580,000,000	3.1553899752
PCD NOMINEE CORPORATION - NON FILIPINO	NON FILIPINO	973,724,699		912,118,821	1.9446083252
MYRA P. VILLANUEVA	FILIPINO	210,125		210,125	0.0004196369
JOSE IVAN T. JUSTINIANO OR MA. JEMA V. JUSTINIANO	FILIPINO	200,000		200,000	0.0003994165
ELVIRA M. CRUZ OR BERNARDO A. CRUZ	FILIPINO	150,000		150,000	0.0002995623
JOHANNA THERESA AUSTRIA CID	FILIPINO	100,000		100,000	0.0001997082
DOUGLAS TAN	FILIPINO	100,000		100,000	0.0001997082
MARK LOUIE APAO	FILIPINO	100,000		100,000	0.0001997082
MYRNA P. VILLANUEVA	FILIPINO	89,062		89,062	0.0001778641
MILAGROS P. VILLANUEVA	FILIPINO	89,062		89,062	0.0001778641

Name	Nationality	No. of Shares with Option 1 (100% full payment)	No. of Shares with Option 2 (25% partial payment)	No. of Shares with Option 1 (100% full payment) & Option 2 (25% partial payment)	Percentage (based on issued common shares)
MARIETTA V. CABREZA	FILIPINO	44,531		44,531	0.0000889321
JUAN CARLOS V. CABREZA	FILIPINO	44,531		44,531	0.0000889321
DEME RAFAEL VALIENTE ABAYON	FILIPINO	28,156		28,156	0.0000562298
JOSEMARIA GABRIEL D. FADRI	FILIPINO	5,000		5,000	0.0000099854
OFELIA R. BLANCO	FILIPINO	5,000		5,000	0.0000099854
JENNIFER T. RAMOS	FILIPINO	4,000		4,000	0.0000079883
PEDRO O. ROXAS	FILIPINO	1		1	0.0000000020
BENJAMIN I. ESPIRITU	FILIPINO	1		1	0.0000000020
ROCHEL DONATO R. GLORIA	FILIPINO	1		1	0.0000000020
MANUEL V. PANGILINAN	FILIPINO	1		1	0.0000000020
AMANDA ROSELLE A. BENGSON	FILIPINO	1		1	0.0000000020
LEANDRO ANTONIO L. LEVISTE	FILIPINO	1		1	0.0000000020
Total		50,071,878,397	1,171,603	50,073,050,000	100.0000000000

**includes 18,643,050,000 not yet listed*

***not yet listed*

****does not include 2,173,913,000 common shares which are scripless and indirectly held or currently under the name of PCD Nominee Corporation (Filipino) and 19,404,202,552 voting Class B preferred shares which are unlisted.*

The public float of the Issuer as of 31 March 2024 is 20.02%.

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

1. MGen Renewable Energy, Inc.

MGen Renewable Energy, Inc. (MGreen) is the renewable energy (RE) arm of MERALCO PowerGen Corporation, which is focused on investing in and developing energy projects that utilize clean and sustainable energy sources. MGreen plays a vital role in the attainment of MGen's goal of building a balanced power generation portfolio.

Currently, MGreen has an RE portfolio that includes the PowerSource First Bulacan Solar Inc. also called as BulacanSol, a 55MWac solar plant in San Miguel, Bulacan in partnership with PowerSource Energy Holdings Corporation; the Nuevo Solar Energy Corp. (NSEC), a 68MWac solar farm in Currimaos, Ilocos Norte with Vena Energy's Pasuquin Energy Holdings Inc.; and the PH Renewables, Inc. (PHRI), a 75MWac solar farm in Baras, Rizal with Mitsui & Co.'s Mit-Renewables Philippine Corporation.

2. 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 others, 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.

3. PCD Nominee Corporation

PCD Nominee Corporation is a wholly owned subsidiary of the PDTC, a corporation established 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.

PDTC is a private institution established in March 1995 to improve operations in securities transactions. 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 Issuer is authorized to distribute dividends out of its surplus profit, in cash, properties of the Issuer, shares of stock, and/or securities of other companies belonging to the Issuer. Dividends paid in the form of cash or property are subject to approval of the Board of Directors. Dividends paid in the form of additional shares are subject to the approval of the Board of Directors 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 Board of Directors approved its dividend policy that gave the Board of Directors the discretion to declare dividends as they see fit after considering the funding requirements for future projects subject to the requirements of applicable laws and regulations, capital expenditure requirements, compliance with the Issuer's covenants, if any, and other circumstances that may restrict the payment of dividends. There can be no guarantee that the Issuer will pay any dividends in the future. Dividends may be declared only from the Issuer's unrestricted retained earnings.

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

Exempt Transactions

On 19 July 2022, the Corporation received a letter from the SEC confirming that its planned SRO as previously described is a transaction exempt from the registration requirements of the SRC, pursuant to Sections 10.11 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 date, SPNEC has subsidiaries that are in commercial operations including SPCC and SPTC.

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 (the "SRO") 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 laws and regulations, and subject to the terms to be determined by Management, the increase of the authorized capital stock of the Company, and the requirements and relevant approvals of the SEC and the PSE.

On 15 September 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. This resulted in an additional paid-in capital of ₱2,591.4 million, net of transaction costs of ₱34.5 million.

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

As of 31 December 2023 and 2022, subscription receivable resulting from those that subscribed on installment payment amounted to ₱1.3 million and ₱651.1 million, respectively. As of April 2024, SPNEC 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.

MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The summary of financial information is based on the Consolidated Financial Statement as of 31 December 2023 and 2022, and for the twelve-months period Ended 31 December 2023, and for the six-months period Ended 31 December 2022, which were prepared in accordance with the Philippine Financial Reporting Standards ("PFRS") and should be read in conjunction with the financial statements and notes contained in this report.

Investment by MGen Renewable Energy, Inc. ("MGreen")

On November 30, 2023, SP New Energy Corporation ("SPNEC" or "the Parent Company") entered into a Subscription Agreement, whereby MGreen subscribe (i) 15.7 billion common shares with par value of ₱1.0 per share and (ii) 19.4 billion preferred shares with par value of ₱0.01 per share for a total subscription price of ₱15.9 billion.

On December 6, 2023, SPNEC filed its application for the aforementioned increase in authorized capital stock with the Philippine Securities and Exchange Commission ("SEC"). On January 17, 2024, the SEC approved the Parent Company's application for the increase in authorized capital stock. Subsequently, on 26 January 2024, MGreen purchased 2,173,913,000 common shares held by Solar Philippines Power Project Holdings, Inc. ("SPPPHI") for a total consideration of PhP2,499,999,950.00. With this, MGreen's resulting ownership in SPNEC is now at 53.66%.

Acquisition of Solar Philippines Assets

In 2023, SPNEC executed several Deeds of Absolute Sale of Shares ("DOASS") with certain affiliates for the following transactions:

Date	Counterparty	Asset Acquired	Consideration (in millions)
May 15, 2023	SP Project Holdings	SP Tarlac	₱2,241.7
		SP Rooftop	100.7
June 9, 2023		Solar Philippines Assets	80.0
June 29, 2023		SP Calatagan	502.8
November 20, 2023	Leandro L. Leviste	SP Calatagan	245.9

On November 9, 2023, SPNEC entered into a Deed of Donation and Acceptance with Countryside Investments Holdings Corporation ("Countryside"), whereby Countryside donated and conveyed all its rights and obligations in SP Holdings, Inc. ("SP Holdings") to SPNEC.

Leandro L. Leviste is the major shareholder of SP Project Holdings and Countryside.

Acquisition of controlling interest in TSPI from Prime Infrastructure, Inc. ("Prime")

As provided under the Memorandum of Agreement ("MOA") between SP Project Holdings and Prime Infra and Prime Metro Holdings Corporation ("Prime Metro"), SPNEC acquired Prime Infra's 50.01% interest in Terra Solar on December 11, 2023 for ₱6,000.0 million. Thereafter, Terra Solar became a wholly owned subsidiary of SPNEC.

Material Changes to the Consolidated Statements of Financial Position as of December 31, 2023, compared to the Consolidated Statements of Financial Position as of December 31, 2022

Horizontal and Vertical Analysis of Financial Position December 31, 2023 vs December 31, 2022						
Amounts in P0.00	December 31, 2023 (Audited)	December 31, 2022 (Audited)	Horizontal Analysis		Vertical Analysis	
			Increase/(Decrease)		December 2023	December 2022
			Amount	Percentage		
Assets						
Cash	10,040,424,627	37,232,084	10,003,192,543	26867.13%	19.62%	0.60%
Accounts receivable	286,288,062	-	286,288,062	100.00%	0.56%	0.00%
Subscription receivable	1,319,056	651,115,661	(649,796,605)	-99.80%	0.00%	10.50%
Inventories	24,800,913	-	24,800,913	100.00%	0.05%	0.00%
Due from related parties	126,920,310	821,388,320	(694,468,010)	-84.55%	0.25%	13.24%
Other current assets	744,366,136	18,638,843	725,727,293	3893.63%	1.45%	0.30%
TOTAL CURRENT ASSETS	11,224,119,104	1,528,374,908	9,695,744,196	634.38%	21.93%	24.64%
Property, plant and equipment	10,136,123,220	1,671,233,624	8,464,889,596	506.51%	19.80%	26.94%
Land	12,467,340,000	-	12,467,340,000	100.00%	24.36%	0.00%
Investment property	-	312,626,010	(312,626,010)	-100.00%	0.00%	5.04%
Deposits for land acquisition	3,396,776,396	2,026,892,396	1,369,884,000	67.59%	6.64%	32.67%
Deferred tax asset	9,646,601	10,201,126	(554,525)	-5.44%	0.02%	0.16%
Other noncurrent assets	676,962,959	654,395,146	22,567,813	3.45%	1.32%	10.55%
Intangible assets	13,261,891,642	-	13,261,891,642	100.00%	25.91%	0.00%
Goodwill	9,954,384	-	9,954,384	100.00%	0.02%	0.00%
TOTAL NONCURRENT ASSETS	39,958,695,202	4,675,348,302	35,283,346,900	754.67%	78.07%	75.36%
TOTAL ASSETS	51,182,814,306	6,203,723,210	44,979,091,096	725.03%	100.00%	100.00%
Liabilities and Equity						
Accounts payable and accrued expenses	482,626,040	65,218,072	417,407,968	640.02%	0.94%	1.05%
Due to related parties	608,442,826	22,770,229	585,672,597	2572.10%	1.19%	0.37%
Current portion of notes payable	366,847,748	-	366,847,748	100.00%	0.72%	0.00%

Horizontal and Vertical Analysis of Financial Position December 31, 2023 vs December 31, 2022						
Amounts in P0.00	December 31, 2023 (Audited)	December 31, 2022 (Audited)	Horizontal Analysis		Vertical Analysis	
			Increase/(Decrease)		December 2023	December 2022
			Amount	Percentage		
Current portion of lease liabilities	8,962,861	4,538,676	4,424,185	97.48%	0.02%	0.07%
TOTAL CURRENT LIABILITIES	1,466,879,475	92,526,977	1,374,352,498	1485.35%	2.87%	1.49%
Lease liabilities - net of current portion	381,109,300	298,599,744	82,509,556	27.63%	0.74%	4.81%
Notes payable - net of current portion	2,729,695,924	-	2,729,695,924	100.00%	5.33%	0.00%
Deferred tax liabilities	4,086,521,200	-	4,086,521,200	100.00%	7.98%	0.00%
Other noncurrent liabilities	98,633,404	-	98,633,404	100.00%	0.19%	0.00%
TOTAL NONCURRENT LIABILITIES	7,295,959,828	298,599,744	6,997,360,084	2343.39%	14.25%	4.81%
TOTAL LIABILITIES	8,762,839,303	391,126,721	8,371,712,582	2140.41%	17.12%	6.30%
Capital stock	3,437,305,000	1,000,000,000	2,437,305,000	243.73%	6.72%	16.12%
Additional paid-in capital	5,713,764,409	4,938,722,430	775,041,979	15.69%	11.16%	79.61%
Deposit for future stock subscription	15,894,042,026	-	15,894,042,026	100.00%	31.05%	0.00%
Equity reserve	525,755,142	-	525,755,142	100.00%	1.03%	0.00%
Revaluation surplus	8,268,091,263	-	8,268,091,263	100.00%	16.15%	0.00%
Retained earnings (Deficit)	5,546,151,067	(126,125,941)	5,672,277,008	-4497.31%	10.84%	-2.03%
	39,385,108,907	5,812,596,489	33,572,512,418	577.58%	76.95%	93.70%
Non Controlling Interest	3,034,866,096	-	3,034,866,096	100.00%	5.93%	0.00%
TOTAL EQUITY	42,419,975,003	5,812,596,489	36,607,378,514	629.79%	82.88%	93.70%
TOTAL LIABILITIES AND EQUITY	51,182,814,306	6,203,723,210	44,979,091,096	725.03%	100.00%	100.00%

Cash

As of December 31, 2023, the Parent Company collected its subscription receivables amounting to P649.8 million and received a net advance from related party of P163.3 million. These amounts were used for the payment of construction-related expenses of P468.0 million.

and deposits for land acquisition amounting to P297.5 million.

On May 10, 2023, SPNEC received P2,437.3 million from SPPPHI for the subscription of 24,373.05 million common shares at P0.10 par value. Further, in 2023 SPNEC has accepted cash infusion from SPPPHI amounting to P776.9 million as additional paid-in capital to SPPPHI's existing subscription in

SPNEC. The proceeds were used for the purchase of Solar Philippines Assets.

On November and December 2023, the Parent Company received the full subscription of MGreen amounting to P15,894.0 million, which was partially used to acquire the 100% of the shares of Prime in TSPI for P6,000.0 million, and payment for the Parent Company's general and administrative expenses. The balance of the proceeds will be used for the development of TSPI project.

During the period, the Parent Company's subsidiaries including SPCC, SPTC and SPRC received payments from customers amounting to P1,122.3 million, of which P339.3 million were used for its operating expenses. SPCC and SPTC made loan payments amounting to P328.4 million and P285.7 million, respectively. As of December 31, 2023, SPCC paid dividends to its shareholders amounting to P95.1 million and capital expenditures amounting to P47.5 million.

Trade Receivables

Trade receivable arises from the revenue from the sale of electricity, and sale of goods and services of the subsidiaries. These are either interest or non-interest bearing depending on the clause indicated in the contract and generally collectible within 40 to 60 days.

Outstanding receivable as of December 31, 2023, pertains to receivable by SPCC from National Transmission Corporation ("Transco") amounting to P178.7 million, receivable by SPTC from Manila Electric Company ("MERALCO") amounting to P78.8 million and the balance is SPRC's transactions from its Power Purchase Agreement (PPA) and Engineering, Procurement, Construction (EPC) services.

Subscription Receivable

Subscription receivable represents shares of stock subscribed to and issued by the Parent Company but payment from the shareholders has not yet been received.

As of December 31, 2023, the Parent Company made collections for subscription receivable amounting to P649.8 million.

Inventories

This account pertains to the inventories on hand of SPRC which are to be used for the construction of its contracted Projects amounting to P24.8 million.

Due from Related Parties

As of December 31, 2023, the balance of the Parent Company's advances to related parties is P29.9 million, while the subsidiaries' balance of advances to related parties amounted to P97.0

million.

Other Current Assets

This account mainly consists of short-term investments amounting to P575.8 million that are restricted interest-bearing accounts opened and established by SPCC and SPTC in accordance with certain loan and service agreements that will serve as a cash reserve or deposit for the principal and/or interest payments due on the loans. This also includes prepayments such as insurance, taxes, rent, and trust fees of P50.3 million, input VAT of P35.5 million, cash bond deposits of P20.3 million, advance payment to suppliers of P15.3 million, performance bond of P15.8 million, VAT Receivable of SPTC and SPCC of P16.5 million, creditable withholding taxes of P8.7 million and other non-trade receivables of P6.3 million.

Property, Plant, and Equipment

At Cost

The substantial increase in this account is due to the addition of the Solar Power Plants of SPTC, SPCC and SPRC totaling a net book value of P7,037.6 million as of December 31, 2023, and Construction in Progress (CIP) of SPTC for its 15MW Solar Power Plant; SPRC and LRSC for its PPA Projects, totaling to P779.7 million. During the period, the Parent Company has incurred a total amount of P468.0 million which was capitalized to CIP for the ongoing construction of its 50MW Solar Power Plant.

The Parent Company's Right of Use Assets ("ROU Assets") has a total land area of 352.42 hectares with a net book value of P254.0 million. Also, added to this account are the ROU Assets of SPTC comprising of 102.49 hectares of land with a net book value as of December 31, 2023 of P200.1 million.

As of December 31, 2023, the total land area under lease of the Group, including the Parent and SPTC is at 454.26 hectares.

At Fair Value

This pertains to the parcels of land currently owned by the Group, including TNI, SPCC and SPTC, which was reported at their fair market value as of December 31, 2023.

As of December 31, 2023, the Group has a total area of 670.43 hectares of land.

Deposits for Land Acquisition (DLA)

For the twelve-month period ended December 31, 2023, the Group made deposits for land acquisition including land-related costs to various landowners amounting to P887.3 million. The total amount of P434.2 million paid by SPTC and SPCC was added to this account.

Other Noncurrent Assets

This account mainly consists long-term receivable by SPCC from Transco related to the FIT adjustments amounting to P319.0 million, input VAT of P216.5 million of SPNEC, TNI and SPTC, TSPI project development cost of P75.1 million, construction materials of P50.6 million, long-term security deposits on leased properties of P9.4 million and Right-of-Way

("ROW") contracts of P6.3 million.

Intangible Assets

The intangible assets recorded as of December 31, 2023, pertains to the fair values of the identifiable assets of TSPI, which is mainly attributable to the Power Supply Agreement of TSPI that existed at the time of the acquisition amounting to P13,261.9 million.

Goodwill

Goodwill arose in the acquisition of TSPI because the cost of the combination included a control premium. In addition, the consideration paid for the combination effectively included amounts in relation to the benefits of expected synergies and future market growth. The total goodwill recognized as of December 31, 2023, amounted to P9.9 million which is the difference between fair value of the identifiable net assets and the total consideration.

Trade and Other Payables

Trade and other payables include (i) Accounts payable are non-interest bearing and are normally settled within one year (ii) withholding tax payable pertains to withholding taxes on professional fees and various payments to contractors for services rendered (iii) accrued expenses consist mainly of accrual for benefits to host communities, light and water, professional fees, and (iv) differential cost of replacement energy charged by MERALCO to SP Tarlac.

The third-party payables for the purchase of goods and services by the Group totaling P50.0 million, accrued interests for the loan facilities of SPTC and SPCC amounting to P99.3 million, related party payables amounting to P185.1 million as a result of business combination, accrued expenses totaling P100.3 million, income tax payable of P21.7 million, withholding taxes of P13.0 million, deferred output VAT of P8.9 million, and statutory payables of P4.4 million.

Due to Related Parties

As of December 31, 2023, SPNEC's balance of the advances from SPPPHI amounted to P129.8 million. Also, as a result of the consolidation of Solar Philippines Assets, the amount of P478.4 million was also added to this account.

Lease Liabilities

As of December 31, 2023, the total land area under lease of the Group, including the Parent and SPTC is at 454.26 hectares. The outstanding lease liabilities of the Parent and SPTC are P291.0 million and P99.1 million, respectively.

Notes Payable

This account pertains to the loans payable of SPTC and SPCC which was recorded in the Group's financial statements as of December 31, 2023 totaling P3,096.5 million.

SPCC

Omnibus Loan and Security Agreement ("OLSA") (P3,400.0 million Loan)

On February 14, 2017, SPCC signed an OLSA with BDO, PBB and United Coconut Planters

Bank (UCPB) (collectively referred to as the “SPCC Lenders”) for a long-term loan facility of ₱3,400.0 million to finance the repayment of short-term loan facility, including accrued interests, and its Project advances from SPPPHI and Solar Philippines Commercial Rooftop Projects, Inc. (“SPCRPI”), which were used to partially finance the construction of the Project. The long-term loan from the OLSA carries an interest rate of 6.85% per annum up to April 3, 2022, at which a fixed repricing of the rate has been made to 7.96% per annum for the remainder of the long-term loan. An increase in the Gross Receipts Tax (GRT) rate is expected on April 3, 2024. The principal repayment period shall be semi-annual from October 3, 2018 up to April 3, 2029.

As of December 31, 2023 the loan has an outstanding balance of ₱1,192.6 million.

SPTC

Omnibus Loan and Security Agreement (₱2,225.0 million Loan)

On June 18, 2019, SP Talar signed an OLSA with BDO Unibank, Inc. (BDO) for a long-term loan facility of ₱2,225.0 million to solely finance the construction of the Concepcion Solar Project.

The proceeds of the loan amounting ₱2,002.5 million and ₱222.5 million were received on July 3, 2019 and July 25, 2019, respectively. The principal repayment period shall be semi-annual beginning on January 3, 2021 up to July 25, 2031.

As of December 31, 2023, the loan has an outstanding balance of ₱1,903.9 million.

Deferred Tax Liabilities

This account arises from the recognition of ROU Assets, lease liabilities, and fair value measurement of the Group’s land.

Other Noncurrent Liabilities

This account consists of the noncurrent portion of replacement energy costs payable by SPTC to MERALCO of ₱95.4 million. The current portion of this replacement energy amounting to ₱12.1 million was presented as part of the trade and other payables.

Capital Stock

On 15 May 2023, SPPPHI and the Parent Company entered into a Subscription Agreement, whereby SPPPHI agreed to subscribe for 24,373,050,000 common shares at the par value of ₱0.10 per share out of the Parent Company’s increase in authorized capital stock upon its approval by the SEC.

On 31 May 2023, the Parent Company filed with the SEC its application for an increase of the authorized capital stock and the corresponding Amended Articles of Incorporation of SPNEC increasing the authorized capital stock from One Billion Pesos (₱1,000,000,000.00) divided into 10 billion common shares at par value of ₱0.10 per share to Five Billion Pesos (₱5,000,000,000.00) divided into 50 billion common shares at par value of ₱0.10 per share.

On 1 June 2023, the SEC approved the Parent Company’s application for an increase of its authorized capital stock.

Horizontal and Vertical Analysis of Comprehensive Income December 31, 2023 vs December 31, 2022

Amounts in ₱0.00	December 31, 2023 (12 Months)	December 31, 2022 (6 months)	Horizontal Analysis		Vertical Analysis	
			Increase/(Decrease)		December 2023	December 2022
			Amount	Percentage		
	8,252,107	-				
Government share	3,620,537	-	3,620,537	100.00%	0.03%	0.00%
Benefits to host communities	2,346,121	-	2,346,121	100.00%	0.02%	0.00%
Others	23,767,808	7,557,638	16,208,170	214.46%	0.20%	-18.70%
General and Administrative Expenses	207,914,077	38,010,960	169,903,117	446.98%	1.73%	-94.06%

Taxes and Licenses

This account consists of the Group's payments for corporate business permit renewal, insurance-related taxes, land-related payments such as real property taxes, CTC of titles, tax declarations, DAR filing fees, etc. This also includes PSE listing maintenance fees.

Management Fee

For the twelve-month periods ended December 31, 2023, and 2022, the management fees recorded amounted to ₱32.0 million and ₱12.8 million, respectively. The increase pertains to the recorded management fee for SPCC.

Professional Fees

These are audit fees, appraisal fees on properties of the Group, directors' fees, legal, and other consultancy services incurred by the Group. The significant increase to this account pertains to the legal fees related to the TSPI project.

Depreciation and Amortization

For the twelve-month period ended December 31, 2023, the Group recognized amortization of ROU assets amounting to ₱5.2 million and the balance for the depreciation of other fixed assets.

Penalties and Surcharges

This pertains to the Group's payment of interest on tax deficiencies, amendments of 2022 BIR returns and PSE penalties for late disclosures.

Trust Fees

These are fees for the maintenance of the Group's trust accounts, specifically for SPNEC, SPTC and SPCC

As of December 31, 2023, with the abovementioned transactions during the period, the outstanding capital stock of SPNEC increased from P1,000.0 million to P3,437.3 million.

Additional Paid-in Capital

In 2023, SPNEC received a cash infusion from SPPPHI amounting to P776.9 million as additional paid-in capital to SPPPHI's existing subscription in SPNEC. This was recognized as additional paid-in capital under equity.

Deposit for Future Stock Subscription

On November 30, 2023, SPNEC entered into a Subscription Agreement with MGreen to subscribe

(i) 15.7 billion common shares with par value of P1.0 per share and (ii) 19.4 billion preferred shares with par value of P0.01 per share for a total subscription price of P15.9 billion. On the same date, SPNEC received partial cash subscription from MGreen amounting to P7.0 billion, and the balance amounting to P8.9 billion was received on December 27, 2023.

On December 6, 2023, the Parent Company filed its application for the aforementioned increase in authorized capital stock with the SEC. As of December 31, 2023, the Parent Company presented the cash subscription amounting to P15.9 billion as "Deposits for future stock subscription" under Equity.

Equity Reserves

This represents the impact of the common control business combination as a result of the Parent Company's modified acquisition of 100% of the outstanding shares of SPPPHI in various entities (i.e., Solar Philippines Assets.)

Revaluation Surplus

The Group's land is comprised of parcels of land with a total land area of 670.43 hectares as of December 31, 2023, which was recorded at fair value.

As of December 31, 2023, the fair value increment amounting to P6,041.4 million, net of deferred income tax, is recognized in other comprehensive income, and accumulated in equity under "Revaluation surplus" account amounting to P8,268.1 million, net of deferred income tax.

Retained Earnings

The Group has gained a net income of P5,947.6 million and incurred P55.0 million in stock issuance costs which was charged against APIC for the twelve-month period ending December 31, 2023.

Material Changes to the Consolidated Statements of Comprehensive Income for the Twelve (12) -months ended December 31, 2023, compared to the Statements of Comprehensive Income for the Six (6) -months ended December 31, 2022.

As of December 31, 2023, the Parent Company has subsidiaries that are in commercial operations.

Horizontal and Vertical Analysis of Comprehensive Income December 31, 2023 vs December 31, 2022						
Amounts in P0.00	December 31, 2023 (12 Months)	December 31, 2022 (6 months)	Horizontal Analysis		Vertical Analysis	
			Increase/(Decrease)		December 2023	December 2022
			Amount	Percentage		
Revenue	635,451,217	-	635,451,217	100.00%	5.30%	0.00%
Cost of sales	(327,103,277)	-	(327,103,277)	100.00%	-2.73%	0.00%
GROSS PROFIT	308,347,940	-	308,347,940	100.00%	2.57%	0.00%
General and administrative expenses	(207,914,077)	(38,010,960)	(169,903,117)	446.98%	-1.73%	94.06%
Other income (Expense)	6,008,335,292	-	6,008,335,292	100.00%	50.12%	0.00%
Finance costs	(167,232,021)	(4,532,695)	(162,699,326)	3589.46%	-1.39%	11.22%
Interest income	29,993,447	2,398,960	27,594,487	1150.27%	0.25%	-5.94%
INCOME (LOSS) BEFORE TAX	5,971,530,581	(40,144,695)	6,011,675,276	14975.02%	49.81%	99.34%
Provision for income tax	23,949,830	265,138	23,684,692	8932.97%	0.20%	-0.66%
NET INCOME (LOSS) AFTER TAX	5,947,580,751	(40,409,833)	5,987,990,584	14818.15%	49.61%	100.00%
Other comprehensive income	6,041,394,357	-	6,041,394,357	100.00%	50.39%	0.00%
TOTAL COMPREHENSIVE INCOME (LOSS)	11,988,975,107	(40,409,833)	12,029,384,940	29768.46%	100.00%	100.00%

Revenue

From the date of the acquisition of Solar Philippines Assets and up to December 31, 2023, the Group has recorded a total of P635.5 million revenue, mainly contributed by SPCC, SPRC, and SPTC from the sale of electricity.

Cost of Sales

Horizontal and Vertical Analysis of Comprehensive Income December 31, 2023 vs December 31, 2022						
Amounts in P0.00	December 31, 2023 (12 Months)	December 31, 2022 (6 months)	Horizontal Analysis		Vertical Analysis	
			Increase/(Decrease)		December 2023	December 2022
			Amount	Percentage		
Depreciation and amortization	210,672,075	-	210,672,075	100.00%	1.76%	0.00%

Insurance	26,389,038	-	26,389,038	100.00%	0.22%	0.00%
Manpower services	25,163,828	-	25,163,828	100.00%	0.21%	0.00%
Security services	12,569,952	-	12,569,952	100.00%	0.10%	0.00%
Salaries and wages	11,123,826	-	11,123,826	100.00%	0.09%	0.00%
Inventories issued	8,714,838	-	8,714,838	100.00%	0.07%	0.00%
Rental	6,731,915	-	6,731,915	100.00%	0.06%	0.00%
Others	25,737,805	-	25,737,805	100.00%	0.21%	0.00%
Cost of Sales	327,103,277	-	327,103,277	100.00%	2.73%	0.00%

Costs of sale of electricity include expenses incurred by those directly attributable to the generation of revenues from solar energy. From the date of the acquisition of Solar Philippines Assets and up to December 31, 2023, the Group has recorded total cost of sales of P327.1 million. This account mainly comprised of depreciation of the solar power plant and amortization of ROU Assets which accounted for 64% of the total Cost of Sales. Other components are plant insurance, plant maintenance, power plant preventive maintenance schedule, salaries and wages, utilities, and others.

General and Administrative Expenses

Horizontal and Vertical Analysis of Comprehensive Income December 31, 2023 vs December 31, 2022						
Amounts in P0.00	December 31, 2023 (12 Months)	December 31, 2022 (6 months)	Horizontal Analysis		Vertical Analysis	
			Increase/(Decrease)		December 2023	December 2022
			Amount	Percentage		
Taxes and licenses	40,924,882	6,848,628	34,076,254	497.56%	0.34%	-16.95%
Management fees	32,040,000	12,800,000	19,240,000	150.31%	0.27%	-31.68%
Professional fees	67,000,766	6,401,289	60,599,477	946.68%	0.56%	-15.84%
Depreciation and amortization	5,560,646	2,584,193	2,978,453	115.26%	0.05%	-6.39%
Bid related cost	7,499,277	-	7,499,277	100.00%	0.06%	0.00%
Penalties and surcharges	6,180,173	1,819,212	4,360,961	239.72%	0.05%	-4.50%
Insurance	7,503,489	-	7,503,489	100.00%	0.06%	0.00%
Trust fees	3,218,271	-	3,218,271	100.00%	0.03%	0.00%
Rental			8,252,107	100.00%	0.07%	0.00%

Rental

These are mostly vehicle rentals that the Group incurred in relation to the land acquisition for project development.

Government Share

The government share shall be equal to one percent (1%) of the gross income from the sale of electricity generated from solar energy operations. The amount recorded to this account pertains to SPCC and SPTC.

Benefits to Host Communities

Energy Regulations (E.R.) No. 1-94, grant financial benefits to the host communities/local government units (LGUs) of the energy-generation company and/or energy sources. This requires all energy generation companies and/or energy resource developers to provide financial benefits equivalent to one centavo per kilowatt-hour (₱0.01/kWh) of the total electricity sales of the generation facility to the region, province, city or municipality and barangay that host the generation facility, as well as establishment of corresponding trust accounts and the administration thereof by the DOE. The amount recorded to this account pertains to SPCC and SPTC.

Bid Related Costs / Insurance

This account pertains to the amortization of performance/surety bond fees of the Group's various projects.

Others

This account consists of supplies, utilities, accommodations, repairs and maintenance, couriers and postages, and other operating expenses for plant operations of the Group. This also included provisions for impairment losses that the Group has recognized for the period.

Finance Costs

This account includes interest accretion on lease liabilities, accruals of interest on loan facilities of the Group, and others.

Other Income (Expense)

This account is mainly attributable to the remeasurement of its previously held interest in TSPI based on the provisional fair value which resulted in a remeasurement gain of ₱5,964.0 million.

Net Income

For the twelve-month period ended December 31, 2023, the Group has gained a net income of ₱5,947.6 million, which is basically due to the remeasurement gain of ₱5,964.0 million as discussed in the other income (expense) account.

Other Comprehensive Income

For the twelve-month period ended December 31, 2023, the fair value increment amounting to P6,041.70 million, net of deferred income tax, pertains to the land of TNI, SPCC and SPTC.

Key Performance Indicators

Ratio	Formula	December 2023	December 2022
Current ratio	Dividing total current assets over total current liabilities	7.65	16.52
Acid test ratio	Dividing total current assets less inventory over total current liabilities	7.63	16.52
Solvency ratio	Dividing net income excluding depreciation and non-cash provisions over total debt obligations	0.70	N/A
Debt-to-equity ratio	Dividing total liabilities over stockholders' equity	0.21	0.07
Asset-to-equity ratio	Dividing total assets over total stockholders' equity	1.21	1.07
Interest rate coverage ratio	Dividing earnings before interest and taxes of one period over interest expense of the same period	36.70	N/A
Net debt-to-equity Ratio	Dividing total interest-bearing debts less cash and cash equivalents over total stockholders' equity	-0.16	N/A
Return on equity (%)	Dividing the net income (annual basis) by total stockholders' equity (average)	14.02%	N/A
Return on assets (%)	Dividing the net income (annual basis) by the total assets (average)	11.62%	N/A

Item 7. Financial Statements

Attached as Annexes “A” and “B” are the (i) Audited Consolidated Financial Statements as of December 31, 2023 and 2022 and for the year ended December 31, 2023, for the six-month period ended December 31, 2022 and for the year ended June 30, 2022; and (ii) 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, respectively, 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 December 31, 2023 and June 30, 2023 and for the Period from July 1, 2023 to December 31, 2023 and for the Years Ended June 30, 2023 and 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 date, the following are the seven (7) individuals comprising the Corporation’s Board of Directors:

Name	Position	Nationality	Age	Term of Office	Period Served
Manuel V. Pangilinan	Chairman, President & Chief Executive Officer	Filipino	77	<1 year	2023 to present
Leandro Antonio L. Leviste	Vice Chairman	Filipino	31	< 8 years	2016 to present
Rochel Donato R. Gloria	Director, Treasurer and Chief Finance Officer	Filipino	58	<1 year	2023 to present
Amanda Roselle A. Bengson	Director, Corporate Secretary and Chief Operating Officer	Filipino	49	< 1 year	2023 to present
Hazel Iris P. Lafuente	Director	Filipino	36	< 8 years	2016 to present
Benjamin I. Espiritu	Independent Director	Filipino	70	< 3 years	2021 to present

Pedro Emilio O. Roxas	Independent Director	Filipino	68	< 1 year	2023 to present
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The profile and the business experience of the foregoing directors and key officers for the last five (5) years are indicated below:

Directors

Manuel V. Pangilinan, 77, Filipino, Chairman, President and CEO

Mr. Manuel V. Pangilinan currently sits as the Chairman and President of Metro Pacific Investments Corporation. He is the incumbent Chairman and Chief Executive Officer (CEO) of Manila Electric Company. Mr. Pangilinan is the CEO and Managing Director of First Pacific Company Limited. He also serves as the Chairman of PLDT Inc., Smart Communications, Inc., PLDT Communications and Energy Ventures Inc., Landco Pacific Corporation, Metro Pacific Hospital Holdings, Inc., Maynilad Water Services, Inc., Mediaquest, Inc., Associated Broadcasting Corporation (TV5), Makati Medical Center, Cardinal Santos Medical Center, Our Lady of Lourdes Hospital, Philex Mining Corporation, PXP Energy Corporation, NLEX Corporation, Digital Telecommunications Phils. Inc., Digitel Mobile Philippines, Inc. and MERALCO PowerGen Corporation. In 2012, he was appointed as Vice Chairman of Roxas Holdings Incorporated which owns and operates the largest sugar milling operations in the Philippines. Effective January 1, 2024, Mr. Pangilinan assumed the role of Chairman, President and CEO of PLDT Group. He is the incumbent Chairman of the Board of Trustees of San Beda College, Hongkong Bayanihan Trust, Philippine Disaster Resilience Foundation, Disaster Recovery Foundation, Inc. and Philippine Business for Social Progress. Mr. Pangilinan serves as Co-Chairman of the USPhilippine Society. He also serves as the Vice Chairman of the Foundation for Crime Prevention. As a known patron of sports, he was named Chairman Emeritus of the Samahang Basketbol ng Pilipinas and Chairman of the Amateur Boxing Association of the Philippines. Mr. Pangilinan is also a Member of the Board of Overseers of The Wharton School of the University of Pennsylvania. Mr. Pangilinan earned his Bachelor of Arts in Economics Degree from Ateneo de Manila University where he graduated cum laude. He pursued his Master of Business Administration in the Wharton School of Finance and Commerce as a Procter & Gamble Fellow.

Leandro Antonio L. Leviste, 31, Filipino, Vice Chairman

Mr. Leandro Antonio L. Leviste founded Solar Philippines in 2013 with a mission to accelerate the development of solar energy in the Philippines. He has received numerous awards, including being ranked at the top of Forbes Magazine's inaugural "30 Under 30" List for Asia in 2016 and being named the Young Entrepreneur of the Year Philippines 2022 by Ernst & Young. His first solar project completed in 2014 was awarded the "2016 Sustainable Energy Finance Award" by The International Finance Corporation of the World Bank. His pioneering innovations won for the company the Asian Power Awards for Independent Power Producer of the Year and Solar Power Project of the Year in 2017. He led the Solar Philippines Nueva Ecija Corporation during its Initial Public Offering in 2021, becoming the youngest ever Chairman, President, and CEO of a Philippine-listed company.

He is the youngest ever member of the Management Association of the Philippines and Makati Business Club. He currently serves as Chairman, President, and CEO of the Solar Philippines Group.

Rochel Donato R. Gloria, 58, Filipino, Director, Treasurer, and Chief Finance Officer

Mr. Rochel Donato R. Gloria serves as the Chief Finance Officer (CFO) of Meralco PowerGen Corporation (MGen). Concurrently, he serves as the CFO of Global Business Power Corporation (GBP), a wholly owned subsidiary of MGen. He is a seasoned executive bringing in 37 years of leadership experience in corporate finance, business development, and marketing from various industries, including energy, telecommunications, private equity, among others. Prior to joining GBP, he served as Vice President and Head of Business Development and Corporate Planning for First Philec, Inc. He also served as First Vice President and Head for Energy Trading and Sales for Aboitiz Power Corporation.

Mr. Gloria holds a Master of Business Administration from the Ateneo de Manila University Graduate School of Business. He graduated with a Bachelor of Science, majoring in Industrial Management and minor in Mechanical Engineering from De La Salle University.

Amanda Roselle A. Bengson, 49, Filipino, Director, Corporate Secretary, and Chief Compliance Officer

Ms. Amanda Roselle A. Bengson concurrently serves as the Senior Vice President and Assistant Corporate Secretary of Meralco PowerGen Corporation (MGen). In addition to her role, she serves as the Senior Vice President and Head of Corporate Services Division of Global Business Power Corporation (GBP), a wholly owned subsidiary of MGen. Her role is key in providing strategic directions for the Company, particularly on Legal, Human Resource Management, Supply Chain Management, Corporate Communications, and Management Information System matters. She is a seasoned and highly respected legal and energy professional given her extensive experience in her profession and the industry. Prior to joining GBP in 2006, she was with Mirant Philippines where she managed the Company's legal operations and held positions at the Puno and Puno Law Offices and SyCip Salazar Hernandez & Gatmaitan Law Offices.

Ms. Bengson holds a Juris Doctor degree from the Ateneo de Manila University and a Bachelor of Arts in Economics from the same university. She passed the Philippine Bar in 2001.

Hazel Iris P. Lafuente, 36, Filipino, Director

Ms. Lafuente leads the project development, execution, and operations teams of Solar Philippines. With a background in both the private and public sectors, Ms. Lafuente brings over 15 years of experience in project development, management, land acquisition, permitting, and regulatory compliance. Prior to joining Solar Philippines, she worked at the Philippine Senate as a legislative staff. Ms. Lafuente graduated from the University of the Philippines with a degree in Social Sciences (Area Studies) cum laude. She is also a Certified Project Manager and a lifetime Pi Gamma Mu International Honor Society in Social Sciences member.

Benjamin I. Espiritu, 70, Filipino, Independent Director

Dr. Espiritu is a Certified Public Accountant, President of Risks, Opportunities Assessment and Management (ROAM) Inc., Chairman of Banco de Mindoro, Inc., President of EC Ventures Corporation, and heads several other two-family foundations and private firms. He is also an Independent Director of two publicly-listed corporations – Central Azucarera de Tarlac,

SP New Energy Corporation, Dizon Copper Silver Mines, Inc., NiHao Mineral Resources International, Inc., and of an insurance corporation – Intrastrata Assurance Corporation. He is also President of the Mindoro Chamber of Commerce and Industry, Inc. and Chairman of the Board of Advisers of the Philippine Marine Corps.

He served as a Provincial Governor of Oriental Mindoro and a Brigadier General AFP (Res) and former Commander of the 7th Marine Brigade for three consecutive years from 2013 to 2015 and Philippines Navy Reserve Unit of the Year for six consecutive years from 2012 to 2017.

In the academe, he was the former Chairman of the Board of Regents of Pamantasan ng Lungsod ng Maynila concurrent Chairman of the Board of Trustees of Ospital ng Maynila Medical Center, President of Don Bosco Technical College Mandaluyong, and Dean of Far Eastern University – Makati. He was also Chairman of the Accounting, Finance, Business and Governance Department of De La Salle University Graduate School of Business, Program Coordinator of the Doctor of Business Administration program, and Course Director of the Corporate Governance and Risk Management program.

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

Pedro Emilio O. Roxas, 68, Filipino, Independent Director

Mr. Pedro Emilio O. Roxas is the Chairman of Roxas and Company, Inc., Roxaco Land Corporation, Roxas Holdings, Inc. and Club Punta Fuego, Inc. Mr. Roxas also serves as Independent Director of Manila Electric Company, Mgen Global Power, Cemex Holdings, Inc., Oona Insurance Corporation, and an Independent Advisor Metro Pacific Investment Corporation. Mr. Roxas obtained his degree in Business Administration from the University of Notre Dame in Indiana, USA.

Key Officers

Dominador M. Camu, Jr., 62, Filipino, Chief Operating Officer

Mr. Dominador M. Camu is the Executive Vice President and Chief Operating Officer (COO) of Meralco PowerGen Corporation (MGen). Concurrently, he serves as the COO of Global Business Power Corporation (GBP), a wholly owned subsidiary of MGen. Mr. Camu also serves as officer and/or director of various MGen subsidiaries and affiliates. He is a seasoned Energy and Infrastructure executive bringing in 38 years of leadership experience in strategic planning, project development, construction, negotiation, asset management & organization development from different territories in Asia.

Prior to joining MGen, he was the Senior Vice President for Engineering & Project Management, Operations & Maintenance at Energy Development Corporation where he held a key role in developing and implementing the Company's strategic business recovery and continuity plan. Mr. Camu also held leadership positions at General Electric International, Inc.

– Taiwan, Ogden Energy Philippines Holdings, Inc., and Philippine National Electrification Administration.

He has recorded successful accomplishments in mobilizing and managing culturally diverse EPC and O&M teams who are tasked to construct, commission, operate and maintain complex power plant facilities. His strong background in training and coaching has encouraged local plant staff to take on greater responsibilities. As an effective communicator, coupled with customer-centric approach, he has effectively maintained cordial relations with different utilities, demanding owners, and partners in Asia (India, Bangladesh, Taiwan, Thailand, and the Philippines). He is well-versed in aligning the interests of various stakeholders which are typically centered on exceeding project returns and maintaining a high level of plant availability, capacity, and efficiency.

Mr. Camu is a Licensed Electrical Engineer. He earned his Bachelor of Science in Electrical Engineering Degree from Mapua Institute of Technology. Took Advance Professional Education on Power Engineering at Carl Dulsberg Gesellschaft, Germany.

Alicia G. Brion, 55, Filipino, Head of Controllershship

Ms. Alicia G. Brion is the First Vice President and Controller of Meralco PowerGen Corporation (MGen). Concurrently, she also serves as the First Vice President and Controller of Global Business Power Corporation (GBP), a wholly owned subsidiary of MGen. She is a seasoned executive bringing in her expertise in financial controllershship and strategic insight, which are pivotal in enhancing the fiscal health of the organizations she manages.

Prior to joining MGen in 2011, she held various senior leadership positions in accounting and audit at Bauang Private Power Corporation, AmTrust Financial Holdings Corporation, and LC Diaz and Company.

Ms. Brion completed her Bachelor of Science degree in Business Administration – Accountancy from University of the East.

Aresty M. Lapitan, 38, Filipino, Assistant Chief Information Officer

Mr. Lapitan leads the accounting and financial management and operations teams of Solar Philippines. As a Certified Public Accountant and a Certified Forensic Accountant, Mr. Lapitan brings over 16 years of experience in streamlining business operations for growth and profitability. 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.

Anthony Matthew N. Co, 34, Filipino, Assistant Treasurer

Mr. Anthony Matthew N. Co serves as Vice President for Business Development Manila Electric Company (Meralco). He brings to the Company over 10 years of end-to-end experience in finance and mergers & acquisitions, with broad-based experience across the power utilities sector. Prior to joining Meralco, Mr. Co previously worked as Vice President at Aboitiz Power Corporation where he spearheaded commercial strategy together with business

development transactions, investment analysis, and fundraising initiatives. His experience extended to post-investment initiatives including corporate strategic planning.

Mr. Co earned his Bachelor of Science in Management Engineering from Ateneo de Manila University and has successfully completed all three levels of the Chartered Financial Analyst exam.

Jo Marianni P. Ocampo, 39, Filipino, Assistant Corporate Secretary

Atty. Jo Marianni P. Ocampo is the Head of Corporate Legal of Meralco PowerGen Corporation (MGen) and Global Business Power Corporation (GBP). She is a seasoned legal professional bringing in her expertise in legal advisory, due diligence, and transaction negotiation. She is highly adept in contract drafting and review, whether in the ordinary course of business or in relation to big-ticket projects covering mergers and acquisitions, and loans and financings, among others.

Prior to joining MGen in 2022, she was the head of Legal for MetroPac Movers, Inc., the logistics arm of Metro Pacific Investment Corporation. Atty. Ocampo received her primary legal practice training from SyCip Salazar Hernandez & Gatmaitan.

Atty. Ocampo completed Juris Doctor degree from the Ateneo de Manila University where she graduated 7th in her class. She completed her Bachelor of Science in Business Administration Degree at the University of the Philippines – Diliman.

Significant Employees

The Company considers the collective efforts of all of its employees as instrumental to the overall success of its performance. There is no employee who is not an executive officer who is expected to make, on his/her own, a significant contribution to the business.

Family Relationships

There are no known family relationships up to the fourth civil degree either by consanguinity or affinity among the current members of the Board of Directors and key officers of the Corporation.

Item 10. Executive Compensation

The Corporation did not employ any personnel from 31 December 2017 to 30 April 2021. During this period, the Corporation's operations, business development, administrative, and finance functions were handled by its then parent Corporation, SPPPHI. On 30 April 2021, the Corporation 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, which may be renewed or extended upon agreement of the parties, for a monthly fee of PhP 2,000,000.00 or PhP24,000,000.00 per year. The Management Service Agreement covers all necessary administrative and advisory services on management, investment, and technical matters involving the Corporation's operations, including but not limited to human resources, legal, finance, and information technology.

The executive compensation of the Corporation's officers is part of the Management Service Agreement paid to SPPPHI for its executive and leadership support.

Regular directors do not receive per diem or monthly compensation. Below are the fees received by the Corporation's independent directors:

	Year	Fees	Bonus	Other Compensation
Aggregate directors' fee for Independent Directors	Actual FY 30 June 2021	N.A.	N.A.	N.A.
	Actual FY 30 June 2022	₱1.8 million		
	Actual 31 December 2022 (6 months)	₱1.8 million		
	Actual 31 December 2023	₱3.6 million		

Employment Contracts and Other Arrangements

As of 31 December 2023, the Corporation has no existing arrangements with members of the Board of Directors, executive officers, and employees other than the Management Service Agreement. There are no special employment contracts between the Corporation and its executive officers. Further, there are no special retirement plans for executives. There is also no special compensation to be received from the Corporation.

Warrants and Options Outstanding

As of 31 December 2023, there are no outstanding warrants or options held by directors and officers nor are there any adjustments in the exercise price of said warrants or options.

Item 11. Security Ownership of Certain Beneficial Owners and

Management Security Ownership of Certain Record and Beneficial

Owners

As of 31 March 2024, the following persons or groups own more than five percent (5%) of the Corporation's voting securities:

Title of Class	Name and Address of Record Owner and Relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Shares Held	Percent of Total Voting Shares
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Common Class B Preferred (voting)	<p><i>MGEN Renewable Energy, Inc. ("MGreen")</i></p> <p>8th Floor, Rockwell Business Center, Tower 1, Ortigas Avenue, Barangay Ugong, Pasig City</p> <p><i>Parent Corporation</i></p>	Same as the record owner	Filipino	<p>17,873,913,000²</p> <p>19,404,202,552</p>	53.66%
Common	<p><i>Solar Philippines Power Project Holdings, Inc. ("SPPPHI")</i></p> <p>20th Floor AIA Tower (formerly PhilamLife Tower), 8767 Paseo de Roxas, Barangay Bel-Air, Makati City 1226, Philippines</p>	Mr. Leandro Antonio L. Leviste owns 100% of SPPPHI's outstanding capital stock.	Filipino	18,993,622,998 ³	27.34%
Common	<p><i>PCD Nominee Corporation (Filipino)</i></p> <p>29th Floor BDO Equitable Tower, 8751 Paseo de Roxas, Makati City, Philippines</p> <p><i>Stockholder of record for shares lodged with the Philippine Depository and Trust Corporation, Inc. ("PDTC")</i></p>	PCD Nominee Corporation, a wholly owned subsidiary of the PDTC, is the registered owner of the shares in the books of the Corporation's Stock Transfer Agent. The beneficial owner of such shares entitled to vote the same are PDTC's participants who hold the shares either in their own behalf or on behalf	Filipino	4,900,619,830 ⁴	7.05%

² Composed of 15,700,000,000 common shares that are certificated and directly held or registered in the name of MGreen and 2,173,913,000 common shares which are scrippless and indirectly held or currently under the name of PCD Nominee Corporation (Filipino).

³ Composed of 18,993,050,000 common shares that are certificated and directly held or registered in the name of SPPPHI and 572,998 common shares which are scrippless and indirectly held or currently under the name of PCD Nominee Corporation (Filipino).

⁴ Shares presented in this row excludes shares owned by SPPPHI and MGreen lodged with PDTC.

		of their clients.			
Common	Asia Pacific Institute for Green Development Inc. 48 Dunwoody Street, University Hills, Malabon City		Filipino	4,150,000,000	5.97%

The following table shows the ownership of the following directors and officers in the Corporation's common shares as of 31 March 2024:

Title of Class	Name of Beneficial Owner	Citizenship	Amount and Nature of Beneficial Ownership		Percent of Total Outstanding Common Shares
Common	Manuel V. Pangilinan	Filipino	1	Direct*	0%
Common	Leandro Antonio L. Leviste	Filipino	18,993,622,998	Direct** Indirect***	37.93%
Common	Rochel Donato R. Gloria	Filipino	1	Direct	0%
			0	Indirect	
Common	Hazel Iris P. Lafuente	Filipino	0	Direct	0%
			2,360,001	Indirect****	
Common	Amanda Roselle A. Bengson	Filipino	1	Direct	0%
			0	Indirect	
Common	Benjamin I. Espiritu	Filipino	1	Direct	0%
			0	Indirect	
Common	Pedro Emilio O. Roxas	Filipino	1	Direct	0%
			0	Indirect	
Common	Aresty M. Lapitan	Filipino	0	Direct	0%
			1,000,000	Indirect	
N.A.	Dominador M. Camu, Jr.	Filipino	0	Direct	0%
			0	Indirect	
N.A.	Alicia G. Brion	Filipino	0	Direct	0%
			0	Indirect	
N.A.	Jo Marianni P. Ocampo	Filipino	0	Direct	0%
			0	Indirect	
N.A.	Anthony Matthew N. Co	Filipino	0	Direct	0%
			0	Indirect	
Total			18,996,983,005		37.94%

*The single shares of Mr. Pangilinan, Mr. Gloria and Ms. Bengson are held in trust for SPPPHI.

**The single share of Mr. Leviste is held in trust for SPPPHI.

***Mr. Leviste holds 18,993,622,998 shares through SPPPHI.

*****Ms. Lafuente's entire shareholding is currently lodged with the PDTC under PCD Nominee Corporation, including the qualifying share she holds in trust for SPPPHI.*

The aggregate number of common shares directly and indirectly owned by all officers and directors as a group as of 31 March 2024 is **18,996,983,005** or 37.94 % of the Corporation's total outstanding common shares.

Voting Trust

The Corporation is not aware of any person holding more than 5% of voting shares under a voting trust or similar agreement.

Changes in Control

MGEN Renewable Energy Inc. ("MGreen"), the renewable energy development arm of Meralco Powergen Corporation ("MGen"), announced on 12 October 2023 that it has agreed with SP New Energy Corporation and its parent, Solar Philippines Power Project Holdings, Inc., to invest Php15.9 billion to subscribe to 15.7 billion common shares and 19.4 billion redeemable preferred voting shares in the Company. MGen is a wholly-owned subsidiary of the Manila Electric Company, the country's largest private sector electric distribution utility company. The transaction will support the expansion of the Company's project portfolio, including the development of a planned 3.5GW solar power plant and 4 GWh of battery storage.

The 15.7 billion SPNEC common shares have a total subscription price of Php15.7 billion and represent 31.35% of the issued and outstanding common shares of the Company. The 19.404202552 billion redeemable preferred voting shares have a total subscription price of Php194.04202552 million and do not have the ability to earn economic returns or dividends.

Upon full payment of the subscription price, MGreen's nominees were elected as directors and officers of SPNEC. However, MGreen's shares and the corresponding share certificates were not issued until 19 January 2024, when the Corporation received from the Securities and Exchange Commission ("SEC") approval of its application for increase in authorized capital stock.

Subsequently, on 26 January 2024, MGreen purchased an additional 2,173,913,000 common shares held by SPPPHI for a total consideration of Php2,499,999,950.00. With this, MGreen's resulting ownership in SPNEC is now at 53.66%.

Item 12. Certain Relationships and Related Transactions

Pursuant to 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 for 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.

SPNEC 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.

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. Parties are also considered to be related if they are subject to common control or common significant influence which include affiliates. 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.

Following are the Group's related party transactions for the year ended December 31, 2023, for the six-month period ended December 31, 2022 and for the year ended June 30, 2022, and the related outstanding balances as of December 31, 2023 and 2022:

	Transactions during the periods ended			Outstanding balance as of December 31		Terms	Conditions
	December 31, 2023 (One Year)*	December 31, 2022 (Six Months)	June 30, 2022 (One Year)	2023	2022		
Deposits for land acquisition							
Individual Stockholder	P421,618,085	P-	P-	P421,618,085	P-	Deposits; non-interest bearing	Unsecured; Not inquired
LHHC	-	-	-	270,000,000	270,000,000	-do-	-do-
PIC	-	-	-	267,000,000	267,000,000	-do-	-do-
				P958,618,085	P537,000,000		
Deposit							
SP Project Holdings	P-	P500,000,000	P-	P-	P500,000,000	Deposits; non-interest bearing	Unsecured

	Transactions during the periods ended			Outstanding balance as of December 31		Terms	Conditions
	December 31, 2023	December 31, 2022	June 30, 2022	2023	2022		
	(One Year)*	(Six Months)	(One Year)				
Due from related parties							
						Due and demandable; non-interest bearing	Unsecured; Not impaired
SP Project Holdings	P81,433,396	P8,700,000	P-	P87,967,930	P8,700,000	-do-	-do-
SPCRPI	2,100,000	19,098,320	-	31,654,070	19,098,320	-do-	-do-
Individual Stockholder	7,293,310	-	-	7,293,310	-	-do-	-do-
SPCLC*	5,000	-	-	5,000	-	-do-	-do-
SP Holdings	-	251,890,000	-	-	793,590,000	-do-	-do-
				P126,920,310	P821,388,320		
Due to related parties							
						Due and demandable; non-interest bearing	Unsecured
SP Project Holdings	P326,103,072	P-	6,966,300	P536,656,775	P22,770,229	-do-	-do-
Countryside	37,552,682	-	-	37,552,682	-	-do-	-do-
TRIII	33,988,926	-	-	33,988,926	-	-do-	-do-
DCA	244,443	-	-	244,443	-	-do-	-do-
				P608,442,826	P22,770,229		
Accounts payable							
						Due and demandable; non-interest bearing	Unsecured
SPCRPI	P85,714,453	P-	P-	P85,714,453	P-	-do-	-do-
SP Project Holdings	568,040,000	80,800,000	24,000,000	65,881,659	12,700,000	-do-	-do-
SMSC	85,454,482	23,450,790	-	32,869,361	2,339,094	-do-	-do-
SPMMC	547,956	-	-	547,956	-	-do-	-do-
				P185,013,429	P15,039,094		

*includes effect of business combination

a. SP Project Holdings

Deed of Assignment between SPNEC and SP Project Holdings

On January 11, 2021, a Deed of Assignment was entered into by the Parent Company, as the assignee, and SP Project Holdings, as the assignor, whereby, SP Project Holdings 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.

Management Services Agreement ("MSA") between SPNEC and SP Project Holdings

On April 30, 2021, the Parent Company entered into a MSA with SP Project Holdings 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, renewable upon mutual agreement of both parties, for a monthly fee of P2.0 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 SP Project Holdings at no cost to the Parent Company. Starting May 2021, the key administrative and finance functions are performed by SP Project Holdings through the MSA. Management fee recognized for the year ended December 31, 2023, for the six-month period ended December 31, 2022 and for the year ended June 30, 2022 amounted to ₱26.0 million, ₱12.8 million and ₱24.0 million, respectively, presented as "Management fees" under "General and administrative expenses" in the consolidated statements of comprehensive income.

Construction Support Services Agreement ("CSSA") with SP Project Holdings

On September 30, 2022, the Parent Company entered into a CSSA with SP Project Holdings wherein SP Project Holdings shall provide support services, including engineering, procurement and construction ("EPC"), logistics, warehousing and other contractor-related services during the construction of the Parent Company's Phase 1 Project.

Construction support services recognized for the year ended December 31, 2023, for the six-month period ended December 31, 2022 and for the year ended June 30, 2022 amounted to ₱36.0 million, ₱68.0 million and nil, respectively, which were capitalized as part of CIP.

Administrative Services Contract ("ASC") between SP Calatagan and SP Project Holdings

On May 27, 2020, SPCC entered into an administrative service contract with SPCRPI, an affiliate, to provide necessary and advisory services on management, investment and technical matters involving SPCC's operations, including but not limited to human resources, legal, finance and information technology. Under the contract, SPCC shall pay SPCRPI a monthly fee ₱1.0 million for a period of ten (10) years from January 1, 2020. On January 22, 2021, SPCRPI executed a Deed of Assignment transferring all of its rights and obligations under the administrative service contract to SP Project Holdings. In 2023, SPCC recognized professional fees amounting to ₱6.0 million, which is presented as "Management fees" under "General and administrative expenses" in the consolidated statement of income.

Site Acquisition Services Agreement ("SASA") between Terra Nueva and SP Project Holdings

On December 26, 2022, Terra Nueva entered into a SASA with SP Project Holdings to cover total land area of 992.73 hectares for a consideration of ₱150.0 million for site acquisition services, exclusive of VAT, from October 1, 2022 to December 31, 2022.

As of December 31, 2022, Terra Nueva has fully paid for the site acquisition services rendered by SP Project Holdings and has presented this as part of "Deposits for land acquisition" in the consolidated statement of financial position.

Deposit and Services Agreement between Terra Nueva and SP Project Holdings

On December 26, 2022, Terra Nueva entered into an agreement with SP Project

Holdings, wherein the latter 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 DAR for the 992.73 hectares acquired by the former including the delivery 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 SP Project Holdings, Terra Nueva has provided the former a refundable deposit amounting to ₱500.0 million which was presented in "Deposits" as part of "Other noncurrent assets" as of December 31, 2022.

In 2023, SP Project Holdings has secured multiple land conversion orders from DAR for parcels of land with a total land area of 992.73 hectares. Terra Nueva then reclassified the Deposits amounting to ₱500.0 million as part of land-related costs under "Deposits for land acquisition" account.

Intercompany Advance Agreement ("IAA") with SP Project Holdings and Terra Nueva
On May 5, 2023, the BOD of SPNEC approved the authority to enter in a loan arrangement with SP Project Holdings in which SP Project Holdings may lend to SPNEC an amount up to the net proceeds of the Share Purchase Agreement with MPIC (net of taxes, costs, and fees), under the terms and conditions approved and recommended for board approval by the Related Party Transactions Committee of SPNEC, and the proposed on-lending from SPNEC to Terra Nueva of the proceeds of this loan.

On June 2023, SPNEC entered into an IAA with SP Project Holdings whereby SP Project Holdings shall extend a loan to SPNEC wherein the latter shall exclusively use the proceeds of the loan for on-lending to Terra Nueva. Per IAA, SPNEC shall not directly or indirectly use the proceeds of the Loan for any other purpose without SP Project Holdings's prior written consent. The IAA shall have a term of one (1) year, subject to extension mutually agreed by the parties.

On the same date, SPNEC entered into an IAA with Terra Nueva whereby SPNEC shall extend a loan to Terra Nueva wherein the latter shall exclusively use the proceeds to acquire the Project Land, as defined in the IAA. Per IAA, Terra Nueva shall not directly or indirectly use the proceeds of the Loan for any other purpose without the Lender's prior written consent. The IAA shall have a term of one (1) year, subject to extension mutually agreed by the parties.

In 2023, SPNEC received advances from SP Project Holdings which were then subsequently advanced to Terra Nueva amounting to ₱300.0 million.

Deed of Assignment of deposit between SPNEC and SP Project Holdings

On December 11, 2023, SP Project Holdings entered into a Deed of Assignment with the Parent Company whereby the former assigned the deposits in Terra Solar amounting to ₱25.96 million to the latter. In 2023, the Group recognized other income amounting to ₱25.96 million presented as part of "Other income - net" in the consolidated statement of income.

b. LHHC

MOA with LHHC

On April 19, 2021, the Parent 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.

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 P267.0 million.

d. SPCRPI

Project Development Services Agreement ("PDSA") and Amendment Agreement with SPCRPI

On September 30, 2022, the Parent Company entered into a PDSA with SP Project Holdings wherein SP Project Holdings shall provide project development services, including site identification, permitting and land acquisition, covering a total area of 925.61 hectares, for a consideration of P150.0 million, exclusive of VAT.

On October 5, 2022, SP Project Holdings 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.

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 Parent Company's Phase 1 Project for a consideration of P100.0 million, exclusive of VAT.

On October 5, 2022, the parties agreed to amend the consideration of the CSSA from P100.0 million to P219.5 million, exclusive of VAT. As of December 31, 2022, P219.5 million was capitalized in CIP.

e. Solar Maintenance Services Corporation ("SMSC")

Support Services Agreement between SPNEC and 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 Parent Company's Phase 1 Project. Manpower services recognized for the year ended December 31, 2023, for the six-month period ended December 31, 2022 and for the year ended June 30, 2022, amounted to P43.6 million, P23.5 million and nil,

respectively, which were capitalized in CIP.

Property Management Agreement between SP Calatagan and SMSC

SP Calatagan has annual property management agreement with SMSC to maintain and manage the solar power plant. In January 2022, SPCC renewed its contract for a period of one year until December 31, 2022. The agreement was automatically renewed and extended for another period of one year, subject to standard escalation of service fee at the rate of 10%. In 2023, SP Calatagan recognized outside services amounting to P9.9 million presented as part of "Costs of sales and services" in consolidated statements of comprehensive income.

Operation and Maintenance Agreement between SP Tarlac and SMSC

SP Tarlac has Operation and Maintenance Agreement with SMSC for the latter to operate, maintain and manage SP Tarlac's solar power plant for 20 years for an annual fee of P21.5 million with an escalation rate of 2% on the second year of contract and every other year thereafter. For the year ended December 31, 2023, SP Tarlac recognized professional fees amounting to P14.5 million, which was presented as part of "Costs of sales and services" in the consolidated statement of comprehensive income.

Property Maintenance and Management Agreement between SP Rooftop and SMSC

SP Rooftop has various property maintenance and management agreements with SMSC where the latter shall maintain and manage the solar power plants with terms varying for two (2) years up to 20 years. SP Rooftop shall pay the total of salaries and wages cost plus 10% to SMSC for employees of SMSC who directly maintain and manage the solar power plant. For the year ended December 31, 2023, SP Rooftop recognized "Personnel costs" which was presented as part of "Costs of sales and services" in the consolidated statements of comprehensive income amounting to P0.4 million.

CSSA between SP Rooftop and SMSC

SP Rooftop has three (3) CSSAs with SMSC where the latter shall provide support services, including EPC, logistics, warehousing, and other contractor-related services during the construction of the different projects of SP Rooftop for one year. SP Rooftop shall pay SMSC the total of salaries and wages cost plus 10% of the employees of SMSC who directly assisted to the construction of the power plants.

Construction support services recognized as part of CIP and "Personnel costs" under "Costs of sales and services" in the consolidated statement of comprehensive income amounted to P5.1 million and P5.4 million, respectively, for the year ended December 31, 2023.

f. Individual Stockholder

MOA with SP Calatagan

On February 12, 2019, SP Calatagan entered into a MOA with the Individual Stockholder to purchase 87.50 hectares of land for P421.6 million.

On June 28, 2019, the 87.50 hectares of land specified in the MOA were pledged as part of the securities to obtain a loan facility of SP Tarlac.

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 2023, 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:

Date of Disclosure	Details of the Disclosure
2 June 2023	<p>Amendments to the Articles of Incorporation of the Company</p> <p>the Board of Directors of SPNEC approved amendments to the Articles of Incorporation of the Company on 10 January 2022.</p> <p>On 7 March 2022, the stockholders of SPNEC approved the said amendment. On 31 May 2023, the Company filed with the Securities and Exchange Commission ("SEC") its application for increase of the authorized capital stock and the corresponding Amended Articles of Incorporation of SP New Energy Corporation (the "Company") increasing the authorized capital stock from One Billion Pesos</p>

	(PhP1,000,000,000.00) divided into 10 billion common shares at par value of P0.10 per share to Five Billion Pesos (PhP5,000,000,000.00) divided into 50 billion common shares at par value of P0.10 per share. On 1 June 2023, the SEC approved the Company's application for an increase of its authorized capital stock.
13 June 2023	<p>SPNEC held its Annual Meeting of the Stockholders today, 8 June 2023, via videoconferencing.</p> <p>The Stockholders of SPNEC approved, among others, the Company's Increase in Authorized Capital Stock and Amendment of the Company's Articles of Incorporation for the Purpose ("ACS Increase") including the issuance of 24,373,050,000 shares to SPPPHI and the subsequent issuance of shares to Metro Pacific Investments Corporation as disclosed to the PSE over which waivers of any applicable rights offers are being sought, in compliance with applicable rules.</p>
18 July 2023	<p>SPNEC received the approval of the Securities and Exchange Commission (SEC) for its increase in Authorized Capital Stock from 10 billion to 50 billion Shares (ACS Increase). 24.37305 billion Shares were issued to SPPPHI upon the ACS Increase on June 1, 2023, and were accordingly recorded in the books of SPNEC.</p> <p>Pursuant to the disclosure dated May 16, 2023, wherein SPNEC entered into a Contract to Sell on May 15, 2023, to acquire 100% of the shares of SPPPHI in various entities using the proceeds of SPPPHI's subscription of 24.37305b Shares, SPNEC has acquired 100% of the shares of SPPPHI in these entities.</p>
31 July 2023	Change in shareholding of a director and principal officer as a result of the acquisition of SPNEC shares.
31 July 2023	Acquisition of SPNEC shares by Solar Philippines Power Project Holdings, Inc. (SPPPHI), an affiliate of SPNEC controlled by Mr. Leandro Antonio L. Leviste.
02 August 2023	<p>Press Release on the acquisition of SP New Energy Corporation (SPNEC) and its subsidiaries of over 4000 hectares of land, mostly in the provinces of Nueva Ecija, Bulacan, Tarlac, and Batangas.</p> <p>Of these, over 3000 hectares have been secured through deeds of sale or contracts to sell and over 1000 hectares through contracts to lease. Over 2000 hectares have already been approved for conversion to industrial use.</p> <p>SPNEC has been growing its assets as part of its consolidation of projects of Solar Philippines Power Project Holdings, Inc. (SP)</p> <p>On May 15 2023, SPNEC entered into a contract to acquire the shares of SP in various entities using the proceeds of SP's subscription of 24.37305 billion shares</p>

	of SPNEC. This was enabled by the approval by the Securities and Exchange Commission of SPNEC's increase in authorized capital stock on June 1 2023.
18 August 2023	<p>Clarification of news article entitled "SPNEC in talks with fund managers for private placement" on 12 June 2023.</p> <p>SPNEC confirmed that it is in talks with various stakeholders, advisers, and potential investors to increase its public float. SPNEC is also preparing to submit a disclosure with further information on its Plan of Action to resume trading, including requesting for a temporary minimum public ownership exemption, in consideration of the actions that it is taking to increase its public float.</p>
12 October 2023	<p>Results of the October 11 2023 Meeting of the Board of Directors</p> <p>Approval of the amendment of the Company's Articles of Incorporation to increase its Authorized Capital Stock from 50 billion common shares to 75 billion common shares and 25 billion preferred shares and increase the Company's number of directors from seven to nine.,</p> <p>Approval of the setting the date of a Special Stockholders' Meeting on December 4 2023 with Record Date of November 14 2023,</p> <p>Approval of authorization to execute an agreement for an investor to subscribe to shares in the Company to support the above-mentioned increase in Authorized Capital Stock.</p> <p>Approval of the conduct of a Follow-On Offering, with an aim to support the expansion of the Company's project portfolio and increase the public ownership of its shares.</p>
12 October 2023	Notice of Special Stockholders' Meeting held on 4 December 2023 at 9:00 am via videoconferencing, with 14 November 2023 as the Record Date.
13 October 2023	<p>Update on Corporate Actions/Material Transactions/Agreements</p> <p>MGen Renewable Energy Inc. signs agreement with SP New Energy Corporation</p>
16 October 2023	Progress Report on the use of IPO and SRO proceeds as of the quarter ended 30 September 2023
13 November 2023	Clarification that the P200-billion mentioned in Business World news article pertains to the estimated project cost of the solar projects that the parties intend to pursue.
14 November 2023	Amendments to the sixth and seventh article of the Articles of Incorporation of the Company to support the expansion of the Company's project portfolio.
23 November 2023	Compliance Plan for Minimum Public Ownership ("MPO")

24 November 2023	<p>Disposal of SPNEC Shares by Leandro Antonio Leviste, <i>Chairman of the Board of Directors, President, and Chief Executive Officer</i></p> <p>For clarity, this refers to a donation of shares owned by Solar Philippines Power Project Holdings, Inc. ("SPPPHI"), and not a donation of shares by SPNEC.</p>
1 December 2023	Update on Compliance with Minimum Public Ownership ("MPO")
5 December 2023	<p>SPNEC held its Annual Meeting of the Stockholders on 4 December 2023, via videoconferencing.</p> <p>The Stockholders of SPNEC approved, among others, the Company's Amendment of the Company's Articles of Incorporation to increase its Authorized Capital Stock and the subscription of shares by Meralco PowerGen Corporation or its affiliates (MGen) in support thereof, and increase in the number of directors from 7 to 9; Election of Mr. Rochel Donato R. Gloria and Ms. Amanda Roselle A. Bengson as Directors, upon the approval of the amendment of the Articles of Incorporation to increase the number of directors from 7 to 9; and Waiver of any applicable mandatory rights offer or public offering in relation to or arising from the issuance of shares to MGen;</p>
5 December 2023	<p>Appointment of New Officers of SP New Energy Corporation</p> <p>The Board of Directors of the Company has approved, effective 30 November 2023, the appointment of Rochel Donato R. Gloria as Treasurer and Chief Finance Officer (CFO), Alicia G. Brion as the Head of Controllershship, in place of Aresty M. Lapitan, who has been appointed as Assistant Chief Information Officer.</p>
12 December 2023	<p>SP New Energy Corporation (SPNEC) executed a Deed of Absolute Sale to acquire 100% of the shares of Prime Infrastructure, Inc. in Terra Solar Philippines, Inc. (TSPI) for Php 6,000,000,000.00.</p> <p>Together with SPNEC's previously acquired shares in TSPI, SPNEC is now the beneficial owner of 100% of TSPI.</p>
12 December 2023	<p>Results of the December 11 2023 Meeting of the Board of Directors</p> <p>Approval of acquisition of 100% of the shares of Prime Infrastructure, Inc. in Terra Solar Philippines, Inc. (TSPI) for Php 6,000,000,000.00 (resulting in SPNEC becoming the beneficial owner of 100% of TSPI), and authorizing Leandro Antonio L. Leviste to sign any and all documents, necessary and proper, to effect the foregoing transaction.</p>

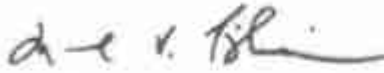
	<p>Election of Manuel V. Pangilinan and Amanda Roselle A. Bengson as new directors of the Company, and election of Pedro Emilio O. Roxas as independent director, effective on December 27, 2023. Appointment of the following persons to the following positions in the Company, effective on December 27, 2023:</p> <p>Manuel V. Pangilinan as Chairman, President, and CEO, Leandro Antonio L. Leviste as Vice Chairman, Amanda Roselle A. Bengson as Chief Compliance Officer and Corporate Secretary, Dominador M. Camu, Jr. as Chief Operating Officer, Anthony Matthew N. Co as Assistant Treasurer, Jo Marianni P. Ocampo as Assistant Corporate Secretary.</p>
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	Election of its recently elected Treasurer and Chief Finance Officer, Rochel Donato R. Gloria, as a member of the Board of Directors effective 11 December 2023.
19 December 2023	<p>Acquisition of Terra Solar Philippines, Inc.</p> <p>Prior to this acquisition, SPNEC owned 49,999 shares of TSPI (49.999%) acquired from SPPPHI through a Deed of Absolute Sale executed on 9 June 2023 and Prime Infra owned 50,000 shares of TSPI (50.001%). With this acquisition, SPNEC is now the beneficial owner of 100% of TSPI.</p>
21 December 2023	<p>Election of New Director to the Board of the Company</p> <p>The Board of Directors of the Company has approved on 11 December 2023 the election of the Company's recently elected Treasurer and Chief Finance Officer, Rochel Donato R. Gloria, as a member of the Board of Directors effective 11 December 2023.</p>
22 December 2023	Resignation of Mr. J. Carlitos G. Cruz.
27 December 2023	<p>Subscription Payment by MGen Renewable Energy Inc. and Results of the December 27 2023 Meeting of the Board of Directors</p> <p>The Board approved, among others, the Election of Manuel V. Pangilinan and Amanda Roselle A. Bengzon as new directors of the Company, and election of Pedro Emilio O. Roxas as independent director, effective on December 27 2023, Appointment of the following persons to the following positions in the Company:</p> <ul style="list-style-type: none"> • Manuel V. Pangilinan as Chairman, President, and CEO • Leandro Antonio L. Leviste as Vice-Chairman • Amanda Roselle A. Bengson as Director, Chief Compliance Officer, and Corporate Secretary • Dominador M. Camu, Jr. as Chief Operating Officer • Anthony Matthew N. Co as Assistant Treasurer • Jo Marianni P. Ocampo as Assistant Corporate Secretary
28 December 2023	sMGreen, the renewable energy development arm of MGen announced on October 12 2023 that it has agreed with SP New Energy Corporation (the "Company") and with its parent, Solar Philippines Power Project Holdings, Inc. ("SPPPHI"), to invest Php 15.9 billion to subscribe to 15.7 billion common shares and 19.4 billion redeemable preferred voting shares in the Company (the "Subscription Shares").
28 December 2023	Appointment of Officers from SP New Energy Corporation ("SPNEC")

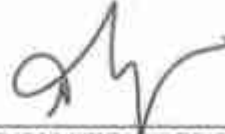
SIGNATURES

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 undersigned, thereto duly authorized, in Mandaluyong City on April 15, 2024.

By:



MANUEL V. PANGILINAN
President and Chief Executive Officer



ROCHEL DONATO R. GLORIA
Treasurer and Chief Finance Officer



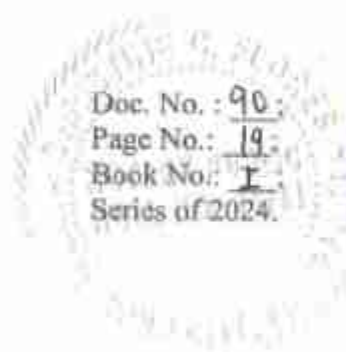
ALICIA G. BRION
Head of Controllershship



AMANDA ROSELLE A. BENGSON
Chief Compliance Officer and Corporate Secretary

SUBSCRIBED AND SWORN to before me this 15th of April 2024 in **Mandaluyong City** personally appeared the following affiants exhibiting to me their government-issued IDs:

Name	Government ID No.	Date and Place of Issuance
Manuel V. Pangilinan	Philippine Passport No. P9969361A	December 18, 2018/DFA NCR East
Amanda Roselle A. Bengson	Philippine Passport No. P7869583A	July 10, 2018/ DFA NCR South
Rochel Donato R. Gloria	Philippine Passport No. P3844177B	November 14, 2019/ DFA NCR East
Alicia G. Brion	Philippine Passport No. P8412528A	August 18, 2018/DFA NCR East



Christine C. Flores
NOTARY PUBLIC
ATTY. CHRISTINE C. FLORES
 Notary Public for Mandaluyong City
 Appointment No. 0704-24 (until December 31, 2025)
 Roll of Attorneys No. 95714
 33rd Floor, The Podium West Tower, 12 ADB Avenue
 Origas Center, Mandaluyong City 1550
 PTR No. 543035201, 11 2024/Mandaluyong City
 IBP No. 360E78/12.29.2023/Leyte

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, 2023 and 2022 and for the year ended December 31, 2023, for the six-month period ended December 31, 2022, and for the year ended June 30, 2022, 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.


Manuel V. Pangilinan
President, CEO and Chairman


Rachel Donato R. Gloria
Treasurer and CFO


Alicia G. Briso
Controller

Signed this APR 15 day of 2024.

20th Floor Philamlife Tower, 8767 Paseo De Roxas Avenue, Makati City 1227 Philippines

+632 8 817 2585 | www.solarphilippines.ph

APR 16 2024

SUBSCRIBED AND SWORN to before me this _____ day of _____, 2024,
affiants exhibiting to me their passport IDs, as follows:

Name	Passport	Validity period
Manuel V. Pangilinan	P9969361A	Valid until 17 Dec 2028
Rochel Donato R. Gloria	P3844177B	Valid until 13 Nov 2029
Alicia G. Brion	P8412528A	Valid until 17 Aug 2028

Doc. No. 37
Page No. 6
Book No. And
Series of 2024.


ATTY. ANTONIO S. ESTACIO
Atty. Pablo-Pang (20)
Commission No. 07(2023-2024)
708 Mega Plaza, ADB Ave., Pasig City
Attorney's Roll No. 27614
IBP No. 30323/110330-Rizal
PTR No. 0173644-1/04/24-Pasig City
ICLLE Compliance No. VS-0008038 April 24, 2024

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

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
L	L	A	G	E	,		B	A	R	A	N	G	A	Y		S	A	N		L	O	R	E	N	Z	O	,		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	G	F	D
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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

23

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

20th 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
20th Floor AIA Tower
8767 Paseo de Roxas
Makati City

Opinion

We have audited the consolidated financial statements of SP New Energy Corporation (SPNEC, a subsidiary of MGen Renewable Energy, Inc.) and its Subsidiaries (collectively referred to as "the Group"), which comprise the consolidated statements of financial position as at December 31, 2023 and 2022, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the year ended December 31, 2023, for the six-month period ended December 31, 2022 and for the year ended June 30, 2022, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as of December 31, 2023, and 2022, and its financial performance and its cash flows for the year ended December 31, 2023, for the six-month period ended December 31, 2022, and for the year 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 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.

Accounting for Common Control Transactions

In 2023, SPNEC and Solar Philippines Power Project Holdings, Inc. ("SP Project Holdings") executed various deeds of absolute sale of shares where SP Project Holdings transferred and conveyed to SPNEC all its rights, title and interests in and to various entities for total consideration of ₱3,175.8 million. The transactions were common control transactions and accounted for using the pooling-of-interests method wherein the assets and liabilities of the transferred entities were recognized at their carrying values, and an equity adjustment was recorded for the difference between the carrying values of the assets acquired and liabilities assumed and the consideration given. We considered the accounting for these transactions as a key audit matter due to the complexity and significant financial impact to the Group.

The Group's disclosures related to these transactions are included in Notes 2 and 21 to the consolidated financial statements.

Audit Response

We reviewed the deeds of absolute sale of shares related to these transaction. We tested management's application of the pooling-of-interests method, the balances of the transferred entities to SPNEC and the resulting equity adjustments. We also reviewed the presentation and disclosures related to the common control transactions in the consolidated financial statements.

Accounting for the Acquisition of Terra Solar Philippines, Inc.

On June 9, 2023, SPNEC acquired 49.99% interest in Terra Solar Philippines, Inc. (Terra Solar), which was treated as an investment in associate and accounted for using the equity method. On December 11, 2023, SPNEC acquired additional 50.01% interest in Terra Solar, which resulted to SPNEC obtaining full ownership and control over Terra Solar. Accordingly, the Group consolidated Terra Solar on a line-by-line basis and recognized a gain of ₱5,964.0 million arising from the remeasurement of its previously held interest in Terra Solar.

The acquisition of Terra Solar was accounted for as business combination under PFRS 3, *Business Combination* and accordingly, on the date when the control was obtained the Group performed notional purchase price allocation using the provisional fair values of the assets acquired and liabilities assumed from Terra Solar which resulted in the recognition of goodwill amounting to ₱9.95 million.

This matter is important to our audit because the amounts involved are material and significant management judgment and estimates are involved in the determination of the provisional fair values of the assets acquired and liabilities assumed from Terra Solar and the determination of the provisional fair value of the previously held interest, based on the available information as at the acquisition date.

The Group's disclosures related to these transactions are included in Notes 2 and 22 to the consolidated financial statements.



Audit Response

We reviewed the deeds of absolute sale of shares and other documents covering the transactions and assessed whether the transactions were properly accounted for. We considered the terms of the relevant agreements and documents in evaluating the Group's determination of the total costs of acquisition. We also evaluated management's basis in determining the provisional fair values of identifiable assets acquired and liabilities assumed using the available information as of the acquisition date. We involved our internal specialist in evaluating the methodologies and assumptions used in arriving at the provisional fair values of the assets acquired and liabilities assumed. We also assessed the adequacy of the related disclosures in the consolidated financial statements.

Impairment Assessment of Deposits for Land Acquisition

As of December 31, 2023, the Group has deposits for land acquisition with a carrying value of P3,396.8 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 and 10 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, 2023 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, 2023, 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

BIR Accreditation No. 08-001998-103-2022, November 7, 2022, valid until November 6, 2025

PTR No. 10079942, January 5, 2024, Makati City

April 12, 2024



SP NEW ENERGY CORPORATION
(Formerly Solar Philippines Nueva Ecija Corporation)
AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	December 31	
	2023	2022
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 4 and 23)	₱10,040,424,627	₱37,232,084
Trade receivables (Notes 5 and 23)	286,288,062	—
Subscriptions receivable (Notes 16 and 23)	1,319,056	651,115,661
Inventories (Note 6)	24,800,913	—
Due from related parties (Notes 14 and 23)	126,920,310	821,388,320
Other current assets (Notes 7, 23 and 29)	744,366,136	18,638,843
Total Current Assets	11,224,119,104	1,528,374,908
Noncurrent Assets		
Property, plant and equipment (Note 9)		
At cost	10,136,123,220	1,671,233,624
At revalued amount	12,467,340,000	—
Deposits for land acquisition (Note 10)	3,396,776,396	2,026,892,396
Intangible assets (Note 22)	13,261,891,642	—
Goodwill (Note 22)	9,954,384	—
Deferred income tax assets - net (Note 19)	9,646,601	10,201,126
Investment properties (Note 8)	—	312,626,010
Other noncurrent assets (Notes 11 and 23)	676,962,959	654,395,146
Total Noncurrent Assets	39,958,695,202	4,675,348,302
TOTAL ASSETS	₱51,182,814,306	₱6,203,723,210
LIABILITIES AND EQUITY		
Current Liabilities		
Trade and other payables (Notes 12 and 23)	₱482,626,040	₱65,218,072
Due to related parties (Notes 14 and 23)	608,442,826	22,770,229
Current portion of:		
Long-term debt (Notes 13 and 23)	366,847,748	—
Lease liabilities (Notes 20 and 23)	8,962,861	4,538,676
Total Current Liabilities	1,466,879,475	92,526,977
Noncurrent Liabilities		
Noncurrent portion of:		
Long-term debt (Notes 13 and 23)	2,729,695,924	—
Lease liabilities (Notes 20 and 23)	381,109,300	298,599,744
Deferred tax liabilities (Notes 19, 21 and 22)	4,086,521,200	—
Other noncurrent liabilities (Notes 15 and 29)	98,633,404	—
Total Noncurrent Liabilities	7,295,959,828	298,599,744
TOTAL LIABILITIES	₱8,762,839,303	₱391,126,721

(Forward)



	December 31	
	2023	2022
Equity Attributable to Equity Holders of the Parent Company		
Capital stock (Note 16)	P3,437,305,000	P1,000,000,000
Additional paid-in capital (Note 16)	5,713,764,409	4,938,722,430
Deposit for future stock subscription (Note 16)	15,894,042,026	—
Equity reserve (Note 21)	525,755,142	—
Revaluation surplus (Note 9)	8,268,091,263	—
Retained earnings (Deficit)	5,546,151,067	(126,125,941)
	39,385,108,907	5,812,596,489
Non-controlling Interests	3,034,866,096	—
Total Equity	42,419,975,003	5,812,596,489
TOTAL LIABILITIES AND EQUITY	P51,182,814,306	P6,203,723,210

See accompanying Notes to Consolidated Financial Statements.



SP NEW ENERGY CORPORATION
(Formerly Solar Philippines Nueva Ecija Corporation)
AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME (LOSS)
FOR THE YEAR ENDED DECEMBER 31, 2023, FOR THE SIX-MONTH PERIOD ENDED
DECEMBER 31, 2022* AND FOR THE YEAR ENDED JUNE 30, 2022

	December 31, 2023 (One Year)	December 31, 2022 (Six Months)	June 30, 2022 (One Year)
REVENUE FROM CONTRACTS WITH CUSTOMERS (Notes 3 and 29)	P635,451,217	P-	P-
COSTS OF SALES AND SERVICES (Note 17)	(327,103,277)	-	-
GROSS PROFIT	308,347,940	-	-
GENERAL AND ADMINISTRATIVE EXPENSES (Note 18)	(207,914,077)	(38,010,960)	(63,356,174)
FINANCE COSTS (Notes 13 and 20)	(167,232,021)	(4,532,695)	(9,142,009)
INTEREST INCOME (Note 4 and 7)	29,993,447	2,398,960	548,180
OTHER INCOME - net (Notes 9, 14 and 22)	6,008,335,292	-	-
INCOME (LOSS) BEFORE INCOME TAX	5,971,530,581	(40,144,695)	(71,950,003)
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 19)			
Current	24,680,990	-	-
Deferred	(731,160)	265,138	(11,370,555)
	23,949,830	265,138	(11,370,555)
NET INCOME (LOSS)	P5,947,580,751	(P40,409,833)	(P60,579,448)
Net income (loss) attributable to:			
Equity holders of the Parent Company	P5,706,730,751	(P40,409,833)	(P60,579,448)
Non-controlling interests	240,850,000	-	-
	P5,947,580,751	(P40,409,833)	(P60,579,448)
Basic/Diluted Earnings (Loss) Per Share (Note 24)	P0.2356	(P0.0043)	(P0.0087)

* The Parent Company prepared consolidated financial statements as of and for the six-month period ended December 31, 2022 in connection with the change of the fiscal period end from June 30, 2022 to December 31, 2022 (see Notes 1 and 2).

See accompanying Notes to Consolidated Financial Statements.



SP NEW ENERGY CORPORATION
(Formerly Solar Philippines Nueva Ecija Corporation)
AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
FOR THE YEAR ENDED DECEMBER 31, 2023, FOR THE SIX-MONTH PERIOD ENDED
DECEMBER 31, 2022* AND FOR THE YEAR ENDED JUNE 30, 2022

	December 31, 2023 (One Year)	December 31, 2022 (Six Months)	June 30, 2022 (One Year)
NET INCOME (LOSS)	₱5,947,580,751	(₱40,409,833)	(₱60,579,448)
OTHER COMPREHENSIVE INCOME (LOSS)			
<i>Other comprehensive income not to be reclassified to profit or loss in subsequent periods</i>			
Revaluation increment on land (net of tax effect amounting to ₱2,013.9 million) (Note 9)	6,041,693,185	—	—
Remeasurement loss on retirement benefits (net of tax effect amounting to ₱0.1 million) (Note 15)	(298,828)	—	—
	6,041,394,357	—	—
TOTAL COMPREHENSIVE INCOME (LOSS)	₱11,988,975,108	(₱40,409,833)	(₱60,579,448)
Total comprehensive income (loss) attributable to:			
Equity holders of the Parent Company	₱11,748,125,108	(₱40,409,833)	(₱60,579,448)
Non-controlling interests	240,850,000	—	—
	₱11,988,975,108	(₱40,409,833)	(₱60,579,448)

* The Parent Company prepared consolidated financial statements as of and for the six-month period ended December 31, 2022 in connection with the change of the fiscal period end from June 30, 2022 to December 31, 2022 (see Notes 1 and 2).

See accompanying Notes to Consolidated Financial Statements.



SP NEW ENERGY CORPORATION
(Formerly Solar Philippines Nueva Ecija Corporation)
AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

**FOR THE YEAR ENDED DECEMBER 31, 2023, FOR THE SIX-MONTH PERIOD ENDED DECEMBER 31, 2022*
AND FOR THE YEAR ENDED JUNE 30, 2022**

Equity Attributable to Equity Holders of the Parent Company

	Capital Stock (Note 16)	Additional Paid-in Capital (Note 16)	Deposit for Future Stock Subscription (Note 16)	Equity Reserve (Note 21)	Revaluation Surplus (Note 9)	Retained Earnings (Deficit)	Total	Non- controlling Interests	Total
Balances at January 1, 2023	P1,000,000,000	P4,938,722,430	P-	P-	P-	(P126,125,941)	P5,812,596,489	P-	P5,812,596,489
Issuance of shares (Note 16)	2,437,305,000	-	-	-	-	-	2,437,305,000	-	2,437,305,000
Stock issuance cost (Note 16)	-	-	-	-	-	(34,891,265)	(34,891,265)	-	(34,891,265)
Equity infusions (Note 16)	-	775,041,979	-	-	-	-	775,041,979	-	775,041,979
Deposit for future stock subscription (Note 16)	-	-	15,894,042,026	-	-	-	15,894,042,026	-	15,894,042,026
Effect of business combination under common control (Notes 21 and 22)	-	-	-	525,755,142	2,226,398,078	736,450	2,752,889,670	2,794,016,096	5,546,905,766
Net income for the year	2,437,305,000	775,041,979	15,894,042,026	525,755,142	2,226,398,078	(34,154,915)	21,824,387,310	2,794,016,096	24,618,403,406
Other comprehensive income (loss) (Note 9)	-	-	-	-	-	5,706,730,751	5,706,730,751	240,850,000	5,947,580,751
Total comprehensive income	-	-	-	-	6,041,693,185	(298,828)	6,041,394,357	-	6,041,394,357
Balances at December 31, 2023	P3,437,305,000	P5,713,764,409	P15,894,042,026	P525,755,142	P8,268,091,263	P5,546,151,067	P39,385,108,907	P3,034,866,096	P42,419,975,003

*The Parent Company prepared consolidated financial statements as of and for the six-month period ended December 31, 2022 in connection with the change of the fiscal period and from June 30, 2022 to December 31, 2023 (see Notes 1 and 2).

See accompanying Notes to Consolidated Financial Statements.



	Capital Stock (Note 16)	Additional Paid-in Capital (Note 16)	Deficit	Total
Balances at June 30, 2021				
Issuance of shares of stock (Note 16)	P542,435,000	P-	(P25,136,660)	P517,298,340
Stock issuance costs (Note 16)	270,000,001	2,430,000,000	-	2,700,000,001
Additional paid-in capital (Note 16)	-	(100,661,979)	-	(100,661,979)
Total comprehensive loss	-	18,000,000	-	18,000,000
			(60,579,448)	(60,579,448)
Balances at June 30, 2022				
Issuance of shares of stock (Note 16)	812,435,001	2,347,338,021	(85,716,108)	3,074,056,914
Stock issuance costs (Note 16)	187,564,999	2,625,909,994	-	2,813,474,993
Total comprehensive loss	-	(34,525,585)	-	(34,525,585)
			(40,409,833)	(40,409,833)
Balances at December 31, 2022	P1,000,000,000	P4,938,722,430	(P126,125,941)	P5,812,596,489

* The Parent Company prepared consolidated financial statements as of and for the six-month period ended December 31, 2022 in connection with the change of the fiscal period end from June 30, 2022 to December 31, 2022 (see Notes 1 and 2).

See accompanying Notes to Consolidated Financial Statements.



SP NEW ENERGY CORPORATION
(Formerly Solar Philippines Nueva Ecija Corporation)
AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2023, FOR THE SIX-MONTH PERIOD ENDED
DECEMBER 31, 2022* AND FOR THE YEAR ENDED JUNE 30, 2022

	December 31, 2023 (One Year)	December 31, 2022 (Six Months)	June 30, 2022 (One Year)
CASH FLOWS FROM OPERATING ACTIVITIES			
Income (loss) before income tax	₱5,971,530,581	(₱40,144,695)	(₱71,950,003)
Adjustments for:			
Gain on remeasurement of previously existing equity interest in Terra Solar (Note 22)	(5,964,035,242)	—	—
Other income (Note 14)	(25,960,000)	—	—
Gain on sale of property, plant and equipment (Note 9)	(17,834,545)	—	—
Interest income (Note 26)	(29,993,447)	(2,398,960)	(548,180)
Finance costs (Notes 13 and 20)	167,232,021	4,532,695	9,142,009
Depreciation and amortization (Notes 9, 17 and 18)	216,232,722	2,584,193	5,420,370
Provision for impairment loss (Notes 5, 7 and 18)	756,172	—	—
Retirement benefit expense (Note 15)	383,870	—	—
Unrealized foreign exchange loss (gain)	234,726	(545,388)	274,709
Operating income (loss) before working capital changes	318,546,858	(35,972,155)	(57,661,095)
Decrease (increase) in:			
Trade receivables (Note 5)	126,788,719	—	—
Inventories (Note 6)	(745,862)	—	—
Other current assets (Note 7)	(22,654,765)	2,150,545	(20,013,297)
Increase (decrease) in trade and other payables (Note 12)	(358,754,383)	52,217,812	6,272,205
Net cash flows from (used in) operations	63,180,567	18,396,202	(71,402,187)
Interest received	29,993,447	2,398,960	548,180
Net cash flows from (used in) operating activities	93,174,014	20,795,162	(70,854,007)
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of Solar Philippines assets, net of cash acquired (Notes 21 and 22)	(8,987,411,875)	—	—
Proceeds from disposal of property, plant and equipment (Note 9)	33,928,571	—	—
Additions to:			
Deposits for land acquisition (Note 10)	(723,096,532)	(1,405,392,463)	(541,700,000)
Property, plant and equipment (Note 9)			
At cost	(677,884,677)	(460,794,829)	(906,749,770)
At revalued amount	(26,892,762)	—	—
Investment properties (Note 8)	—	(312,626,010)	—
Decrease (increase) in:			
Due from related parties (Note 14)	960,420,010	(279,710,439)	(84,499,933)
Other noncurrent assets (Note 11)	107,779,964	(540,176,775)	(112,848,087)
Net cash flows used in investing activities	(9,313,157,301)	(2,998,700,516)	(1,645,797,790)

(Forward)



	December 31, 2023 (One Year)	December 31, 2022 (Six Months)	June 30, 2022 (One Year)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issuance of shares of stock, net of subscriptions receivable and transaction costs (Note 16)	P2,402,413,635	P2,127,833,748	P2,599,338,022
Collection of subscriptions receivable (Note 16)	649,796,605	-	-
Equity infusion (Note 16)	775,041,979	-	-
Deposit for future stock subscription (Note 16)	15,894,042,026	-	-
Payments of: (Note 27)			
Long-term debt	(166,261,855)	-	-
Interest	(136,800,476)	-	-
Lease liabilities (Note 20)	(18,526,229)	-	(14,004,465)
Dividends	(61,570,424)	-	-
Due to related parties	(114,724,705)	-	-
Additional capital contribution (Note 16)	-	-	18,000,000
Net cash flows from financing activities	19,223,410,556	2,127,833,748	2,603,333,557
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS			
	(234,726)	545,388	(274,709)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS			
	10,003,192,543	(849,526,218)	886,407,051
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD			
	37,232,084	886,758,302	351,251
CASH AND CASH EQUIVALENTS AT END OF PERIOD (Notes 4 and 23)			
	P10,040,424,627	P37,232,084	P886,758,302

* The Parent Company prepared consolidated financial statements as of and for the six-month period ended December 31, 2022 in connection with the change of the fiscal period end from June 30, 2022 to December 31, 2022 (see Notes 1 and 2).

See accompanying Notes to Consolidated Financial Statements.



SP NEW ENERGY CORPORATION
(Formerly Solar Philippines Nueva Ecija Corporation)
AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

I. Corporate Information

(a) Organization

SP New Energy Corporation (the "Parent Company" or "SPNEC") was incorporated and registered with the Philippine Securities and Exchange Commission ("SEC") on November 23, 2016, primarily to engage in the construction, operation and maintenance of all types of renewable energy plants and related services.

The common shares of SPNEC are listed on the Philippine Stock Exchange ("PSE") beginning December 17, 2021 and traded under the ticker, "SPNEC".

The Parent Company and its subsidiaries are hereby collectively referred to as the "Group". All subsidiaries are incorporated in the Philippines (see Note 2). As of April 12, 2024, the Parent Company has subsidiaries that are in commercial operations (see Note 2).

On March 27, 2023, Metro Pacific Investments Corporation ("MPIC"), a corporation organized in the Republic of the Philippines, entered into a Share Purchase Agreement with Solar Philippines Power Project Holdings, Inc. ("SP Project Holdings") to acquire the latter's rights, title and interests in and to SPNEC equal to 1.6 billion common shares for a total consideration of ₱2,000.0 million (see Note 16).

Subsequently, on November 30, 2023, MGen Renewable Energy, Inc. ("MGreen") and SPNEC entered into a Subscription Agreement, whereby MGreen subscribed (i) 15.7 billion common shares with par value of ₱1.0 per share and (ii) 19.4 billion preferred shares with par value of ₱0.01 per share for a total subscription price of ₱15.9 billion (see Note 16). MGreen is a wholly-owned subsidiary of Meralco PowerGen Corporation ("MGen"), which in turn is a wholly-owned subsidiary of Manila Electric Company ("Meralco"). Meralco, MGen and MGreen are registered with the Philippine SEC. The shares of Meralco are listed in the PSE under the ticker, "MER".

As of December 31, 2023, the shares were not yet issued to MGreen pending the approval of SPNEC's increase in authorized capital stock (see Note 16).

As of April 12, 2024, SPNEC is 35.7% owned by MGreen, 37.93% owned by SP Project Holdings, and 3.2% owned by MPIC, with the balance as the public float.

(b) Change in Corporate Name and Fiscal Year

On August 8, 2022, the Board of Directors ("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"). On January 11, 2023, the BIR approved the change in accounting period.

(c) Principal Office Address

On April 12, 2024, the BOD approved the amendment of the Parent Company's Articles of Incorporation to change the principal office from 112 Legaspi Street, Legaspi Village, Brgy. San Lorenzo, Makati City 1229, Philippines to Rockwell Business Center, Ortigas Avenue, Brgy. Ugong, Pasig City 1604, Philippines.

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

The consolidated financial statements of the Group as of December 31, 2023 and 2022 and for the year ended December 31, 2023, for the six-month period ended December 31, 2022 and for the year ended June 30, 2022 were authorized for issue by the BOD on April 12, 2024.

2. Basis of Preparation, Statement of Compliance and Material Accounting Policy Information

Basis of Preparation

The consolidated financial statements have been prepared using the historical cost basis, except for land carried at revalued amount. The consolidated financial statements are presented in Philippine Peso (P), the Group's functional and presentation currency. All amounts are rounded to the nearest P, unless otherwise indicated.

The amounts in the consolidated statements of comprehensive income, consolidated statements of changes in equity, consolidated statements of cash flows and the related notes, as of and for the six-month period ended June 30, 2022 were presented for the fractional period due to the change of the reporting period of the Parent Company from fiscal year beginning July 1 and ending June 30 to calendar year January 1 and ending December 31 (see Note 1). As a result, 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 for the six-month period ended December 31, 2022 are not comparable with those statements for the years ended December 31, 2023 and June 30, 2022.

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.

Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Group as of December 31, 2023 and 2022 and for the year ended December 31, 2023, for the six-month period ended December 31, 2022 and for the year ended June 30, 2022. The financial statements of the subsidiaries are prepared for the same reporting year as the Parent Company using uniform accounting policies. When necessary, adjustments are made to the separate financial statements of the subsidiaries to bring its accounting policies in line with the Parent Company's accounting policies.



Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the 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 Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income ("OCI") are attributed to the equity holders of the parent of the Group and to the non-controlling interests ("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 interests 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.

NCI represents the interests in the subsidiaries not held by the Parent Company and are presented separately in the consolidated statement of income and within equity in the consolidated statement of financial position, separately from equity attributable to holders of the Parent Company. NCI shares in losses even if the losses exceed the NCI in the subsidiary.

Subsidiaries

Except with respect to SP Holdings, Inc. ("SP Holdings") and Terra Nueva, Inc. ("Terra Nueva"), which are investment holding entities, the rest of the subsidiaries has power generation as its primary purpose of business.

Except for Solar Philippines Calatagan Corporation ("SP Calatagan") and Solar Philippines Tarlac Corporation ("SP Tarlac"), all other subsidiaries have not started operations.



The consolidated financial statements comprise the Parent Company and the following subsidiaries of the Group:

Subsidiaries	Percentage of Ownership (%)			
	2023		2022	
	Direct	Indirect	Direct	Indirect
Terra Nueva, Inc. (Terra Nueva)	100	—	100	—
Solar Philippines Calatagan Corporation (SP Calatagan) ¹	62	—	—	—
Solar Philippines Tarlac Corporation (SP Tarlac)	100	—	—	—
Solar Philippines Rooftop Corporation (SP Rooftop)	100	—	—	—
Solar Philippines Batangas Corporation (SP Batangas)	100	—	—	—
Solar Philippines Batangas Baseload Corporation (SP Batangas Baseload)	100	—	—	—
Solar Philippines Central Visayas Corporation (SP Central Visayas)	100	—	—	—
Solar Philippines Eastern Corporation (SP Eastern)	100	—	—	—
Solar Philippines Retail Electricity, Inc. (SPREI)	100	—	—	—
Solar Philippines Southern Mindanao Corporation (SP Southern Mindanao)	100	—	—	—
Solar Philippines Southern Tagalog Corporation (SP Southern Tagalog)	100	—	—	—
Solar Philippines South Luzon Corporation (SP South Luzon)	100	—	—	—
Solar Philippines Tarlac Baseload Corporation (SP Tarlac Baseload)	100	—	—	—
Solar Philippines Visayas Corporation (SP Visayas)	100	—	—	—
Solar Philippines Western Corporation (SP Western)	100	—	—	—
SP Holdings, Inc. (SP Holdings)	100	—	—	—
Terra Solar Philippines, Inc. (Terra Solar)	100	—	—	—
Laguna Rooftop Solar Corporation (Laguna Rooftop)	60	—	—	—

¹Economic interest is 100% after dividend to preferred stock

The following significant transactions affected the Parent Company's investments in subsidiaries in 2023:

Acquisition of Solar Philippines Assets

In 2023, SPNEC executed several Deeds of Absolute Sale of Shares ("DOASS") with certain affiliates for the following transactions:

Date	Counterparty	Asset Acquired	Consideration (in millions)
May 15, 2023	SP Project Holdings	SP Tarlac	P2,241.7
		SP Rooftop	100.7
June 9, 2023		Solar Philippines Assets	80.5
June 29, 2023		SP Calatagan	502.8
November 20, 2023	Leandro L. Leviste	SP Calatagan	249.9

On November 9, 2023, SPNEC entered into a Deed of Donation and Acceptance with Countryside Investments Holdings Corporation ("Countryside"), whereby Countryside donated and conveyed all its rights and obligations in SP Holdings, Inc. ("SP Holdings") to SPNEC.

Leandro L. Leviste is the major shareholder of SP Project Holdings and Countryside.



The foregoing share sale and donation transactions were accounted for using the pooling-of-interests method. Detailed information of the transactions is included in Note 21 to the consolidated financial statements.

Acquisition of controlling interest in Terra Solar from Prime Infrastructure, Inc. ("Prime Infra")
As provided under the Memorandum of Agreement ("MOA") between SP Project Holdings and Prime Infra and Prime Metro Holdings Corporation ("Prime Metro"), SPNEC acquired Prime Infra's 50.01% interest in Terra Solar on December 11, 2023 for P6,000.0 million. Thereafter, Terra Solar became a wholly owned subsidiary of SPNEC.

This step acquisition is accounted for using the acquisition method. Detailed information of the transaction is included in Note 22 to the consolidated financial statements.

SP Calatagan

SP Calatagan is registered with the Board of Investments ("BOI") entity. Under the provisions of Republic Act No. 9513, "Renewable Energy ("RE") Act of 2008", the Company shall be entitled to seven (7) years income tax holiday ("ITH") from start of actual operations or two (2) months from the date of commissioning or testing, whichever comes earlier, duty-free importation of machineries for a period of 10 years and exemption from VAT, among others.

While all of the common shares of SP Calatagan are held by SPNEC and the preferred shares by KEPCO Philippines Holdings, Inc. ("KEPCO"), the voting interest is shared 62% and 38%, in favor of SPNEC. The preferred shares are voting, non-participating and earn cumulative dividends at P0.08 per share until December 31, 2035 subject to availability of retained earnings and approval of the BOD. These are convertible to common stock at the option of KEPCO through December 31, 2022 and at the option of SP Calatagan after December 31, 2035, provided the cumulative dividends are paid. Unpaid dividends are entitled to compounded interest at 9.5% per annum until fully paid. As at December 31, 2023, undeclared dividends on the SP Calatagan preferred shares amounted to P256.7 million, and accumulated interest recorded amounted to P11.0 million.

SP Tarlac

SP Tarlac is also registered with the BOI and is entitled to 7-year IT beginning September 12, 2019.

All of the common shares of SP Tarlac are held by SPNEC while all redeemable preferred shares totaling P1,500.0 million are held by Prime Metro. Such redeemable preferred shares are non-voting and entitled to cumulated fixed dividend at a rate of 12% per annum, subject to availability of retained earnings and approval of the BOD. These shares are redeemable at the option of SP Tarlac after five (5) years from issuance and convertible to common stock equivalent to 50% equity at the option of Prime Metro.

As at December 31, 2023, cumulative undeclared dividends amounted P589.9 million.

Laguna Rooftop

Laguna Rooftop was incorporated and registered with the SEC on July 6, 2021, primarily to engage in the development, financing, construction, testing, operation, maintenance and ownership of rooftop solar electricity generation projects tendered by Mitsubishi Motors Philippines Corporation ("MMPC") and its subsidiary, Asian Transmission Corporation ("ATC").

Material partly owned subsidiaries with material economic ownership interest

The consolidated financial statements include additional information about subsidiaries that have NCI that are material to the Group. Management determined material partly owned subsidiaries as those with balance of NCI greater than 5% of the total NCI and those subsidiaries which type of activities that are important to the Group as at the end of the year.



The following are the summarized financial information of SP Calatagan and SP Tarlac as of and for the year ended December 31, 2023:

	SP Calatagan	SP Tarlac
Summarized balance sheet information		
Current assets	P697,606,656	P483,642,795
Noncurrent assets	5,674,606,019	6,765,727,668
Current liabilities	288,533,947	591,246,084
Noncurrent liabilities	1,403,366,474	2,299,906,373
Summarized comprehensive income information		
Revenue from contract with customer	P699,281,878	P430,568,929
Costs of sale of electricity	(225,986,476)	(267,640,960)
Gross profit	473,295,402	162,927,969
Finance costs	(106,336,371)	(167,762,523)
General and administrative expenses	(51,953,283)	(33,030,536)
Other income	28,638,095	16,791,424
Provision for (benefit from) income tax	26,761,760	8,225,408
Net income (loss)	316,882,083	(29,299,074)
Other comprehensive income	78,381,150	22,450,093
Total comprehensive income (loss)	395,263,233	(6,848,981)
Summarized cash flows information		
Operating	P457,619,789	P240,993,169
Investing	(47,455,146)	(18,449,129)
Financing	(334,360,453)	(277,861,215)
Exchange rate effect on cash	83,580	255,736
Net increase (decrease) in cash	75,887,770	(55,061,439)

NCI

The NCI in the consolidated financial statements represents mainly the ownership of KEPCO in SP Calatagan, Prime Metro in SP Tarlac, and of DGA SP B.V. ("DGA") in Laguna Rooftop.

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 2023. 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 Philippine Accounting Standards ("PAS") 1 and PFRS Practice Statement 2, *Disclosure of Accounting Policies*

The amendments provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by:

- Replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies, and
- Adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures

The amendments to the Practice Statement provide non-mandatory guidance.



- *Amendments to PAS 8, Definition of Accounting Estimates*

The amendments introduce a new definition of accounting estimates and clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, the amendments clarify that the effects on an accounting estimate of a change in an input or a change in a measurement technique are changes in accounting estimates if they do not result from the correction of prior period errors.

- *Amendments to PAS 12, Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

The amendments narrow the scope of the initial recognition exception under PAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences.

The amendments also clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognized in the financial statements (and interest expense) or to the related asset component (and interest expense).

- *Amendments to PAS 12, International Tax Reform – Pillar Two Model Rules*

The amendments introduce a mandatory exception in PAS 12 from recognizing and disclosing deferred tax assets and liabilities related to Pillar Two income taxes.

The amendments also clarify that PAS 12 applies to income taxes arising from tax law enacted or substantively enacted to implement the Pillar Two Model Rules published by the Organization for Economic Cooperation and Development ("OECD"), including tax law that implements qualified domestic minimum top-up taxes. Such tax legislation, and the income taxes arising from it, are referred to as 'Pillar Two legislation' and 'Pillar Two income taxes', respectively.

The temporary exception from recognition and disclosure of information - 7 -eferred taxes and the requirement to disclose the application of the exception, apply immediately and retrospectively upon adoption of the amendments in June 2023.

Meanwhile, the disclosure of the current tax expense related to Pillar Two income taxes and the disclosures in relation to periods before the legislation is effective are required for annual reporting periods beginning on or after 1 January 2023.

The Group has yet to implement BEPS 2.0 Pillar Two because the Group's entities are operating in jurisdiction/s (Philippines) which the legislation has not yet been enacted or substantially enacted as of December 31, 2023. The Group has not exceeded the threshold amount in consolidated revenue of €750 million, hence there is no impact on the consolidated financial statements as of December 31, 2023.

Summary of Material Accounting Policies

The accounting policies set out below have been applied consistently to all periods presented in the Group's consolidated financial statements, unless otherwise indicated.

Business Combinations and Goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any NCI in the acquiree. For each business combination, the Group elects whether to measure the NCI in the acquiree at fair value or at the proportionate share of the acquiree's



identifiable assets. Acquisition-related costs are expensed as incurred and included in general and administrative expenses.

When a business is acquired, an assessment is made of the identifiable assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquirer.

If the business combination is achieved in stages, any previously held equity interest is remeasured at its acquisition date and any resulting gain or loss is recognized in the consolidated statements of income.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognized in the consolidated statement of income. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognized for NCI, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognized at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognized in the consolidated statement of income.

If the initial accounting for a business combination is incomplete by the end of the reporting date in which the business combination occurs, the provisional amounts of the items for which the accounting is incomplete are reported in the consolidated financial statements. During the measurement period, which shall be no longer than one (1) year from the acquisition date, the provisional amounts recognized at acquisition date are retrospectively adjusted to reflect new facts and circumstances obtained that existed as at the acquisition date and, if known, would have affected the measurement of the amounts recognized as of that date. During the measurement period, additional assets or liabilities are also recognized if new information is obtained about facts and circumstances that existed as at the acquisition date and, if known, would have resulted in the recognition of those assets and liabilities as at that date.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units ("CGU") that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.



Where goodwill has been allocated to a CGU and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the CGU retained.

Business Combination of Entities under Common Control

Business combination of entities under common control are accounted for by applying the pooling-of-interests method. The pooling-of-interests method generally involved the following:

- The assets and liabilities of the combining entities are reflected in the consolidated financial statements at their carrying amounts. No adjustments are made to reflect fair value or recognize any new assets or liabilities at the date of combination. The only adjustments that are made are those adjustments to harmonize the accounting policies.
- No new goodwill is recognized as a result of the combination. The only goodwill that is recognized is any existing goodwill relating to either of the combining entities. Any difference between the consideration paid or transferred and the entity acquired is reflected within equity.
- The consolidated statements of income, comprehensive income and cash flows reflect the result of the combining entities from the date when the combination takes place.
- Comparative financial information are presented as if the entities had always been combined, or on date the common control existed on the combining entities, whichever comes earlier.
- The effects of any intercompany transactions are eliminated to the extent possible.
- Equity reserve is recognized for the difference between considerations paid or transferred and the net assets of the entity acquired through business combinations involving entities under common control.

Presentation of Consolidated Financial Statements

The Group has elected to present all items of recognized income and expense in two statements: a statement displaying components of profit or loss (consolidated statements of income) and a second statement beginning with profit or loss and displaying components of OCI (consolidated statements of comprehensive income).

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 12 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 12 months after the reporting period.

All other assets are classified as noncurrent.

A liability is current when:

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

Cash and cash equivalents in the consolidated statements of financial position comprise cash on hand and in banks and short-term deposits with original maturities of three (3) months or less from dates of acquisition and that are subject to insignificant risk of changes in value.

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 and cash equivalents, trade receivables, subscriptions receivable, due from related parties, short-term investments and bonds (under other current assets), and long-term receivables (under other noncurrent assets) as of December 31, 2023 and 2022 (see Notes 4, 5, 7, 11, 14, 16 and 23).

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 statement of comprehensive income when the liabilities are derecognized, as well as through the amortization process.

The Group's loans and borrowings include trade and other payables (excluding payable to government agencies), due to related parties, long-term debt and lease liabilities as of December 31, 2023 and 2022 (see Notes 12, 13, 14, 20 and 23).

As of December 31, 2023 and 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 statement 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 (2) 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.

Inventories

Inventories are valued at the lower of cost (weighted average method) and net realizable value ("NRV"). The NRV of finished goods and work-in-process is based on estimated selling price, less estimated costs of completion (for work-in-process) and the estimated costs necessary to make sale. The NRV for raw materials is the current replacement cost. In determining NRV, the Group considers any adjustment for obsolescence.

Plant construction materials

Plant construction materials are carried at cost and are presented as noncurrent assets as these are intended to be used in the construction of a project.

Advances to Suppliers

Advances to suppliers pertain to advance payments made for purchases of construction materials, other services, and rental of equipment. Advances to suppliers is measured on initial recognition at cost, and is reclassified to the proper asset or expense account and deducted from the suppliers' billings as specified on the provision of the contract.

Property, Plant and Equipment

Property, plant and equipment, except for land and construction in progress, 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. The estimated useful lives of property, plant and equipment are as follows:

Category	Number of Years
Solar power plant	30
Right-of-use assets	25 - 30
Machinery and equipment	8
Land improvement	5
Office and warehouse equipment	5
Transportation equipment	5
Furniture and fixtures	5
Leasehold improvements	5 or term of the lease, whichever is shorter

Land

Land is measured at fair value less impairment losses, if any. Valuations are performed with sufficient frequency to ensure that the carrying amount of a revalued asset does not differ materially from its fair value.

A revaluation deficit is recognized in the consolidated statement of profit or loss, except to the extent that it offsets an existing surplus on the same asset recognized in the revaluation surplus. Upon disposal, any revaluation increment relating to the particular asset being sold is transferred to retained earnings. The appraisal increment, net of the related tax effect, is credited to the "Revaluation surplus" account included as OCI in the consolidated statement of comprehensive income and as other component of equity in the equity section of the consolidated statement of financial position, except to the extent that it reverses a revaluation decrease of the same asset previously recognized in the consolidated statement of income, in which case the increase is recognized in the consolidated statement of income.



Construction in progress ("CIP")

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

Right-of-use ("ROU") assets

ROU assets are included 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 carried at cost including transaction costs, net of accumulated depreciation.

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 (or from) 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.

Intangible Asset

Intangible asset pertains to the Power Supply Agreement of Terra Solar that was existing at the time of the acquisition (see Notes 22 and 29).

Intangible assets acquired separately are initially measured at cost. Following initial recognition, intangible assets are carried at cost less accumulated amortization and any accumulated impairment loss. The useful lives of intangible assets are assessed at the individual asset level as having either finite or indefinite useful lives.



Intangible assets with finite lives are amortized over the useful economic lives of 20 years using the straight-line method and assessed for impairment whenever there is an indication that the intangible assets may be impaired. At a minimum, the amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at each reporting date. Changes in the expected useful life or the expected consumption pattern of future economic benefit embodied in the asset are accounted for by changing the amortization period or method, as appropriate, and treated as change in accounting estimates. The amortization expense of intangible assets with finite lives is recognized in the consolidated statement of income.

Intangible assets with indefinite useful lives are not amortized, but are assessed for impairment annually either individually or at the cash-generating unit level. The assessment of intangible assets with indefinite useful life is done annually at every reporting date to determine whether such indefinite useful life continues to exist. Otherwise, the change in the useful life assessment from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset, and are recognized in the consolidated statement of income.

Intangible assets generated within the business are not capitalized and expenditures are charged to profit or loss in the year these are incurred.

Project development costs

Project development costs pertain to power plant project in the development phase which meet the "identifiability" requirement under PAS 38, Intangible Assets, as they are separable and susceptible to individual sale and are carried at acquisition cost. These assets are transferred to "Property, plant and equipment" when construction of the power plant commences. During the period of development, the asset is tested for impairment annually.

Value-Added Tax ("VAT")

Revenues, expenses, and assets are recognized net of the amount of VAT, if applicable. When VAT from sales of goods and/or services (output VAT) exceeds VAT passed on from purchases of goods or services (input VAT), the excess is recognized as payable in the consolidated statement of financial position. When VAT passed on from purchases of goods or services (input VAT) exceeds VAT from sales of goods and/or services (output VAT), the excess is recognized as an asset in the consolidated statement of financial position to the extent of the recoverable amount.

Retirement Benefit Obligation

The Group has an unfunded, non-contributory defined benefit plan covering substantially all of its qualified employees.

The defined benefit obligation is the aggregate of the present value of the defined benefit obligation at the end of the reporting period. The cost of providing benefits under the defined benefit plan is actuarially determined by an independent qualified actuary using the projected unit credit method.

Defined benefit costs comprise the following:

- Current service cost
- Remeasurements of net defined benefit liability or asset

Current service costs are recognized as expense in profit or loss.



Remeasurements, comprising actuarial gains and losses, are recognized immediately in the consolidated statements of financial position with a corresponding debit or credit to retained earnings through other comprehensive income in the period in which they occur. Remeasurements are not reclassified to profit or loss in subsequent periods, but are closed directly to retained earnings at the end of every reporting period.

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 shall 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 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 period 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 periods. Such reversal is recognized in the consolidated statement 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 reduction to the APIC. If APIC is not sufficient, the excess is charged against the "Retained earnings" account.

Subscriptions Receivable

Subscriptions receivable represents unpaid portion of subscriptions and is presented as current assets when it is expected to be collected within 12 months after the financial reporting date. Otherwise, this is presented as reduction from equity.



Deposits for Future Stock Subscriptions

Deposits for future stock subscriptions represent funds received as payment for additional issuance of shares.

The Parent Company classifies a contract to deliver its additional equity instruments as a "Deposit for future stock subscriptions" if and only if, all of the following elements are present as of the reporting period:

- a. the unissued authorized capital stock of the Parent Company is insufficient to cover the amount of shares indicated in the contract;
- b. there is BOD's approval on the proposed increase in authorized capital stock;
- c. there is stockholders' approval of the said proposed increase; and
- d. the application for the approval of the proposed increase was presented for filing or has been filed with the SEC.

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.

Group 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 are recognized as expense on a straight-line basis over the lease term.

Revenue from Contracts with Customers

Sale of electricity

Revenue from sale of electricity is based on the Renewable Energy Payment Agreement ("REPA"), Power Supply Agreements ("PSAs") and Power Purchase Agreements ("PPAs"). Sale of electricity is recognized over time as the power generated by the Group is transmitted through the transmission line designated by the buyer for a consideration and is presented as "Revenue from contracts with customers" in the consolidated statement of comprehensive income. Revenue from sale of electricity is based on sales price and recognized monthly based on the actual energy delivered.

The disclosures of significant accounting judgments, estimates and assumptions relating to revenue from contracts with customers are provided in Note 3.

Significant financing component

Revenue from installation services included in contracts with customers have significant financing component considering the period between the customer's payment of the price of the revenue from installation services and time of the transfer of control over of the installed asset, which is more than one year. The transaction price for such contracts is determined by discounting the amount of promised consideration using the appropriate discount rate. The Group concluded that there is a significant financing component for those contracts where the customer elects to pay in arrears considering the length of time between the customer's payment and the transfer of installed asset to the customer, as well as the prevailing interest rates in the market.

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.

Costs and Expenses

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

Costs of sale of goods

Costs of sale of goods include direct materials, personnel expenses, utilities, and other manufacturing costs. This is recognized when the inventories are sold and title is transferred to the buyer.



Costs of sale of electricity

These include expenses incurred by those directly responsible for the generation of revenues from solar energy (i.e., plant operations, plant maintenance and power plant preventive maintenance schedule), at operating project location. Costs of sales of electricity are expensed when incurred.

Costs of installation services

Costs of installation services mainly consist of costs of personnel directly engaged in providing installation services. These also include construction costs such as direct materials and those indirect costs related to contract performance. These are generally recognized when the installation services are used or the expenses arise.

General and administrative expenses

General and administrative expenses are incurred in the direction and general administration of day-to-day operations of the Group. General and administrative expenses are generally recognized when the services are used or the expenses arise.

Foreign Currency Transactions

Transactions in foreign currencies are initially recorded by the Group's entities in the respective functional currency spot rate prevailing at the date of transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rate of exchange ruling at the end of the reporting period. All differences are taken to profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognized in OCI or profit or loss are also recognized in OCI or profit or loss, respectively).

In determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary liability relating to advance consideration, the date of the transaction is the date on which the Group initially recognizes the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of advance consideration.

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.



Operating Segments Reporting

Operating segments are components of SPNEC Group that are engaged in business activities from which they may earn revenues and incur expenses, whose operating results are regularly reviewed by SPNEC Group's Chief Operating Decision Maker ("CODM") to make decisions about how resources are to be allocated to the segment and assess their performances, and for which discrete financial information is available.

The Group's operating businesses are organized and managed separately on a per company basis, with each company representing a strategic business segment. Previously, the Group has no operating segments as it has not yet commenced its commercial operations as of December 31, 2022. Financial information on operating segments are presented in Note 26 to the consolidated financial statements.

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, 2024

- Amendments to PAS 1, *Classification of Liabilities as Current or Non-current*

The amendments clarify:

- That only covenants with which an entity must comply on or before reporting date will affect a liability's classification as current or non-current.
- That classification is unaffected by the likelihood that an entity will exercise its deferral right.
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

The amendments are effective for annual reporting periods beginning on or after January 1, 2024 and must be applied retrospectively.

- Amendments to PFRS 16, *Lease Liability in a Sale and Leaseback*

The amendments specify how a seller-lessee measures the lease liability arising in a sale and leaseback transaction in a way that it does not recognize any amount of the gain or loss that relates to the right of use retained.

The amendments are effective for annual reporting periods beginning on or after January 1, 2024 and must be applied retrospectively. Earlier adoption is permitted and that fact must be disclosed.



- Amendments to PAS 7 and PFRS 7, *Disclosures: Supplier Finance Arrangements*

The amendments specify disclosure requirements to enhance the current requirements, which are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk.

The amendments are effective for annual reporting periods beginning on or after January 1, 2024. Earlier adoption is permitted and that fact must be disclosed.

Effective beginning on or after January 1, 2025

- PFRS 17, *Insurance Contracts*

PFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, PFRS 17 will replace PFRS 4, *Insurance Contracts*. This new standard on insurance contracts applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply.

The overall objective of PFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in PFRS 4, which are largely based on grandfathering previous local accounting policies, PFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of PFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

On December 15, 2021, the FSRSC amended the mandatory effective date of PFRS 17 from January 1, 2023 to January 1, 2025. This is consistent with Circular Letter No. 2020-62 issued by the Insurance Commission which deferred the implementation of PFRS 17 by two (2) years after its effective date as decided by the IASB.

PFRS 17 is effective for reporting periods beginning on or after January 1, 2025, with comparative figures required. Early application is permitted.

- Amendments to PAS 21, *Lack of Exchangeability*

The amendments specify how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking.

The amendments are effective for annual reporting periods beginning on or after January 1, 2025. Earlier adoption is permitted and that fact must be disclosed. When applying the amendments, an entity cannot restate comparative information.



Deferred effectivity

- Amendments to PFRS 10, *Consolidated Financial Statements*, and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

On January 13, 2016, the Financial and Sustainability Reporting Standards Council deferred the original effective date of January 1, 2016 of the said amendments until the IASB completes its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

3. Significant Accounting Estimates and Assumptions

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:

Judgments

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 subsidiaries by virtue of either 100% or a majority of the voting interest in the investee company.

Determination of Acquisition Date in Business Combinations

The acquisition date is the date the acquirer obtains control of the acquiree, generally the specified closing or completion date of the business combination.

The date on which control passes is a matter of fact. In determining the acquisition date, the Group considers all the terms and conditions of the arrangements and their economic effects. One or more of pertinent facts and circumstances surrounding a business combination are considered in assessing when the acquirer has obtained control of the acquiree.



- When the consideration is transferred;
- When acquiree shares or underlying net assets are acquired;
- When the acquirer 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;
- Agreement date designed to achieve an overall commercial effect of business combination and economically justified by the parties;

The date on which the Group obtains control over the Solar Philippines Assets is the date on which the Group legally transfers the consideration, acquires the assets, and assumes the liabilities of Solar Philippines Assets.

Assessment of Acquisition as Business Combination

Where asset is acquired through the acquisition of corporate interests, management considers the substance of the assets and activities of the acquired entity in determining whether the acquisition represents an acquisition of a business. The Group accounts for an acquisition as a business combination where an integrated set of activities is acquired in addition to the asset.

Where such acquisitions are not judged to be an acquisition of a business, they are not treated as business combinations. Rather, the cost to acquire the corporate entity is allocated between the identifiable assets and liabilities of the entity based on their relative fair values at the acquisition date. Otherwise, corporate acquisitions are accounted for as business combinations. The cost of the acquisition is allocated to the assets and liabilities acquired based upon their relative fair values, and no goodwill or deferred tax is recognized.

The Parent Company's acquisition of Terra Solar have been accounted for as business combination (see Note 22).

Business Combination of Entities under Common Control

A combination involving entities or businesses under common control is 'a business combination in which all of the combining entities or businesses are ultimately controlled by the same party or parties both before and after the business combination, and that control is not transitory'. This will include transactions such as the transfer of subsidiaries or businesses between entities within a group, provided the transaction meets the definition of a business combination in PFRS 3.

The transactions entered by the Parent Company with SP Project Holdings and Countryside were determined to be common control business combinations (see Note 21).

Change in Operating Segments

The Group changed the structure of its internal organization that caused the composition of its reportable segments to change. Previously, the Group has no operating segments as it has not yet commenced its commercial operations. As of December 31, 2023, the Group's operating businesses are organized and managed separately on a per company basis, with each company representing a strategic business segment. Financial information on operating segments are presented in Note 26 of the consolidated financial statements. The reported operating segment information is in accordance with PFRS 8.

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, 2023 and 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 ₱3,396.8 million and ₱2,026.9 million as of December 31, 2023 and 2022, respectively (see Note 10).

Evaluating Revenue from Contracts with Customers

The Group applied the following judgments in the determination of the amount and timing of revenue recognition:

- *Identifying Performance Obligations*

The Group identifies performance obligations by considering whether the promised goods or services in the contract are distinct goods or services. A good or service is distinct when the customer can benefit from the good or service on its own or together with other resources that are readily available to the customer and the Group's promise to transfer the good or service to the customer is separately identifiable from the other promises in the contract.

The Group assesses performance obligations as a series of distinct goods and services that are substantially the same and have the same pattern of transfer if:

1. each distinct good or services in the series are transferred over time; and
2. the same method of progress will be used (i.e., units of delivery) to measure the entity's progress towards complete satisfaction of the performance obligation

For sale of electricity, the obligation under each contract is a single performance obligation. For installation services where the Group has to deliver the components of solar photovoltaic ("PV") systems and perform installation services, the obligations are combined and considered as a single performance obligation since these are not distinct within the context of PFRS 15 as the Group provides a significant service of integrating the goods or services with other goods or services promised in the contract into a bundle of goods or services that represent the combined output for which the customer has contracted. The risk of transferring individual goods or services is inseparable because substantial part of the Group's promise to the customer is to ensure the individual goods or services are incorporated into the combined output.

For revenue from manufacturing of goods performance obligation is comprised of non-distinct goods or services, which include issuance of materials to production, assembly, testing and packaging considered as single performance obligation.

Further, allocation of transaction prices is not necessary as the obligation under each contract with customers are accounted for as a single performance obligation and the Group does not have any other ancillary services to be performed in connect to all the contracts with customers (see Note 29).

- *Revenue Recognition*

The Group recognizes revenue when it satisfies an identified performance obligation by transferring a promised good or service to a customer. A good or service is considered to be transferred when the customer obtains control. The Group determines, at contract inception, whether it will transfer control of a promised good or service over time. If the Group does not satisfy a performance obligation over time, the performance obligation is satisfied at a point in time.

For sale of electricity, the Group concluded that sale of electricity is to be recognized over time, since the customer simultaneously receives and consumes the benefits as the Group supplies electricity.



Revenue from manufacturing of goods is recognized over time or at a point in time. For turnkey contracts where in the products created have no alternative use to the Group and the Group has right to payment for performance completed to date including the related profit margin, in case of termination for reasons other than the Group's failure to perform as promised, revenue is recognized over time. For goods manufactured not covered by customer purchase orders or firm delivery schedule, revenues are recognized at a point in time.

For revenue from sale of installation services, the Group concluded that revenue from sale of installation services is recognized over time as the satisfaction of the performance obligations creates assets that the customers control as the assets are created.

• *Identifying Methods for Measuring Progress of Revenue recognized over Time*

The Group determines the appropriate method of measuring progress which is either through the use of input or output methods. Input method recognizes revenue on the basis of the efforts or inputs to the satisfaction of a performance obligation while output method recognizes revenue on the basis of direct measurements of the value to the customer of the goods or services transferred to date.

For sale of electricity, the Group determined that the output method is the best method in measuring progress as actual electricity is supplied to customer. The Group recognizes revenue based on the actual renewable energy generation (see Note 29).

For revenue from manufacturing of goods, the Group measures progress towards complete satisfaction of the performance obligation using an input method (i.e., costs incurred). Management believes that this method provides a faithful depiction of the transfer of goods or services to the customer because the Group provides integration service to produce a combined output and each item in the combined output may not transfer an equal amount of value to the customer.

For installation services, the Group determined that the input method (on the basis of cost incurred) is the best method in measuring progress towards complete satisfaction of the performance obligation.

Set out below is the disaggregation of the Group's revenue from contracts with customers in 2023:

Sale of electricity	₱619,252,204
Sale of installation services	16,199,013
<u>Total revenue from contracts with customers</u>	<u>₱635,451,217</u>

Estimates

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 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 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 ECL

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.

As of December 31, 2023, the total allowance for ECL recognized on trade receivables amounted to ₱69.3 million (see Note 5). The aggregate carrying amounts of cash and cash equivalents (excluding cash on hand), trade receivables, subscriptions receivables, short-term investments and bonds (under other current assets), due from related parties and long-term receivables (under other noncurrent assets) amounted to ₱11,385.5 million and ₱1,525.2 million as of December 31, 2023 and 2022, respectively (see Notes 4, 5, 7, 11 and 14).

Provisional Fair Value Assessment as a result of the step-acquisition of Terra Solar

In 2023, the Group's acquisition of Terra Solar was accounted for using the acquisition method which require extensive use of accounting estimates and judgments to allocate the purchase price to the fair market values of the acquiree's identifiable assets and liabilities at acquisition date. It also requires the acquirer to recognize gain on bargain purchase or goodwill. The Group's acquisition of Terra Solar has resulted in goodwill. The Group valued certain assets acquired and liabilities assumed, including any identifiable intangible assets from the acquisition. The valuation had not been completed by the date the consolidated financial statements were approved for issue by the BOD. Pending the valuation, the Group provisionally determined the fair values of the assets acquired and liabilities assumed from the acquisition. See Note 22 for the detailed information on the transaction.



As of December 31, 2023, the Group has yet to finalize the determination of the fair values of the assets acquired and liabilities assumed from the acquisition of Terra Solar (see Note 22). The Group determines the acquisition-date fair values of identifiable assets acquired and liabilities assumed from the acquiree without quoted market prices based on the following:

- For assets and liabilities that are short-term in nature, carrying values approximate fair values; and
- For intangible assets, fair values are determined based on multi-period excess earnings method which estimates the sum of the discounted future excess earnings attributable to the intangible assets.

In 2023, the Group remeasured its previously held equity interest in Terra Solar, previously an associate, to fair value and recognized the resulting gain in profit or loss, as a result of its step-acquisition upon obtaining control on December 11, 2023 (see Note 22).

Estimating NRV for Inventories

The Group provides allowance for inventories, whenever NRV becomes lower than cost due to damage, physical deterioration, obsolescence, changes in price levels or other causes. The allowance account is reviewed periodically to reflect the accurate valuation in the financial records. As of December 31, 2023, total inventories and total allowance for impairment loss amounted to ₱24.8 million and ₱27.5 million, respectively (see Notes 6).

Revaluation of Land

The Group carries its land at revalued amount with changes in fair value recognized in OCI. The fair value of the Group's land measured using the fair value model is based on the valuation carried out by an independent appraiser as of December 31, 2023. The valuation was arrived by reference to market evidence of transaction prices of similar properties.

External appraisers used market approach to value the land properties by using sales comparison method in particular. The valuation analysis involved key assumptions such as listing prices of reasonably comparable properties and adjustments related to the characteristics of the land properties such as size, location, utility, and other relevant conditions.

In 2023, the total increase in land as a result of revaluation amounted to ₱7,919.9 million. As of December 31, 2023, the total revaluation surplus amounted to ₱8,268.1 million, net of the deferred income tax liability. As of December 31, 2023, carrying value of revalued land amounted to ₱12,467.3 million (see Note 9).

Estimating useful lives of Property, Plant and Equipment (except Land and CIP)

The Group estimates the useful lives of property, plant and equipment (except land and CIP) based on the period over which these assets are expected to be available for use. The estimated useful lives are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of these assets. In addition, estimation of the useful lives is based on collective assessment of industry practice, internal technical evaluation and experience with similar assets. It is possible that future results of operations could be materially affected by changes in these estimates brought about by changes in the factors mentioned. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances.

The carrying values of property, plant and equipment (except land and CIP) amounted to ₱7,497.9 million and ₱281.7 million as of December 31, 2023 and 2022, respectively (see Note 9).



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.

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:

	2023	2022
Other current assets* (Note 7)	P168,555,877	P18,638,844
Property, plant and equipment – at cost (Note 9)	10,136,123,220	1,671,233,624
Deposits for land acquisition (Note 10)	3,396,776,396	2,026,892,396
Intangible assets (Note 22)	13,261,891,642	–
Investment properties (Note 8)	–	312,626,010
Other noncurrent assets** (Note 11)	357,985,321	654,395,146
	P27,321,332,456	P4,683,786,020

*Excluding short-term investments

**Excluding long-term receivables

There were no indicators of impairment of nonfinancial assets for the for the year ended December 31, 2023 for the six-month period ended December 31, 2022 and for the year ended June 30, 2022.

Estimating the Realizability of Deferred Income Tax Assets

Deferred income tax asset is recognized for all deductible temporary differences to the extent that it is probable that sufficient future taxable income will be available in the future against which the deductible temporary differences can be utilized. Significant management estimate is required to determine the amount of deferred income tax asset that can be recognized, based upon the likely timing and level of future taxable income together with future tax planning strategies. The carrying value of recognized deferred income tax assets amounted to P41.4 million and P30.2 million as of December 31, 2023 and 2022, respectively (see Note 19). The Group did not recognize deferred income tax assets on the carryforward benefits of unused net operating loss carryover ("NOLCO") amounting to P479.2 million and P254.4 million as of December 31, 2023 and 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 19).



4. Cash and Cash Equivalents

	2023	2022
Cash on hand and in banks	₱9,934,772,578	₱37,232,084
Short-term deposits	105,652,049	—
	₱10,040,424,627	₱37,232,084

Short-term deposits are made for varying periods of up to three (3) months and earn interest at the prevailing short-term deposit interest rates.

Cash in banks earn interest at the respective bank deposit rates. Total interest earned from the Group's cash and cash equivalents, net of final tax, amounted to ₱9.5 million, ₱2.4 million and ₱0.5 million for the year ended December 31, 2023, for the six-month period ended December 31, 2022 and for the year ended June 30, 2022, respectively.

Cash in banks include the balance of escrow account where the net proceeds of the Initial Public Offering ("IPO") and Stock Rights Offering ("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 (5) 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.

5. Trade Receivables

The Group's trade receivables as of December 31, 2023 are as follows:

Trade receivables	
Third parties (Note 29)	₱351,397,454
Related party	4,189,066
	355,586,520
Less allowance for doubtful accounts	(69,298,458)
	₱286,288,062

Movement in allowance for doubtful accounts are as follows:

Effect of business combination under common control (Note 21)	₱69,645,553
Provision for impairment loss (Note 18)	75,280
Reversal	(422,375)
Balance at end of period	₱69,298,458

Trade receivable arises from the revenue from the sale of electricity, sale of goods and services. These are either interest or non-interest bearing depending on the clause indicated in the contract and generally collectible within 40 to 60 days.

The Group has no trade receivables as of December 31, 2022.



6. Inventories

The Group's inventories at NRV as of December 31, 2023 is as follows:

Cost	
Mounting structures	P19,423,306
Panels and inverters	12,924,499
Cables	10,297,327
Others	9,696,238
	52,341,370
Less allowance for impairment loss	(27,540,457)
	<u>P24,800,913</u>

Movement in allowance for impairment loss follows:

Effect of business combination under common control (Note 21)	P29,382,300
Reversal	(1,841,843)
Balance at end of period	<u>P27,540,457</u>

Other inventories include cost of consumables, supplies accessories and electricals, which includes cost of batteries, switch boards and transformers, that will be used in the construction projects of SP Rooftop.

Inventories charged to costs of sales and services for the year ended December 31, 2023 amounted to P8.7 million (see Note 17).

The Group has no inventories as of December 31, 2022.

7. Other Current Assets

	2023	2022
Short-term investments	P575,810,259	P-
Input VAT	41,086,277	-
Bonds (Note 23)	35,267,363	15,552,038
Deferred transaction costs (Note 16)	32,106,975	-
Advances to suppliers	15,330,330	-
Creditable withholding taxes	6,748,265	-
Others (Notes 18 and 29)	43,626,491	3,086,805
	749,975,960	18,638,843
Less allowance for impairment	(5,609,824)	-
	<u>P744,366,136</u>	<u>P18,638,843</u>



Movements in allowance for impairment loss on input VAT are as follows:

Effect of business combination under common control (Note 21)	P5,133,866
Provision for impairment loss (Note 18)	680,892
Reversal	(204,934)
Balance at end of period	<u>P5,609,824</u>

Bonds consist of:

Beneficiary	Contract	Term	Expiry Date	Amount
Department of Agrarian Reform ("DAR")	DAR conversion order	Refundable upon conversion of land and compliance with the conditions set forth in the DAR conversion order		P20,267,363
Angeles Electric Corporation ("AEC")	Power Supply Agreement for 15 MW _p solar power project	Callable upon demand	August 10, 2024	15,000,000
Total				<u>P35,267,363</u>

Short-term investments pertain to the restricted interest-bearing accounts opened and established by SP Calatagan and SP Tarlac in accordance with certain loan and service agreements that will serve as a cash reserve or deposit to service the principal and/or interest payments due on the long-term debt, and as performance security to their respective PSAs (see Note 29). For the year ended December 31, 2023, interest earned from short-term investments amounted to P14.9 million.

Advances to suppliers pertain to advance payments made by the Group to third-party suppliers for the purchase of materials.

Others include other prepayments and advances to employees of SP Project Holdings that are subject to liquidation within 30 days.

8. Investment Properties

As of December 31, 2022, investment properties consist of several parcels of land located in Nueva Ecija with total area of 316.46 hectares for the solar power plant of Terra Solar. These properties were acquired 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 P312.6 million as at December 31, 2022.

In 2023, as a result of the consolidation of Terra Solar (see Note 2), the investment properties were reclassified as land under property, plant and equipment (see Note 9).



9. Property, Plant and Equipment

At cost

2023

Cost	Solar Power Plants	Land and Leasehold Improvements	Transportation Equipment	Office and Warehouse Equipment	Furniture and Fixtures	ROU Assets	Building In Progress	Construction In Progress	Total
Balances at beginning of period	P=	P=	P=	P=	P=	P=	P=	P=	P=
Effect of business combination under common control (Note 21)	8,558,032,873	722,248	493,482	1,244,417	385,031	249,432,583	-	571,815,714	9,382,136,348
Additions	937,305	1,645,516	-	2,801,450	-	-	1,543,512	691,411,384	698,339,167
Disposal	(18,691,782)	-	-	-	-	-	-	-	(18,691,782)
Adjustments (Note 20)	-	-	-	-	-	(16,616,847)	-	-	(16,616,847)
Balances at end of period	8,540,278,396	2,367,764	701,082	4,045,867	385,031	534,653,539	1,543,512	2,652,776,839	11,736,752,030
Accumulated depreciation, amortization, and impairment losses	-	-	13,840	-	-	20,347,680	-	-	20,361,520
Balances at beginning of period	-	-	-	-	-	-	-	-	-
Effect of business combination under common control (Note 21)	1,399,392,700	722,248	318,618	1,169,828	319,674	42,911,325	-	14,556,547	1,359,390,940
Depreciation and amortization (Notes 17 and 18)	205,857,760	54,851	88,480	183,597	44,753	9,982,700	20,580	-	216,232,721
Amortization capitalized in CIP	-	-	-	-	-	7,239,385	-	-	7,239,385
Disposal	(2,597,756)	-	-	-	-	-	-	-	(2,597,756)
Balances at end of period	1,502,652,704	777,099	420,938	1,353,425	364,427	80,481,090	20,580	14,556,547	1,600,638,810
Net book value	P7,037,625,692	P1,590,665	P280,144	P2,692,442	P20,604	P454,170,449	P1,522,932	P2,638,230,292	P10,136,123,220



2022

	Transportation Equipment	Construction in Progress	ROU Assets	Total
Cost:				
Balances at beginning of period	P-	P921,385,618	P301,837,803	P1,223,223,421
Additions (Notes 14 and 20)	207,600	468,164,123	-	468,371,723
Balances at end of period	207,600	1,389,549,741	301,837,803	1,691,595,144
Accumulated depreciation, amortization and impairment losses:				
Balances at beginning of period	-	-	14,927,309	14,927,309
Depreciation and amortization (Note 18)	13,840	-	2,584,193	2,598,033
Amortization capitalized to CIP	-	-	2,836,178	2,836,178
Balances at end of period	13,840	-	20,347,680	20,361,520
Net book value	P193,760	P1,389,549,741	P281,490,123	P1,671,233,624

Solar Power Plants

As of December 31, 2023, solar power plants of SP Calatagan and SP Tarlac ("Solar Power Plants") are pledged as collateral for their respective long-term debt contracted separately for the respective projects (see Note 13).

In 2023, the Group recognized gain on sale of property, plant and equipment amounting to P17.8 million presented as part of "Other income – net" in the consolidated statement of comprehensive income.

CIP

This pertains to capitalized costs related mainly to the SPNEC's Phase 1 and SP Tarlac's expansion projects (see Note 28).

ROU assets

The Group entered into various land lease agreements in Concepcion, Tarlac, and Sta. Rosa, Nueva Ecija with various third-party lessors for the development of various projects under non-cancelable lease agreements.

As of December 31, 2023 and 2022, the Group's total land area under lease is at 454.92 hectares and 347.42 hectares, respectively.

The costs of ROU assets are amortized using the straight-line method over the lease term. As of December 31, 2023 and 2022, the remaining terms of the leases range between 20 to 30 years (including extension of five (5) years) (see Note 20).

At revalued amount

Land

Effect of business combination under common control (Note 21)	₱3,775,546,200
Additions	36,070,190
Reclassifications from:	
Investment properties (Note 8)	312,626,010
Deposits for land acquisition (Note 10)	287,506,687
Revaluation increment during the year	8,055,590,913
	<u>₱12,467,340,000</u>

As part of the business combination under common control, a total of 135.68 hectares of land of SP Calatagan and SP Tarlac with combined value of ₱3,775.5 million were transferred to SPNEC (see Note 21).

SPNEC opted to adopt the appraisal accounting consistent with the provisions of PFRS 13, *Fair Value Measurement*. Consequently, it engaged an independent firm of appraisers to conduct a revaluation of the consolidated land area of the Group. The appraisers used Level 3 key observable inputs to measure the fair value of the land and determined that it is in the range of ₱2,300 - ₱4,900 per square meter. The resulting values are as follows:

Entity	Land Area (in hectares)	Acquisition cost	Appraised value as of December 31, 2023 (In Millions)	Revaluation Increment in 2023
Terra Nueva	534.76	₱636.2	₱8,556.1	₱7,919.9
SP Calatagan	105.26	2,390.7	2,421.1	30.4
SP Tarlac	30.41	1,384.8	1,490.1	105.3
	<u>670.43</u>	<u>₱4,411.7</u>	<u>₱12,467.3</u>	<u>₱8,055.6</u>

The foregoing properties of SP Calatagan and SP Tarlac were used as collateral to secure their respective long-term debts (see Note 13).

The total value of the land - at cost, is ₱4,411.7 million as of December 31, 2023.

10. Deposits for Land Acquisition

Following is a summary of the deposits for land acquisition of the Group:

Entity	2023		2022	
	Land Area (in hectares)	Deposit Paid	Land Area (in hectares)	Deposit Paid
Provincia Investments Corporation ("PIC")	68.62	₱267,000,000	68.62	₱267,000,000
Lupang Hinirang Holdings Corporation "LHHIC")	56.81	270,000,000	56.81	270,000,000
Leandro L. Leviste	87.50	421,618,085	-	-
Various landowners	2,092.72	2,438,158,311	1,727.36	1,489,892,396
	<u>2,305.65</u>	<u>₱3,396,776,396</u>	<u>1,852.79</u>	<u>₱2,026,892,396</u>



The 87.50-hectares property with deposit for land acquisition to Leandro L. Leviste is pledged to a local bank for the loan obtained from a local bank by SP Tarlac (see Note 13).

Following is the movement in the Group's deposits for land acquisition with various landowners:

	2023	2022
Balances at beginning of period	₱1,489,892,396	₱84,499,933
Effect of business combination under common control (Note 21)	12,676,070	-
Additions	723,096,532	1,405,392,463
Reclassifications from (to):		
Deposit (Note 11)	500,000,000	-
Land (Note 9)	(287,506,687)	-
Balances at end of period	₱2,438,158,311	₱1,489,892,396

As of December 31, 2023 and 2022, the remaining balance amounting to ₱1,111.8 million and ₱674.1 million, respectively, will be payable when the conditions under the contracts to sell are satisfied.

11. Other Noncurrent Assets

	2023	2022
Long-term receivables (Note 29)	₱318,977,637	₱-
Input VAT	138,451,932	144,640,016
Deferred input VAT	78,188,325	480,000
Project development costs	75,062,130	-
Plant construction materials	50,624,254	-
Refundable deposits (Note 14)	-	500,000,000
Others (Note 20)	15,786,849	9,403,298
	677,091,127	654,523,314
Less allowance for impairment of input VAT	(128,168)	(128,168)
	₱676,962,959	₱654,395,146

Terra Nueva paid SP Project Holdings ₱500.0 million on December 26, 2022 for the latter to assist in the land conversion activities covering 975.75 hectares of land acquired by Terra Nueva (Note 14).

As of December 31, 2023, deposits pertaining to a total of 898.59 hectares of land with conversion order issued by the DAR have reclassified to the "Deposits for land acquisition" account.

Project development costs pertain to pre-development costs incurred by Terra Solar in relation to the construction of its solar power project (see Note 22).



12. Trade and Other Payables

	2023	2022
Accounts payable		
Related parties (Note 14)	₱185,013,429	₱15,039,314
Third parties	49,127,667	—
Interest payable (Note 13)	99,315,778	—
Accrued expenses (Note 29)	89,591,394	2,836,359
Income tax payable	21,707,307	—
Withholding tax payable	13,793,524	47,298,615
Accrued purchases	10,743,183	—
Other payables	13,333,758	43,784
	₱482,626,040	₱65,218,072

Accounts payable are non-interest bearing and settled within one (1) year in the normal course of business.

Accrued liabilities pertain to unbilled liabilities for costs of benefits to host communities provided under Department of Energy ("DOE") Energy Regulations No. 1-94, professional fees, differential cost of replacement energy charged by Meralco consistent with the provisions of the Power Supply Agreement of SP Tarlac.

As agreed between Meralco and SP Tarlac, the latter may offset the payment for such replacement energy against the billings for energy sold every month. As of December 31, 2023, the total cost of replacement energy to be offset against SP Tarlac's future billings to Meralco amounted to ₱107.5 million (see Note 29).

Other payables pertain to statutory liabilities that are to be remitted to the appropriate government agency.

13. Long-term Debt

Following are the details of the long-term debt assumed through business combination:

Entity	Original Loan Amount	Interest rate	Repayment schedule	Outstanding balance	Interest Expense
<i>(In Millions)</i>					
SP Tarlac	₱2,225.0	7.83%, subject to repricing in July 2024 and second repricing in July 2029	20 semi-annual installments starting January 3, 2021 until July 3, 2031	₱1,935.8	₱105.2
SP Calatagan	3,400.0	5-year benchmark plus a pre-agreed spread	24 semi-annual installments starting October 3, 2018 until April 3, 2029	1,198.8	51.3
Total				3,134.6	156.5
Less unamortized debt transaction cost				(38.0)	
				3,096.6	
Current portion				(366.9)	
Long-term debt, net of current portion				2,729.7	



Movements in the debt transaction costs are as follows:

	SP Tarlac	SP Calatagan	Total
Effect of business combination under common control	P35,943,554	P7,300,919	P43,244,473
Amortization during the period	(4,142,179)	(1,095,966)	(5,238,145)
Balance at the end of period	P31,801,375	P6,204,953	P38,006,328

SP Tarlac

Omnibus Loan and Security Agreement (P2,225.0 million Loan)

On June 18, 2019, SP Tarlac signed an OLSA with BDO Unibank, Inc. ("BDO") for a long-term loan facility of P2,225.0 million to solely finance the construction of the Concepcion Solar Project.

For the year ended December 31, 2023, total interest expense amounted to P105.2 million and is presented as part of "Finance costs" in the consolidated statement of comprehensive income. As of December 31, 2023, accrued interest relating to the long-term debt amounted to P77.6 million (see Note 12).

Under the OLSA, SP Tarlac is required to maintain a maximum debt-to-equity ratio of 50:50. In addition, a debt service coverage ratio ("DSCR") of at least 1.20x. As of December 31, 2023, SP Tarlac's DSCR is at 0.94x and SP Tarlac has obtained a waiver for the compliance of the minimum DCSR from BDO.

As of December 31, 2023, the OLSA is secured by the following:

1. SP Tarlac's solar power plant with net book value of P4,513.5 million (see Note 9)
2. Tarlac 1A Project with revalued amount of P1,490.0 million (see Note 9)
3. Leasehold rights over leased Tarlac 1A Project land of 61.48 hectares (see Note 20)
4. Parcels of land with land area of 87.50 hectares owned by SP Calatagan (see Note 14)
5. SP Tarlac's common stocks

SP Calatagan

Omnibus Loan and Security Agreement (P3,400.0 million Loan)

On February 14, 2017, SP Calatagan signed an OLSA with BDO, Philippine Business Bank ("PBB") and United Coconut Planters Bank ("UCPB") (collectively referred to as the "SP Calatagan Lenders") for a long-term loan facility of P3,400.0 million to finance the repayment of short-term loan facility, including accrued interests, and project advances from SP Project Holdings and Solar Philippines Commercial Rooftop Projects, Inc. ("SPCRPI"), which were used to partially finance the construction of the Calatagan Solar Power Project. On April 3, 2017, SP Calatagan received the full proceeds of the long-term loan.

For the year ended December 31, 2023, total interest expense amounted to P51.3 million and was presented as part of "Finance costs" in the consolidated statement of income. As of December 31, 2023, accrued interest relating to the long-term facility amounted to P21.7 million (see Note 12).

Under the OLSA, SP Calatagan is required to maintain a maximum debt-to-equity ratio of 70:30 and maintain a debt service coverage ratio ("DSCR") of at least 1.20x. As of December 31, 2023, SP Calatagan's debt-to-equity ratio is 70:30 and DSCR is at 1.30x.



As of December 31, 2023, the loan is secured by the following:

1. SP Calatagan's solar power plant presented as part of "Property, plant and equipment" with net book value of ₱2,508.9 million as of December 31, 2023 (see Note 9);
2. SP Calatagan's Project Lands with revalued amount of ₱2,421.1 million as of December 31, 2023 (see Note 9); and
3. SP Calatagan's capital stock comprising of common stock and preferred stock amounting to ₱1,099.5 million and ₱305.9 million, respectively.

14. 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. Parties are also considered to be related if they are subject to common control or common significant influence which include affiliates.

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.

Following are the Group's related party transactions for the year ended December 31, 2023, for the six-month period ended December 31, 2022 and for the year ended June 30, 2022, and the related outstanding balances as of December 31, 2023 and 2022:

	Transactions during the periods ended			Outstanding balance as of December 31		Terms	Conditions
	December 31, 2023	December 31, 2022	June 30, 2022	2023	2022		
	(One Year)*	(Six Months)	(One Year)				
Deposits for land acquisition (Note 7)							
Individual Stockholder	P421,618,085	P-	P-	P421,618,085	P-	Deposits; non-interest bearing	Unsecured; Not impaired
LJHC	-	-	-	270,000,000	270,000,000	-do-	-do-
PIC	-	-	-	267,000,000	267,000,000	-do-	-do-
				P958,618,085	P537,000,000		
Deposit (Note 21)							
SP Project Holdings	P-	P500,000,000	P-	P-	P500,000,000	Deposits; non-interest bearing	Unsecured
Due from related parties							
SP Project Holdings	P81,433,396	P8,700,000	P-	P87,967,930	P8,700,000	Due and demandable; non-interest bearing	Unsecured; Not impaired
SPCRPI	2,100,000	19,098,320	-	31,654,070	19,098,320	-do-	-do-
Individual Stockholder	7,293,310	-	-	7,293,310	-	-do-	-do-
SPCLC	5,000	-	-	5,000	-	-do-	-do-
SP Holdings	-	251,890,000	-	-	793,390,000	-do-	-do-
				P126,920,310	P821,388,320		



	Transactions during the periods ended			Outstanding balance as of December 31		Terms	Conditions
	December 31, 2023 (One Year)*	December 31, 2022 (Six Months)	June 30, 2022 (One Year)	2023	2022		
Due to related parties							
						Due and demandable; non-interest bearing	Unsecured
SP Project Holdings	P326,103,071	P-	6,966,100	P536,666,775	P12,770,229	-do-	-do-
Countryside	37,552,682	-	-	37,552,682	-	-do-	-do-
TRII	33,988,926	-	-	33,988,926	-	-do-	-do-
DGA	244,443	-	-	244,443	-	-do-	-do-
				P608,442,826	P12,770,229		
Accounts payable (Note 10)						Due and demandable; non-interest bearing	Unsecured
SPCRPI	P85,714,453	P-	P-	P85,714,453	P-	-do-	-do-
SP Project Holdings	568,040,000	80,800,000	24,000,000	65,881,689	12,700,000	-do-	-do-
SMSC	85,454,481	23,450,790	-	32,869,361	2,319,094	-do-	-do-
SPMMC	547,956	-	-	547,956	-	-do-	-do-
				P185,013,429	P15,039,094		

*Includes effect of business combination (see Notes 21 and 22)

a. SP Project Holdings

Deed of Assignment between SPNEC and SP Project Holdings

On January 11, 2021, a Deed of Assignment was entered into by the Parent Company, as the assignee, and SP Project Holdings, as the assignor, whereby, SP Project Holdings 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 20).

Management Services Agreement ("MSA") between SPNEC and SP Project Holdings

On April 30, 2021, the Parent Company entered into a MSA with SP Project Holdings 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, renewable upon mutual agreement of both parties, for a monthly fee of P2.0 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 SP Project Holdings at no cost to the Parent Company. Starting May 2021, the key administrative and finance functions are performed by SP Project Holdings through the MSA. Management fee recognized for the year ended December 31, 2023, for the six-month period ended December 31, 2022 and for the year ended June 30, 2022 amounted to P26.0 million, P12.8 million and P24.0 million, respectively, presented as "Management fees" under "General and administrative expenses" in the consolidated statements of comprehensive income (see Note 18).



Construction Support Services Agreement ("CSSA") with SP Project Holdings

On September 30, 2022, the Parent Company entered into a CSSA with SP Project Holdings wherein SP Project Holdings shall provide support services, including engineering, procurement and construction ("EPC"), logistics, warehousing and other contractor-related services during the construction of the Parent Company's Phase 1 Project.

Construction support services recognized for the year ended December 31, 2023, for the six-month period ended December 31, 2022 and for the year ended June 30, 2022 amounted to P36.0 million, P68.0 million and nil, respectively, which were capitalized as part of CIP (see Note 9).

Administrative Services Contract ("ASC") between SP Calatagan and SP Project Holdings

On May 27, 2020, SPCC entered into an administrative service contract with SPCRPI, an affiliate, to provide necessary and advisory services on management, investment and technical matters involving SPCC's operations, including but not limited to human resources, legal, finance and information technology. Under the contract, SPCC shall pay SPCRPI a monthly fee P1.0 million for a period of ten (10) years from January 1, 2020. On January 22, 2021, SPCRPI executed a Deed of Assignment transferring all of its rights and obligations under the administrative service contract to SP Project Holdings. In 2023, SPCC recognized professional fees amounting to P6.0 million, which is presented as "Management fees" under "General and administrative expenses" in the consolidated statement of income (see Note 18).

Site Acquisition Services Agreement ("SASA") between Terra Nueva and SP Project Holdings

On December 26, 2022, Terra Nueva entered into a SASA with SP Project Holdings to cover total land area of 992.73 hectares for a consideration of P150.0 million for site acquisition services, exclusive of VAT, from October 1, 2022 to December 31, 2022.

As of December 31, 2022, Terra Nueva has fully paid for the site acquisition services rendered by SP Project Holdings and has presented this as part of "Deposits for land acquisition" in the consolidated statement of financial position (see Note 10).

Deposit and Services Agreement between Terra Nueva and SP Project Holdings

On December 26, 2022, Terra Nueva entered into an agreement with SP Project Holdings, wherein the latter 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 DAR for the 992.73 hectares acquired by the former including the delivery 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 SP Project Holdings, Terra Nueva has provided the former a refundable deposit amounting to P500.0 million which was presented in "Deposits" as part of "Other noncurrent assets" as of December 31, 2022 (see Note 11).

In 2023, SP Project Holdings has secured multiple land conversion orders from DAR for parcels of land with a total land area of 992.73 hectares. Terra Nueva then reclassified the Deposits amounting to P500.0 million as part of land-related costs under "Deposits for land acquisition" account (see Note 10).

Intercompany Advance Agreement ("IAA") with SP Project Holdings and Terra Nueva

On May 5, 2023, the BOD of SPNEC approved the authority to enter in a loan arrangement with SP Project Holdings in which SP Project Holdings may lend to SPNEC an amount up to the net proceeds of the Share Purchase Agreement with MPIC (see Note 14) (net of taxes, costs, and fees), under the terms and conditions approved and recommended for board approval by the



Related Party Transactions Committee of SPNEC, and the proposed on-lending from SPNEC to Terra Nueva of the proceeds of this loan.

On June 2023, SPNEC entered into an IAA with SP Project Holdings whereby SP Project Holdings shall extend a loan to SPNEC wherein the latter shall exclusively use the proceeds of the loan for on-lending to Terra Nueva. Per IAA, SPNEC shall not directly or indirectly use the proceeds of the Loan for any other purpose without SP Project Holdings's prior written consent. The IAA shall have a term of one (1) year, subject to extension mutually agreed by the parties.

On the same date, SPNEC entered into an IAA with Terra Nueva whereby SPNEC shall extend a loan to Terra Nueva wherein the latter shall exclusively use the proceeds to acquire the Project Land, as defined in the IAA. Per IAA, Terra Nueva shall not directly or indirectly use the proceeds of the Loan for any other purpose without the Lender's prior written consent. The IAA shall have a term of one (1) year, subject to extension mutually agreed by the parties.

In 2023, SPNEC received advances from SP Project Holdings which were then subsequently advanced to Terra Nueva amounting to ₱300.0 million.

Deed of Assignment of deposit between SPNEC and SP Project Holdings

On December 11, 2023, SP Project Holdings entered into a Deed of Assignment with the Parent Company whereby the former assigned the deposits in Terra Solar amounting to ₱25.96 million to the latter. In 2023, the Group recognized other income amounting to ₱25.96 million presented as part of "Other income - net" in the consolidated statement of income.

b. LHHC

MOA with LHHC

On April 19, 2021, the Parent Company entered into a MOA with LHHC to secure land covering a total area of 56.81 hectares for a total amount of ₱270.0 million (see Note 10).

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 10).

d. SPCRPI

Project Development Services Agreement ("PDSA") and Amendment Agreement with SPCRPI

On September 30, 2022, the Parent Company entered into a PDSA with SP Project Holdings wherein SP Project Holdings 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, SP Project Holdings 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 10).



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 Parent Company's Phase I 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 in CIP (see Note 9).

c. Solar Maintenance Services Corporation ("SMSC")

Support Services Agreement between SPNEC and 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 Parent Company's Phase I Project. Manpower services recognized for the year ended December 31, 2023, for the six-month period ended December 31, 2022 and for the year ended June 30, 2022, amounted to ₱43.6 million, ₱23.5 million and nil, respectively, which were capitalized in CIP (see Note 9).

Property Management Agreement between SP Calatagan and SMSC

SP Calatagan has annual property management agreement with SMSC to maintain and manage the solar power plant. In January 2022, SPCC renewed its contract for a period of one year until December 31, 2022. The agreement was automatically renewed and extended for another period of one year, subject to standard escalation of service fee at the rate of 10%. In 2023, SP Calatagan recognized outside services amounting to ₱9.9 million presented as part of "Costs of sales and services" in consolidated statements of comprehensive income (see Note 17).

Operation and Maintenance Agreement between SP Tarlac and SMSC

SP Tarlac has Operation and Maintenance Agreement with SMSC for the latter to operate, maintain and manage SP Tarlac's solar power plant for 20 years for an annual fee of ₱21.5 million with an escalation rate of 2% on the second year of contract and every other year thereafter. For the year ended December 31, 2023, SP Tarlac recognized professional fees amounting to ₱14.5 million, which was presented as part of "Costs of sales and services" in the consolidated statement of comprehensive income (see Note 17).

Property Maintenance and Management Agreement between SP Rooftop and SMSC

SP Rooftop has various property maintenance and management agreements with SMSC where the latter shall maintain and manage the solar power plants with terms varying for two (2) years up to 20 years. SP Rooftop shall pay the total of salaries and wages cost plus 10% to SMSC for employees of SMSC who directly maintain and manage the solar power plant. For the year ended December 31, 2023, SP Rooftop recognized "Personnel costs" which was presented as part of "Costs of sales and services" in the consolidated statements of comprehensive income amounting to ₱0.4 million (see Note 17).

CSSA between SP Rooftop and SMSC

SP Rooftop has three (3) CSSAs with SMSC where the latter shall provide support services, including EPC, logistics, warehousing, and other contractor-related services during the construction of the different projects of SP Rooftop for one year. SP Rooftop shall pay SMSC the total of salaries and wages cost plus 10% of the employees of SMSC who directly assisted to the construction of the power plants.



Construction support services recognized as part of CIP and "Personnel costs" under "Costs of sales and services" in the consolidated statement of comprehensive income amounted to ₱5.1 million and ₱5.4 million, respectively, for the year ended December 31, 2023 (see Notes 9 and 17).

f. Individual Stockholder

MOA with SP Calatagan

On February 12, 2019, SP Calatagan entered into a MOA with the Individual Stockholder to purchase 87.50 hectares of land for ₱421.6 million.

On June 28, 2019, the 87.50 hectares of land specified in the MOA were pledged as part of the securities to obtain a loan facility of SP Tarlac (see Notes 7, 10 and 13).

15. Retirement Benefit Obligation

The Group has an unfunded non-contributory defined benefit plan covering substantially all of its qualified employees. The defined benefit obligation is determined using the projected unit credit method.

Changes in the present value of the defined benefit obligation as of December 31, 2023 are as follows:

Effect of business combination under common control (Note 21)	₱2,628,137
Current service cost	290,944
Interest cost	92,926
Remeasurements arising from changes in:	
Financial assumptions	1,122,862
Deviation of experience assumptions	(205,332)
Transferred liability	(724,983)
Balance at end of the year	₱3,204,554

In 2023, the principal actuarial assumptions used in determining the projected benefit obligation were discount rate and salary increase rate were 6.10% and 8.0%, respectively. As of December 31, 2023, the Group recognized retirement benefit obligation of ₱3.2 million presented under other noncurrent liabilities in the consolidated statement of financial position.

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as of December 31, 2023, assuming all other assumptions were held constant:

	Increase/Decrease in Percentage Point	Increase (Decrease) in Defined Benefit Obligation
Discount rate	+1%	(₱440,381)
	-1%	545,803
Future salary increases	+1%	525,319
	-1%	(435,666)
Employee turnover	-10%	133,877
	+10%	(133,877)



The maturity analysis of the undiscounted benefit payments as of December 31, 2023 are as follows:

More than 1 to 10 years	P3,642,143
More than 10 to 15 years	1,981,946
More than 15 to 20 years	10,988,836
More than 20 years	43,711,040

The weighted average duration of the defined benefit obligation as of December 31, 2023 is 17 to 22 years.

16. Equity

Capital Stock and Additional Paid-in Capital

The details of the Parent Company's capital stock as of December 31, 2023 and 2022 are as follows:

	2023		2022	
	Shares	Amount	Shares	Amount
Common shares - ₱0.1 par value per share				
Balances at beginning of period	10,000,000,000	P1,000,000,000	10,000,000,000	P1,000,000,000
Increase in authorized capital stock	40,000,000,000	4,000,000,000	-	-
Balances at end of period	50,000,000,000	P5,000,000,000	10,000,000,000	P1,000,000,000
Issued and outstanding:				
Balances at beginning of period	10,000,000,000	P1,000,000,000	8,124,350,005	P812,435,001
Issuance of shares	24,373,050,000	2,437,305,000	1,875,649,995	187,564,999
Balances at end of period	34,373,050,000	P3,437,305,000	10,000,000,000	P1,000,000,000

IPO

On December 17, 2021, the Parent Company completed its IPO and was listed in the PSE under the stock symbol "SPNEC".

SRO

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. The Parent Company offered the option to pay in installments, with a down payment of 25% and the balance of 75% within three (3) months of the offer period. This resulted in 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 (3) months, from December 5, 2022 to March 5, 2023.

As of December 31, 2023 and 2022, subscriptions receivable resulting from those that subscribed on installment payment amounted to ₱1.3 million and ₱651.1 million, respectively. As of April 12, 2024, the Parent 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.

First Increase in Authorized Capital Stock

On June 1, 2023, the SEC approved the Parent Company's application for increase in authorized capital stock from ₱1.0 billion divided into 10.0 billion common shares at ₱0.10 per share, to ₱5.0 billion divided into 50.0 billion common shares at ₱0.10 per share.



Investment by MPIC

On March 27, 2023, MPIC entered into a Share Purchase Agreement ("SPA") with SP Project Holdings to acquire its rights, title and interest in and to SPNEC for a total of 1,600.0 million common shares ("Sale Shares") for a total consideration of ₱2,000.0 million. MPIC paid the total consideration on May 10, 2023.

On May 5, 2023, SPNEC entered into an Option Agreement with SP Project Holdings and MPIC, which grants the MPIC Group the option to acquire up to 17,400.0 million shares of SPNEC, comprising up to 10,000.0 million primary shares for up to ₱12,500.0 million (Primary Option) and up to 7,400.0 million secondary shares for up to ₱9,250.0 million (Secondary Option). Together with the initial acquisition by MPIC from SP Project Holdings of the Sale Shares, a full exercise of these options may result in the MPIC Group investing a total of ₱23,750.0 million for 19,000.0 million shares and becoming the largest shareholder with approximately 42.82% ownership in SPNEC. The Option Agreement was terminated on October 12, 2023.

Subscription Agreement with SP Project Holdings

On May 10, 2023, SPNEC received ₱2,437.3 million from SP Project Holdings for the subscription of 24,373.05 million common shares at ₱0.10 par value.

In 2023, transaction costs incurred amounting to ₱34.9 million were presented as a direct charge against "Deficit".

Capital Infusion

In 2023, SPNEC received cash infusion from SP Project Holdings amounting to ₱775.0 million, as additional paid-in capital to SP Project Holdings' existing subscription in SPNEC. This was recognized as additional paid-in capital under equity.

Second Increase in Authorized Capital Stock

At its October 11, 2023 meeting, the BOD of the Parent Company approved the following:

- a. Amendment of its Articles of Incorporation to increase its authorized capital stock from 50 billion common shares with par value of ₱0.10 per share to 75 billion common shares with par value of ₱0.10 per share and 25 billion preferred shares with par value of ₱0.01 per share, divided into Class A preferred shares and Class B preferred shares.
 - i. The BOD shall determine: (a) the features of the Class A preferred shares (whether voting or non-voting) at each issuance of the Class A preferred shares; (b) the frequency of issuance of Class A preferred shares (which may be issued in one or more series), and (c) the preference as to redemption, dividends and other preferences for each issuance of Class A preferred shares. The Class A preferred shares shall not have pre-emptive rights over other issuances or re-issuance of preferred shares or common shares
 - ii. Class B preferred shares shall be (a) voting; (b) non-cumulative; (c) not entitled to any economic returns or dividends; (d) redeemable at the option of the Parent Company, at issue price, at such terms and conditions as may be determined by the BOD (and shall be immediately retireable upon redemption thereof); and (e) in the event of the liquidation, dissolution or winding up of the Parent Company (whether voluntary or involuntary), Class B preferred shares shall have preference over the common shares in respect of the assets of the Parent Company available for distribution after payment of the liabilities of the Parent Company;
- b. Authorization to execute an agreement for an investor to subscribe to shares in the Parent Company to support the above-mentioned increase in authorized capital stock.



- c. Conduct of a Follow-On Offering with an aim to support the expansion of the Parent Company's project portfolio and increase the public ownership of its shares.

These were subsequently approved by the stockholders of the Parent Company on December 4, 2023.

In 2023, the Parent Company paid filing fees amounting to ₱32.1 million, which was presented as "Deferred transaction costs" under "Prepayments and other current assets" (see Note 7). This shall be reclassified to retained earnings upon approval of the Parent Company's second increase in authorized capital stock and issuance of shares.

On January 17, 2024, the SEC approved the Parent Company's application for increase in authorized capital stock.

Investment by MGreen

On October 12, 2023, SPNEC and SP Project Holdings entered into an Option Agreement with MGen which grants MGen the option to subscribe, out of the second increase in authorized capital stock, (i) 15.7 billion common shares with par value of ₱1.0 per share and (ii) 19.4 billion preferred shares with par value of ₱0.01 per share for a total subscription price of ₱15.9 billion. The BOD of the Parent Company shall comprise of nine (9) directors, wherein MGen shall elect five (5) directors and SP Project Holdings is allowed to elect no more than two (2) directors. On the same date, MGen, by virtue of a Deed of Assignment and Assumption, assigned all its rights and obligations under the Option Agreement to MGreen.

On November 30, 2023, SPNEC entered into a Subscription Agreement with MGreen to subscribe (i) 15.7 billion common shares with par value of ₱1.0 per share and (ii) 19.4 billion preferred shares with par value of ₱0.01 per share for a total subscription price of ₱15.9 billion. On December 27, 2023, MGreen completed the acquisition of 50.53% voting equity interest of SPNEC with the full payment of the common and redeemable voting preferred shares subscription price.

On December 6, 2023, the Parent Company filed its application for the aforementioned increase in authorized capital stock with the SEC. As of December 31, 2023, the Parent Company presented the cash subscription amounting to ₱15.9 billion as "Deposits for future stock subscription" under Equity. On January 17, 2024, upon the SEC's approval of the application for increase in authorized capital stock, the subscribed shares were issued to MGreen.

Pledge of Parent Company's shares owned by SP Project Holdings

On June 25, 2021, SP Project Holdings executed a pledge over all the Parent Company's shares it holds to secure a loan by its affiliate, PIC, from ACEN Corporation (formerly AC Energy Corporation; "ACEN"). ACEN is a corporation organized in the Republic of the Philippines, and its shares are listed in the PSE under the stock symbol "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, SP Project Holdings 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 SP Project Holdings in SPNEC.



17. Cost of Sales and Services

Costs of sales and services for the year ended December 31, 2023 are as follows:

Depreciation and amortization (Note 9)	P210,672,075
Insurance	26,389,038
Manpower services (Note 14)	25,163,828
Security services	12,569,952
Salaries and wages	11,123,826
Inventories issued (Note 6)	8,714,838
Rentals	6,731,915
Others	25,737,805
	P327,103,277

Others include charges of Independent Electricity Market Operator of the Philippines ("IEMOP"), professional fees, supplies, repairs and maintenance and utilities.

18. General and Administrative Expenses

	December 31, 2023 (One Year)	December 31, 2022 (Six Months)	June 30, 2022 (One Year)
Professional fees	P67,000,766	P6,401,289	P6,540,000
Taxes and licenses	40,924,882	6,848,628	10,592,654
Management fee (Note 14)	32,040,000	12,800,000	24,000,000
Rentals	8,252,107	—	—
Insurance	7,503,489	2,121,316	—
Bid-related costs	7,499,277	—	1,634,000
Penalties and surcharges	6,180,173	1,819,212	48,055
Depreciation and amortization (Note 9)	5,560,646	2,598,033	5,420,370
Provision for impairment loss (Notes 5 and 7)	756,172	—	—
PSE filing fees	—	—	12,465,411
Others (Notes 5 and 7)	32,196,565	5,422,482	2,655,684
	P207,914,077	P38,010,960	P63,356,174

Others include government share, benefits to host communities, premiums, notarial fees, trust fees, utilities, miscellaneous and representation.



19. Income Taxes

- a. A reconciliation between statutory income tax and effective income tax are as follows:

	December 31, 2023 (One Year)	December 31, 2022 (Six Months)	June 30, 2022 (One Year)
Income tax benefit at statutory income tax rate	(P1,280,445)	(P4,170,289)	(P7,195,000)
Adjustments for:			
Movements in unrecognized deferred income tax assets	31,893,033	8,254,469	5,908,169
Nontaxable income	(3,583,334)	—	—
Income from ITH-registered activity	1,641,858	—	—
Transaction costs charged to APIC and retained earnings	(5,415,454)	(3,452,558)	(10,066,198)
Interest income subject to final tax	(2,384,139)	(744,149)	(54,818)
Nondeductible expenses	3,078,311	377,665	37,292
Provision for (benefit from) deferred income tax	P23,949,830	P265,138	(P11,370,555)

- b. The Group's deferred income tax assets and liabilities presented in the consolidated statements of financial position are as follows:

	2023	2022
Deferred income tax assets	P9,646,601	P10,201,126
Deferred income tax liabilities	(4,086,521,200)	—

The components of the Group's recognized deferred income tax assets and liabilities are as follows:

	2023	2022
Deferred income tax assets:		
Lease liabilities	P37,081,548	P30,219,583
Long-term receivables	3,626,393	—
Retirement benefit obligation	320,455	—
Contract liabilities	209,658	—
Others	145,936	—
	41,383,990	30,219,583
Deferred income tax liabilities:		
Revaluation of land	(2,756,030,419)	—
Intangible asset	(1,326,189,164)	—
ROU Assets	(36,039,006)	(20,018,457)
	(4,118,258,589)	(20,018,457)
	(P4,076,874,599)	P10,201,126



As of December 31, 2023, the Group has NOLCO for which no deferred income tax assets have been recognized as follows:

Period Incurred	Valid Until	Amount
January 1 to December 31, 2023	December 31, 2026	P224,836,886
July 1, 2022 to December 31, 2022	December 31, 2025	68,221,542
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
		P479,212,138

The movements in NOLCO are as follows:

	2023	2022
Balances at beginning of period	P254,375,252	P190,618,674
Additions	224,836,886	68,221,542
Expirations	—	(4,464,964)
Balances at end of period	P479,212,138	P254,375,252

No deferred income tax asset was recognized on the carryforward benefits of NOLCO as of December 31, 2023 and 2022 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.

Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act

On June 20, 2023, the BIR issued Revenue Memorandum Circular (RMC) No. 69-2023 reverting the Minimum Corporate Income Tax ("MCIT") rate to 2% of gross income effective July 1, 2023 pursuant to Republic Act ("RA") No. 11534, otherwise known as the "Corporate Recovery and Tax Incentives for Enterprises ("CREATE") Act. MCIT rate was previously reduced from 2% to 1% effective July 1, 2020 to June 30, 2023 upon the effectivity of CREATE Act in 2021.

Bayanihan to Recover as One Act (Bayanihan 2)

On September 30, 2020, the BIR issued Revenue Regulations ("RR") No. 25-2020 implementing Section 4 (bbb) 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.

20. Leases

Lease liabilities as of December 31, 2023 and 2022 are as follows:

	2023	2022
Balances at beginning of period	P303,138,420	P293,878,848
Additions through business combination under common control (Note 21)	98,120,014	—
Adjustments	(16,616,847)	—
Interest expense capitalized to CIP* (Note 9)	13,213,102	4,726,877
Interest expense (Note 26)	10,743,700	4,532,695
Payments	(18,526,228)	—
Total lease liabilities	390,072,161	303,138,420
Current portion of lease liabilities	8,962,861	4,538,676
Noncurrent portion of lease liabilities	P381,109,300	P298,599,744

*Incurred during the construction period (see Note 29)



Additions through business combinations under common control pertain to SP Tarlac's various land leases with a total land area of 102.49 hectares, out of which 61.48 hectares were held as security for the OLSA (see Note 13).

Parent Company as a lessee

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 SP Project Holdings, as the assignor, whereby, the latter 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 land 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.

As of April 12, 2024, leased lands that have DAR order equal to 352.42 hectares of leased land, of which 169.9 hectares of leased land have DAR Certificate of Finality Order.

Set out below are the amounts recognized in the consolidated statements of comprehensive income:

	December 31, 2023 (One Year)	December 31, 2022 (Six Months)	June 30, 2022 (One Year)
Interest accretion of lease liabilities	P10,743,700	P4,532,695	P9,142,009
Amortization of ROU assets	9,982,698	2,584,193	5,420,370
Expenses relating to leases of low-value assets (included in costs of sales and services, Note 17)	6,731,915	—	—
Expenses relating to leases of low-value assets (included in general and administrative expenses, Note 18)	8,252,107	—	—
Total amounts recognized in the consolidated statements of comprehensive income	P35,710,148	P7,116,888	P14,562,379



21. Business Combination of Entities under Common Control

Acquisition of Solar Philippines Assets

On February 24, 2022, the BOD of the Parent Company approved the acquisition of 100% of the outstanding shares of SP Project Holdings and affiliates in the Solar Philippines Assets.

On May 5, 2023, the BOD of SPNEC approved the modified acquisition by SPNEC of 100% of the shares of SP Project Holdings in various Solar Philippines Assets to be at cost and paid in cash using the proceeds SPNEC received from the subscription of SP Project Holdings of 24.37 billion common shares of SPNEC (see Note 16).

On May 15, 2023, SPNEC ("Buyer") entered into a Contract to Sell Shares with SPPPHI and Individual Stockholder ("Sellers") for the Buyer to purchase Sellers' rights, titles, and interests in and to the Solar Philippines Assets, using the proceeds of SPPPHI's subscription of 24.37 billion of the Buyer's common shares, premised on the approval of the Buyer's first increase in authorized capital stock (see Note 14).

On the same date, SPNEC entered into DOASS with SPPPHI for the former to purchase the latter's rights, titles, and interests in SP Tarlac and SPRC for a total purchase price of ₱2,342.4 million.

On June 9, 2023, SPNEC entered into another DOASS with SPPPHI for the former to purchase the latter's rights, titles, and interests in and to the following Solar Philippines Assets for a total purchase price of ₱80.5 million.

- Solar Philippines Batangas Corporation
- Solar Philippines Batangas Baseload Corporation
- Solar Philippines Central Luzon Corporation
- Solar Philippines Central Visayas Corporation
- Solar Philippines Eastern Corporation
- Solar Philippines Retail Electricity, Inc.
- 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 Rooftop Solar Corporation
- Terra Solar Philippines, Inc.

On June 29, 2023, SPNEC entered into a DOASS with SPPPHI for the former to purchase the latter's rights, titles, and interests in and to SPCC for a purchase price of ₱502.8 million. Consequently, on November 20, 2023, SPNEC entered into a DOASS with the Individual Stockholder to acquire the latter's rights, titles, and interests in and to SPCC for ₱249.9 million.

On November 9, 2023, SPNEC entered into a Deed of Donation and Acceptance with Countryside for the latter to cede, transfer and convey SP Holdings shares by way of donation, including any and all liabilities and obligations attached to such shares.

Leandro L. Leviste is the major shareholder of SP Project Holdings and Countryside.



Prior to the transactions, SPNEC has no existing interests in and to the Solar Philippines Assets. The aforementioned transactions resulted in SPNEC owning 100% interest in the Solar Philippines Assets, except for SP Calatagan, Laguna Rooftop and SP Central Luzon in which SPNEC acquired 62%, 60%, and 1% interests, respectively, and excluding preferred shares in SP Tarlac.

SPNEC acquired the Solar Philippines Assets through the transfer of shares with SP Project Holdings and Countryside. As the transactions were outside the scope of PFRS 3, the acquisitions and donation of shares were accounted for using the pooling-of-interests method. In applying the pooling-of-interests method, the assets and liabilities of acquired entities are taken into the merged business at their carrying value at their respective acquisition and donation dates. Likewise, no goodwill was recognized in the business combination of entities under common control (see Note 2).

The Parent Company has obtained the Certificates Authorizing Registration ("CARs") covering the shares of the assets transferred, pending the CAR related to the acquisition of the Individual Stockholder's shares in SP Calatagan.

Name of entities to be transferred	Ownership % prior to acquisition of				SPNEC's interest after acquisition
	SP Project Holdings	Individual Stockholder	Countryside	SPNEC	
Solar Philippines Calatagan Corporation (SP Calatagan)	55.35	6.65	-	-	62
Solar Philippines Tarlac Corporation (SP Tarlac)	100	-	-	-	100
Solar Philippines Rooftop Corporation (SP Rooftop)	100	-	-	-	100
Solar Philippines Batangas Corporation (SP Batangas)	100	-	-	-	100
Solar Philippines Batangas BaseLoad Corporation (SP Batangas BaseLoad)	100	-	-	-	100
Solar Philippines Central Visayas Corporation (SP Central Visayas)	100	-	-	-	100
Solar Philippines Eastern Corporation (SP Eastern)	100	-	-	-	100
Solar Philippines Retail Electricity, Inc. (SPREI)	100	-	-	-	100
Solar Philippines Southern Mindanao Corporation (SP Southern Mindanao)	100	-	-	-	100
Solar Philippines Southern Tagalog Corporation (SP Southern Tagalog)	100	-	-	-	100
Solar Philippines South Luzon Corporation (SP South Luzon)	100	-	-	-	100
Solar Philippines Tarlac BaseLoad Corporation (SP Tarlac BaseLoad)	100	-	-	-	100
Solar Philippines Visayas Corporation (SP Visayas)	100	-	-	-	100
Solar Philippines Western Corporation (SP Western)	100	-	-	-	100
SP Holdings, Inc. (SP Holdings)	-	-	100	-	100
Laguna Rooftop Solar Corporation (Laguna Rooftop)	60	-	-	-	60



Details of the balances of the Solar Philippines Assets which were consolidated to the Group at the respective acquisition and donation dates are as follows:

Assets	
Cash and cash equivalents	₱187,150,952
Trade receivables	413,076,781
Inventories	24,055,051
Due from related parties	265,952,000
Other current assets	648,137,129
Property, plant and equipment	
At cost	8,022,735,408
At revalued amount	3,775,546,200
Deposits for land acquisition	434,194,156
Deferred income tax assets - net	1,107,678
Other noncurrent assets	559,216,378
	<u>14,331,171,733</u>
Liabilities	
Trade and other payables	542,958,643
Other current liabilities	122,494,306
Long-term debt	3,262,805,527
Lease liabilities	98,120,014
Dividends payable	61,570,424
Due to related parties	666,408,376
Deferred income tax liabilities - net	748,221,668
Other noncurrent liabilities	105,898,267
	<u>₱5,608,477,225</u>
Total Identifiable Net Assets	₱8,722,694,508
Less: Non-controlling interests	2,794,016,096
Other comprehensive income closed to Revaluation surplus	2,226,398,078
Other comprehensive income closed to Deficit	736,450
	<u>3,701,543,882</u>
Consideration paid	<u>3,175,788,740</u>
Equity reserve	₱525,755,142

From acquisition dates to December 31, 2023, the contribution of the acquired Solar Philippines Assets to revenue and net loss are as follows:

Revenue from contracts with customers	₱637,329,666
Costs of sales and services	(327,103,279)
Gross profit	310,226,387
General and administrative expenses	(70,217,345)
Finance costs	(157,434,925)
Interest income	22,876,610
Other income - net	22,292,474
Net income	<u>₱127,743,201</u>
Net income (loss) attributable to:	
Equity holders of the Parent Company	(₱113,106,799)
Non-controlling interests	240,850,000
	<u>₱127,743,201</u>



If the transactions had taken place at the beginning of 2023, the contribution of the Solar Philippines Assets to revenue and net loss would have been P1,154.7 million and P22.9 million, respectively.

Consideration transferred was paid in cash on the respective acquisition dates of the subsidiaries. Net cash outflow on acquisition is as follows:

Cash consideration	P3,175,788,740
Less: cash acquired with the subsidiaries ¹	(187,150,952)
Net cash outflow	P2,988,637,788

¹Included in cash flows from investing activities.

22. Business Combination

Acquisition of controlling interest in Terra Solar from Prime Infra

As provided under the MOA between SP Project Holdings, Prime Infra and Prime Metro, SPNEC acquired Prime Infra's 50.01% interest in Terra Solar on December 11, 2023 for P6,000.0 million. Thereafter, Terra Solar became a wholly owned subsidiary of SPNEC.

Prior to the acquisition, SPNEC has 49.99% interest in Terra Solar and Prime Infra has 50.01% interest in Terra Solar. The aforementioned acquisition resulted to SPNEC owning 100% equity interest in Terra Solar. The transaction was accounted for using the acquisition method under PFRS 3, *Business Combination*.

As of December 31, 2023, the Group is still in the process of completing the determination of fair values of the assets and liabilities acquired, including the identifiable assets. As allowed by PFRS, the Group has provisionally assessed the fair values of the assets acquired and liabilities assumed. The provisional fair values will be adjusted within one year from the acquisition date once relevant information has been obtained.

The Group remeasured its previously held interest in Terra Solar based on the provisional fair value which resulted in a remeasurement gain of P5,964.0 million presented as part of "Other income - net" in the 2023 consolidated statement of income.

Details of the provisional fair values of the identifiable net assets of Terra Solar which were consolidated to the Group at December 11, 2023 are as follows:

Assets	
Cash and cash equivalents	P1,276,287
Other current assets	4,192,447
Project development costs	75,062,130
Intangible assets	13,261,891,642
Other noncurrent assets	3,334,133
	13,345,756,639
Liabilities	
Trade and other payables	5,487,317
Deferred tax liability	1,326,189,164
Due to related parties	33,988,926
	1,365,665,407
Total Identifiable Net Assets	11,980,091,232
Consideration	11,990,045,616
Goodwill	P9,954,384



The cost of the business combination is made up as follows:

Cash paid to Prime Infra	P6,000,000,000
Fair value of equity interest in Terra Solar prior to business combination	5,990,045,616
Total consideration	P11,990,045,616

Goodwill arose in the acquisition of Terra Solar because the cost of the combination included a control premium. In addition, the consideration paid for the combination effectively included amounts in relation to the benefits of expected synergies and future market growth. These benefits are not recognized separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

Net cash outflow on acquisition is as follows:

Cash consideration	P6,000,050,374
Less: cash acquired with the subsidiaries ¹	(1,276,287)
Net cash outflow	P5,998,774,087

¹Included in cash flows from investing activities.

No profit and loss for the year was attributable to the additional business generated by Terra Solar. If the business combination had taken place at the beginning of 2023, Terra Solar would have contributed a net loss that will reduce the Group's net income by P3.3 million. As of April 12, 2024, Terra Solar has not yet started its commercial operations.

Initial accounting for the acquisition of Terra Solar has only been provisionally determined as the acquisition occurred close to the end of the reporting period. At the date of finalization of the consolidated financial statements, the necessary market valuations and other calculations has not been finalized and they have therefore only been provisionally determined based on the management's best estimate of the likely values.

23. Financial Instruments and Financial Risk Management

Financial Risk Management Objectives and Policies

The Group's principal financial instruments comprise of cash and cash equivalents (excluding cash on hand), trade receivables, subscriptions receivable, short-term investments and bonds (under other current assets), long-term receivables (under other noncurrent assets) and due to and from related parties, trade and other payables (excluding statutory liabilities), long-term debt 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.

Cash and cash equivalents (excluding cash on hand)

The Group applies the low credit risk simplification for cash and cash equivalents. 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.

Trade receivables

One of the Group's sale of electricity is with National Transmission Corporation ("TransCo"), a government-owned and controlled corporation, which accounts for 22% of the total trade receivables. Any failure on the part of TransCo to pay their obligations to the Group would significantly affect the Group's business operations. As a practice, the Group monitors closely its collections from TransCo and may charge interest on delayed payments following the provision of the REPA. Receivable balances are monitored on an ongoing basis to ensure that the Group's exposure to bad debts is not significant.

Due from related parties and Bonds

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.

With respect to the credit risk arising from other financial assets, 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 and cash equivalents (excluding cash on hand), trade receivables, subscriptions receivable, due from related parties, short-term investments and bonds (under other current assets) and long-term receivables (under other noncurrent assets) amounted to ₱11,385.5 million and ₱1,525.2 million as of December 31, 2023 and 2022, respectively.

Credit Quality of Financial Assets

Financial assets are classified as high grade if the counterparties are not expected to default in settling their obligations. Thus, the credit risk exposure is minimal. These counterparties normally include customers, banks and related parties who pay on or before due date. Financial assets are classified as a standard grade if the counterparties settle their obligation with the Group with tolerable delays. Low grade accounts are accounts, which have probability of impairment based on historical trend. These accounts show propensity of default in payment despite regular follow-up actions and extended payment terms. As of December 31, 2023 and 2022, financial assets categorized as neither past due nor impaired are viewed by management as high grade, considering the collectability of the receivables and the credit history of the counterparties. Meanwhile, past due but not impaired financial assets are classified as standard grade.

With respect to the credit risk arising from other financial assets of the Group, which comprise of cash and cash equivalents (excluding cash on hand), trade receivables, subscriptions receivable,



short-term investments and bonds (under other current assets), long-term receivables (under other noncurrent assets) and due from related parties, the Group's exposure to credit risk arises from default of the counterparty, with maximum exposure equal to the carrying amount of these instruments.

As of December 31, 2023 and 2022, the aging analysis per class of financial assets that were past due is as follows:

2023

	Neither past due nor impaired	Past due but not impaired			Impaired	Total
		Less than 30 days	30 to 60 days	More than 60 days		
<i>(In Thousand Pesos)</i>						
Cash and cash equivalents*	P10,040,120	P-	P-	P-	P-	P10,040,120
Trade receivables	286,288	-	-	-	69,596	355,884
Subscriptions receivable	1,319	-	-	-	-	1,319
Short term investments	575,810	-	-	-	-	575,810
Bonds	36,037	-	-	-	-	36,037
Due from related parties	126,920	-	-	-	-	126,920
Long-term receivables	318,978	-	-	-	-	318,978
	P11,385,472	P-	P-	P-	P69,596	P11,455,068

*Excludes cash on hand

2022

		Past due but not impaired				
	Neither past due nor impaired	Less than 30 days	30 to 60 days	More than 60 days	Impaired	Total

*Excludes cash on hand

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 summarizes the maturity profile as of December 31, 2023 and 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:

	2023				
	On Demand	< 1 Year	1 to 5 Years	More than 5 Years	Total
	(In Thousand Pesos)				
Financial assets at amortized cost:					
Cash and cash equivalents*	P10,040,120	P-	P-	P-	P10,040,120
Trade receivables	191,893	94,395	-	-	286,288
Subscriptions receivable	1,319	-	-	-	1,319
Short-term investments	575,810	-	-	-	575,810
Due from related parties	126,920	-	-	-	126,920
Bonds	36,037	-	-	-	36,037
Long-term receivables	-	-	318,978	-	318,978
	P10,972,099	P94,395	P318,978	P-	P11,385,472
Financial liabilities at amortized cost:					
Trade and other payables**	P-	P323,732	P-	P-	P323,732
Due to related parties	608,443	-	-	-	608,443
Lease liabilities***	-	23,527	128,834	677,113	829,474
Long-term debt***	-	374,150	1,554,450	1,205,950	3,134,550
	P608,443	P721,409	P1,683,284	P1,883,063	P4,896,199

*Excludes cash on hand

**Excludes statutory liabilities

***Includes future interest payments

	2023				
	On Demand	< 1 Year	1 to 5 Years	More than 5 Years	Total
	(In Thousand Pesos)				
Financial assets at amortized cost:					
Cash and cash equivalents*	P37,132	P-	P-	P-	P37,132
Subscriptions receivable	651,116	-	-	-	651,116
Due from related parties	821,388	-	-	-	821,388
Bonds	15,552	-	-	-	15,552
	P1,525,188	P-	P-	P-	P1,525,188
Financial liabilities at amortized cost:					
Trade and other payables**	P17,875	P-	P-	P-	P17,875
Due to a related party	22,770	-	-	-	22,770
Lease liabilities***	4,539	4,539	101,981	567,270	678,329
	P45,184	P4,539	P101,981	P567,270	P718,974

*Excludes cash on hand

**Excludes statutory liabilities

***Includes future interest payments

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 and cash equivalents (excluding cash on hand), Trade receivables, Subscriptions receivable, Bonds and short-term investments (under other current assets), Long-term receivables (under other noncurrent assets), Trade and other payables (excluding statutory liabilities) and Due to and from related parties



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

Long-term Receivables

In 2023, the fair value of long-term receivables was computed by discounting the expected cash flows using the applicable rate of 5.58%. As of December 31, 2023, the fair value and carrying value of the long-term receivables amounted to ₱353.3 million and ₱300.0 million, respectively.

Long-term Debt

The fair value of long-term debt was calculated based on the discounted value of future cash flows using the applicable risk-free rates for similar types of loans adjusted for credit risk (Level 3 of the fair value hierarchy). The discount rates used in 2023 ranges from 6.50% to 8.87%. As of December 31, 2023, the fair value and carrying value of the long-term debt amounted to ₱3,141.7 million and ₱3,096.5 million, respectively.

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 6.84% to 9.35% and 8.59% as at December 31, 2023 and 2022, respectively. The fair value of the lease liabilities amounted to ₱368.7 million and ₱233.1 million as of December 31, 2023 and 2022 respectively, while the carrying value of the lease liabilities amounted to ₱390.1 million and ₱303.1 million as of December 31, 2023 and 2022, respectively.

As of December 31, 2023 and 2022, the fair value of lease liabilities are measured using Level 3 valuation technique. For the years ended December 31, 2023 and 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 year ended December 31, 2023, for the six-month period ended December 31, 2022 and for the year ended June 30, 2022.

The Group considers the following as its core capital:

	2023	2022
Capital stock	₱3,437,305,000	₱1,000,000,000
Additional paid-in capital	5,713,764,409	4,938,722,430
Deposit for future stock subscription	15,894,042,026	—
Equity reserve	525,755,142	—
Revaluation surplus	8,268,091,263	—
Retained earnings (Deficit)	5,546,151,067	(126,125,941)
	₱39,385,108,907	₱5,812,596,489

The Parent Company and its subsidiaries, except for SP Calatagan and SP Tarlac, are not subject to any externally imposed capital requirement. SP Calatagan and SP Tarlac were able to meet their capital management objectives as of December 31, 2023.



24. Basic/Diluted Earnings (Loss) Per Share

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

	December 31, 2023 (One Year)	December 31, 2022 (Six Months)	June 30, 2022 (One Year)
(a) Net income (loss) attributable to equity holders of the Parent Company	P5,706,730,751	(P40,409,833)	(P60,579,448)
(b) Weighted average number of common shares outstanding	24,217,612,500	9,374,783,335	6,999,350,005
Basic/diluted earnings (loss) per share (a/b)	P0.2356	(P0.0043)	(P0.0087)

The Group does not have any dilutive potential common shares as at December 31, 2023 and 2022.

25. Significant Laws

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 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.



As provided in the Act, all manufacturers, fabricators and suppliers of locally-produced RE equipment and components duly recognized and accredited by the DOE, in consultation with DOST, DOF and DTI, shall, upon registration with the BOI, be entitled to the privileges set forth under this section:

- i. **Tax and Duty-free Tax and Duty-free Importation of Components, Parts and Materials.** – All shipments necessary for the manufacture and/or fabrication of RE equipment and components shall be exempted from importation tariff and duties and value added tax: *Provided, however,* That the said components, parts and materials are: (i) not manufactured domestically in reasonable quantity and quality at competitive prices; (ii) directly and actually needed and shall be used exclusively in the manufacture/fabrication of RE equipment; and (iii) covered by shipping documents in the name of the duly registered manufacturer/fabricator to whom the shipment will be directly delivered by customs authorities: *Provided, further,* That prior approval of the DOE was obtained before the importation of such components, parts and materials;
- ii. **Tax Credit on Domestic Capital Components, Parts and Materials.** – A tax credit equivalent to one hundred percent (100%) of the amount of the value-added tax and customs duties that would have been paid on the components, parts and materials had these items been imported shall be given to an RE equipment manufacturer, fabricator, and supplier duly recognized and accredited by the DOE who purchases RE components, parts and materials from a domestic manufacturer: *Provided,* That such components, and parts are directly needed and shall be used exclusively by the RE manufacturer, fabricator and supplier for the manufacture, fabrication and sale of the RE equipment: *Provided, further,* That prior approval by the DOE was obtained by the local manufacturer;
- iii. **Income Tax Holiday and Exemption.** – For seven (7) years starting from the date of recognition/accreditation, an RE manufacturer, fabricator and supplier of RE equipment shall be fully exempt from income taxes levied by the National Government on net income derived only from the sale of RE equipment, machinery, parts and services; and
- iv. **Zero-rated value added tax transactions** – All manufacturers, fabricators and suppliers of locally produced renewable energy equipment shall be subject to zero-rated value added tax on its transactions with local suppliers of goods, properties and services.

Department Circular No. 2022-11-0034

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.

BIR Ruling OT-323-2021

On December 27, 2021, IEMOP released its guidelines and procedures for the implementation of the BIR Ruling OT-323-2021 published last August 24, 2021. Changes to Transco's FIT billing system/ FIT revenue payment process are effective on January 2022 billing month and March 2022 payment date. A significant change brought about by the BIR ruling includes invoicing requirements whereby the ruling has recognized that the distribution utilities ("Dus") are the customers/ buyers of the electricity generated and sold by the RE developers, who are the generator/ seller, to the market. Therefore, the RE developers should issue the official receipts ("ORs") under the names of the Dus based on the settlement statements and payments/remittances made by the IEMOP payment facility.



Resolution Adopting the 2023 Revised Rules for the Issuance of Certificates of Compliance ("COCs") for Generation Facilities

On October 12, 2023, ERC published Resolution No. 2023-17 that outlines the revised rules on application for COC and the standards, requirements and procedures for its issuance. Article IX. Transitory Provisions of the resolution stated that for existing generation facilities with pending application for renewal of COC filed before the ERC, the validity period of such COC is extended until 2024, and the date of which shall be the day and month of its original expiry. Generation facilities with issued Provisional Authority to Operate ("PAO"), the validity period of such PAO is extended until 2024, and the date of which shall be the day and month of its original expiry. After which the generation company shall apply for issuance of COC or PAO not later than 60 calendar days prior to the expiration of the extended validity period.

26. Operating Segment Information

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment revenue and segment expenses are measured in accordance with PFRSs. The classification of segment revenue is consistent with the consolidated statements of income. Segment expenses pertain to the costs and expenses presented in the consolidated statements of income excluding interest expense and financing charges, depreciation and amortization expense and income taxes which are managed on a per company basis.

SPNEC has only one geographical segment as all of its operating assets are currently located in the Philippines. SPNEC Group operates and derives principally all of its revenue from domestic operations. Thus, geographical business information is not required.



Financial information on the business segments are summarized as follows:

	December 31, 2023 (One Year)					
	SPNEC	SP Calatagan	SP Tarlac	SP Rooftop	Others	Eliminating entries*
	P-	P-	P-	P-	P-	P-
Segment revenue	(125,535,724)	351,071,791	265,601,831	20,656,044		635,451,217
Segment expenses	(125,535,724)	(66,399,849)	(78,703,955)	(26,839,415)	(23,907,693)	(318,782,636)
Segment results		284,671,942	186,897,876	(6,183,371)	(23,907,693)	316,668,581
Interest income	7,104,690	14,324,506	8,050,936	500,357	12,958	29,993,447
Interest expense	(9,241,144)	(51,304,308)	(106,130,617)		(555,952)	(167,232,021)
Depreciation and amortization	(5,209,905)	(99,711,981)	(110,544,227)	(768,608)		(216,234,721)
Other income (expense)	28,805,035	(4,456)	679,563	17,719,875	2,604,036	5,958,531,242
Benefit from (provision for) income tax	(104,077,048)	147,975,703	(21,046,469)	11,268,253	(21,846,651)	5,959,256,793
Net income (loss)	(916,815)	(20,734,846)	23,055	(2,321,224)		(23,949,830)
	(P104,993,863)	P127,240,857	(P21,023,414)	P8,947,029	(P21,846,651)	P5,959,256,793
						P5,947,580,751

*Persuits to intercompany transactions that were eliminated upon consolidation and other consolidation adjustments.

	December 31, 2022 (Six Months)		
	SPNEC	Terra Nueva	Total
	P-	P-	P-
Segment revenue	(30,994,615)	(4,418,312)	(35,412,927)
Segment expenses	(30,994,615)	(4,418,312)	(35,412,927)
Segment results	2,388,263	10,697	2,398,960
Interest income	(4,532,695)		(4,532,695)
Interest expense	(2,598,033)		(2,598,033)
Depreciation and amortization	(25,737,080)	(4,407,615)	(40,144,695)
Loss before income tax	(265,138)		(265,138)
Provision for income tax	(P36,002,218)	(P4,407,615)	(P40,409,833)
Net loss			

June 30, 2022
(One Year)

	SPNEC
Segment revenue	P-
Segment expenses	(57,935,804)
Segment results	(57,935,804)
Interest income	548,180
Interest expense	(9,142,009)
Depreciation and amortization	(5,420,370)
Loss before income tax	(71,950,003)
Benefit from income tax	11,370,555
Net loss	(P60,579,448)

December 31, 2023

	SPNEC	SP Calatagan	SP Tarlac	SP Rooftop	Others	Eliminating entries*	Total
Current assets	P12,224,875,406	P696,287,698	P487,397,004	P258,298,000	P191,704,735	(P2,634,443,739)	P11,224,119,104
Noncurrent assets	13,029,874,184	5,675,924,976	6,761,973,459	92,303,787	10,333,450,331	4,065,168,464	39,958,695,202
Total	P25,254,749,590	P6,372,212,674	P7,249,370,463	P350,601,787	P10,525,155,066	P1,430,724,725	P51,182,814,306
Current liabilities	P184,722,370	P288,533,947	P591,246,084	P348,965,791	P2,687,855,022	(P2,634,443,739)	P1,466,879,475
Noncurrent liabilities	286,519,338	1,403,366,474	2,299,906,373	-	1,979,978,479	1,326,189,164	7,295,959,828
Total	P471,241,708	P1,691,900,421	P2,891,152,457	P348,965,791	P4,667,833,501	(P1,308,254,575)	P8,762,839,303

*Pertains to inter-segment transactions that were eliminated upon consolidation and other consolidation adjustments.

December 31, 2022				
	SPNEC	Terra Nueva	Eliminating entries*	Total
Current assets	P3,114,526,970	P16,907,181	(P1,603,059,243)	P1,528,374,908
Noncurrent assets	3,070,703,855	1,604,744,446	(100,000)	4,675,348,302
Total	P6,185,230,825	P1,621,651,627	(P1,603,159,243)	P6,203,723,210
Current liabilities	P69,626,975	P1,625,959,245	(P1,603,059,243)	P92,526,977
Noncurrent liabilities	298,599,744	—	—	298,599,744
Total	P368,226,719	P1,625,959,245	(P1,603,059,243)	P391,126,721

*Pertains to intercompany transactions that were eliminated upon consolidation.

June 30, 2022	
	SPNEC
Current assets	P1,449,247,690
Noncurrent assets	1,954,480,680
Total	P3,403,728,370
Current liabilities	P40,331,284
Noncurrent liabilities	289,340,172
Total	P329,671,456

27. Changes in Liabilities Arising From Financing Activities

December 31, 2023

	December 31, 2022	Effect of Business Combination under Common Control (Notes 21 and 22)	Cash flows	Others	December 31, 2023
Due to related parties	P22,770,229	P632,419,450	(P114,724,708)	P67,977,852	P608,442,826
Long-term debt	—	3,262,805,527	(166,261,855)	—	3,096,543,672
Accrued interest	—	79,627,929	(136,800,476)	156,488,325	99,315,778
Lease liabilities	303,138,420	98,120,014	(18,526,229)	7,339,956	390,072,161
Total liabilities from financing activities	P325,908,649	P4,072,972,920	(P436,313,265)	P231,806,133	P4,194,374,437

December 31, 2022

	July 1, 2022	Cash flows	Others	December 31, 2022
Due to a related party	P22,792,348	P—	(P22,119)	P22,770,229
Lease liabilities	293,878,848	—	9,259,572	303,138,420
Total liabilities from financing activities	P316,671,196	P—	P9,237,453	P325,908,649

June 30, 2022

	July 1, 2021	Cash flows	Others	June 30, 2022
Due to a related party	P22,792,348	P-	P-	P22,792,348
Lease liabilities	289,525,826	(14,004,465)	18,357,487	293,878,848
Total liabilities from financing activities	P312,318,174	(P14,004,465)	P18,357,487	P316,671,196

28. Service Contracts with the DOE

The Group has the following Solar Energy Service Contracts (SESC), Solar Energy Operating Contracts (SEOC) and Wind Energy Service Contract (WESC) with the DOE.

SPNEC

Sta. Rosa Nueva Ecija 2 Solar Power Project ("NE 2 Project")

SPNEC is developing a two-phase 500 MW_p ("MW_{dc}") solar power plant located in Nueva Ecija and is divided into two (2) Phases. Solar Energy Service Contract ("SESC") No. 2017-06-404 was assigned by an affiliate, Solar Philippines Commercial Rooftop Projects, Inc. ("SPCRPI") on December 29, 2017. The assignment was approved by the DOE with the issuance of a new Certificate of Registration ("COR") and a Certificate of Confirmation of Commerciality.

The first phase of the NE 2 Project is a 225 MW_{dc} solar power plant ("Phase 1") in Barangay Las Piñas, Pefiaranda, Nueva Ecija with sub-phases of Phase 1A at 50 MW_{dc} and Phase 1B at 175 MW_{dc}. The Parent Company targets that Phase 1A shall be commissioned by mid-2024 while Phase 1B is planned to be commissioned by end of 2025. The second phase of the NE 2 Project is a 275 MW_{dc} solar power plant ("Phase 2").

The Parent Company began construction of Phase 1A on December 27, 2021 and is 56.26% complete as at December 31, 2023.

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 280MW_{dc} NE 2 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. Also, the Parent Company submitted a performance bond amounting to P2,765.8 million valid until August 1, 2024.

Total premiums paid were P7.5 million in 2023 and 2022, respectively. The unamortized portion of the premium included as prepaid premium amounted to P5.0 million and P3.0 million as of December 31, 2023 and 2022, respectively (see Note 7).



SP Calatagan

SP Calatagan owns and operates a 63.4 MW_{ac} solar photovoltaic ("PV") facility situated in Calatagan, Batangas. It has an Energy Regulatory Commission ("ERC") awarded Feed-in-Tariff ("FIT") Certificate of Compliance ("COC"), which entitles SP Calatagan to a base FIT rate of ₱8.69 per kWh, subject to an annual escalation, to be approved by the ERC.

WESC

On December 23, 2019, SP Calatagan entered into WESC No. 2019-10-126 with the DOE granting SP Calatagan the exclusive right to explore, develop and utilize the wind energy resource with the contract area covering a total of 486 hectares. The WESC allows for five years non-extendable term for pre-development within which the developer should be able to declare commerciality.

A Certificate of Confirmation of Commerciality shall be issued by the DOE to affirm the declaration. The contract shall remain in force for the balance of a period of 25 years from the effective date. One year before the expiration of the initial 25-year period, SP Calatagan may submit to the DOE an extension of the WESC for another 25 years under the same terms and conditions so long as SP Calatagan is not in default of any material obligations under the WESC.

GEAP

On June 24, 2022, SP Calatagan was awarded as one of the winning bidders by the DOE on its First Green Energy Auction Round. SP Calatagan will supply the electricity from the 30 MW Calatagan Wind 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. SP Calatagan submitted a performance bond amounting to ₱571.1 million valid until August 1, 2024.

SP Tarlac

SESC

On August 15, 2017, SPCRPI, an affiliate of SP Tarlac, entered into a SESC with the DOE granting SPCRPI the exclusive right to explore, develop and utilize the energy resource with the contract area covering a total of 646.0 hectares. The SESC allows for two years non-extendable term for pre-development within which the developer should be able to declare commerciality.

A Certificate of Confirmation of Commerciality shall be issued by the DOE to affirm the declaration. The contract shall remain in force for the balance of a period of 25 years from the effective date. One year before the expiration of the initial 25-year period, SP Tarlac may submit to the DOE an extension of the SESC for another 25 years under the same terms and conditions so long as SP Tarlac is not in default of any material obligations under the SESC.

On September 27, 2017, SPCRPI executed a Deed of Assignment transferring all its rights and obligations under the SESC No. 2017-07-442, including all of its annexes to SP Tarlac which has been approved. On October 6, 2017, the DOE acknowledged and approved the Deed of Assignment between SPCRPI and SP Tarlac. On that same day, the DOE issued a COR under the name of SP Tarlac as an RE Developer of Solar Energy Resources in Concepcion, Tarlac which covers SESC No. 2017-07-442.

On October 20, 2017, SP Tarlac issued its Declaration of Commerciality stating the commercial viability of the Tarlac 1A Project and was confirmed and approved by the DOE by issuing a Confirmation of Commerciality on December 6, 2017.

SP Rooftop

On December 14, 2022, the DOE awarded SP Rooftop with SEOC No. 2022-11-644, for the exclusive right to explore, develop and operate its 2.04 MW DMPI Bugo Solar Power Project. The



SEOC has a contract period of 25 years and will expire on 2047. SP Rooftop shall develop, construct, install, commission, and operate the solar PV system within the period of the first five-year work program.

SP Batangas

On December 20, 2019, the DOE awarded SP Batangas with SESC No. 2019-02-500 for the exclusive right to explore and develop the Padre Garcia Solar Power Project. SP Batangas shall undertake exploration, assessment, harnessing, piloting and other studies of Solar Energy resources in Lipa City and Padre Garcia, Batangas. The SESC allows for two (2) years non-extendable term for pre-development within which SP Batangas should be able to declare commerciality.

SP Batangas Baseload

On August 22, 2017, SPCRPI, an affiliate of the SP Batangas Baseload, was awarded the SESC No. 2017-05-384 for the exclusive right to explore and develop the Balayan Solar Power Project, respectively, wherein SPCRPI shall undertake exploration, assessment, harnessing, piloting and other studies of the solar energy resources in Balayan and Calaca, Batangas. On May 26, 2021, SPCRPI executed a Deed of Assignment transferring all his rights and obligations to SP Batangas Baseload. As of April 12, 2024, SP Batangas Baseload is still awaiting for the acknowledgment and approval from the DOE of the Deed of Assignment between SPCRPI and SP Batangas Baseload.

SP Central Visayas

On February 9, 2017, SPCRPI, an affiliate of SP Central Visayas, was awarded SESC No. 2017-02-364 for the exclusive right to explore and develop the Medellin Solar Power Project, wherein SPCRPI shall undertake exploration, assessment, harnessing, piloting and other studies of the solar energy resources in Medellin, Cebu. On March 23, 2022, SPCRPI executed a Deed of Assignment transferring all his rights and obligations to SP Central Visayas. On March 23, 2022, SP Central Visayas has submitted to the DOE the necessary documents for the transfer of the SESC under the name of SP Central Visayas. As of April 12, 2024, SP Central Visayas is still awaiting for the acknowledgment and approval from the DOE of the Deed of Assignment between SPCRPI and SP Central Visayas.

SP Eastern

On April 11, 2019, SPCRPI, an affiliate of SP Eastern, was awarded SESC No. 2018-03-479 for the exclusive right to explore and develop the Tayabas Solar Power Project, wherein SPCRPI shall undertake exploration, assessment, harnessing, piloting and other studies of the solar energy resources in Tayabas, Quezon. On March 23, 2022, SPCRPI executed a Deed of Assignment transferring all its rights and obligations to the Tayabas Solar Power Project. On March 23, 2022, SP Eastern has submitted to the DOE the necessary documents for the transfer of the SESC under the name of SP Eastern. As of April 12, 2024, SP Eastern is still awaiting for the acknowledgment and approval from the DOE on the Deed of Assignment between SPCRPI and SP Eastern.

SP Southern Mindanao

On December 23, 2019, SPCRPI, an affiliate of SP Southern Mindanao, was awarded SESC No. 2019-05-514 for the exclusive right to explore and develop the General Santos Solar Power Project, wherein SPCRPI shall undertake exploration, assessment, harnessing, piloting and other studies of the solar energy resources in General Santos City, South Cotabato. On March 23, 2022, SPCRPI executed a Deed of Assignment transferring all its rights and obligations to General Santos Solar Power Project. On March 23, 2022, SP Southern Mindanao applied with the DOE for the transfer of the SESC under the name of SP Southern Mindanao. As of April 12, 2024, SP Southern Mindanao is still awaiting for the acknowledgment and approval from the DOE on the Deed of Assignment between SPCRPI and SP Southern Mindanao.



SP Southern Tagalog

On April 11, 2019, SPCRPI, an affiliate of SP Southern Tagalog, was awarded the SESC No. 2018-03-477 for the exclusive right to explore and develop the Cabatang Tiaong Solar Power Project, wherein SPCRPI shall undertake exploration, assessment, harnessing, piloting and other studies of the solar energy resources in Cabatang Tiaong, Quezon. On March 23, 2022, SPCRPI executed a Deed of Assignment transferring all his rights and obligations to SP Southern Tagalog. On the same date, SP Southern Tagalog has submitted to the DOE the necessary documents for the transfer of the SESC under the name of SP Southern Tagalog. As of April 12, 2024, SP Southern Tagalog is still awaiting for the acknowledgment and approval from the DOE of the Deed of Assignment between SPCRPI and SP Southern Tagalog.

SP South Luzon

The following SESCOs were awarded to SP South Luzon.

SESC No.	Award Date	Project Name
2019-10-531	December 20, 2019	Binangonan and Cardona, Rizal and Laguna de Bay Solar Power Project
2019-05-513	December 23, 2019	Pili and Naga City, Camarines Sur Solar Power Project

SP Tarlac Baseload

On July 18, 2017, SPCRPI, an affiliate of SP Tarlac Baseload, was awarded SESC No. 2017-05-385 for the exclusive right to explore and develop the Calamba-Tanauan Solar Power Project, wherein the SPCRPI shall undertake exploration, assessment, harnessing, piloting and other studies of the solar energy resources in Tarlac City and La Paz, Tarlac. On May 26, 2021, SPCRPI executed Deed of Assignment transferring all his rights and obligations to SP Tarlac Baseload. As of April 12, 2024, Tarlac Baseload is still awaiting for the acknowledgment and approval from the DOE of the Deed of Assignment between SPCRPI and SP Tarlac Baseload.

SP Visayas

On December 27, 2019, DOE awarded SP Visayas with SESC No. 2019-05-512 for the exclusive right to explore and develop the Kananga-Ormoc Solar Power Project, wherein SP Visayas shall undertake exploration, assessment, harnessing, piloting and other studies of the solar energy resources in Kananga and Ormoc City, Leyte. Further, on that same day, the DOE issued and approved a COR under the name of SP Visayas which recognizes SP Visayas as a RE developer.

GEAP

In 2022, the SP Visayas was awarded as one of the winning bidders by the DOE for the first round of the GEAP, which promotes the acceleration of renewable energy systems and the promotion and commercialization of its application, encourage free and active private sector participation and investment in all energy activities, and provide adequate capacity to meet demand. In 2022, SP Visayas submitted a surety bond, as part of the bidding requirements. Also, SP Visayas submitted a performance bond amounting to P2,963.4 million valid until December 2, 2024.



Terra Solar

The following SESC's were awarded to SPCRPI, an affiliate of Terra Solar.

SESC No.	Award Date	Project Name
2017-02-365	February 9, 2017	100 MW Iba-Palauig 1
2017-06-421	August 22, 20217	100 MW Maragondon-Naic 1
2017-06-407	August 22, 20217	140 MW San Ildefonso, Bulacan
2017-06-405	August 22, 20217	140 MW San Rafael 1 Bulacan
2017-07-434	April 11, 2019	100 MW Santa Rosa Nueva Ecija

On June 30, 2021, SPCRPI executed a Deed of Assignment transferring all its rights and obligations to Terra Solar. On March 27, 2023, Terra Solar applied with the DOE for the approval of the assignment of the SESC's. As of April 12, 2024, Terra Solar awaits the approval of DOE.

Laguna Rooftop

The following SEOC's were awarded to Laguna Rooftop. Each SEOC has a contract period of 25 years and will expire on 2047.

SEOC No.	Award Date	Project Name	Capacity (MW _p)
2022-03-618	April 5, 2022	ATC Solar Power Project	1.752
2022-05-623	June 9, 2022	MMPC Phase 1 Solar Power Project	4.097
2022-05-624	June 10, 2022	MMPC Phase 2 Solar Power Project	0.130

The BOI approved Laguna Rooftop's registration as RE Developer for the following projects:

Award Date	Project Name	Capacity (MW _p)
December 19, 2022	ATC Solar Power Project	1.752
January 16, 2023	MMPC Phase 2 Solar Power Project	0.130
August 24, 2023	MMPC Phase 1 Solar Power Project	4.096

The BOI certifications served as the basis of entitlement to incentives under RA No. 9513, otherwise known as the RE Act of 2008, which grants Laguna Rooftop income tax holiday for a period of seven (7) years from the start of its commercial operation, duty free importation of machineries for ten (10) years, and zero-rated VAT among others.

On November 24, 2023, Laguna Rooftop received the Distributed Energy Resources Certificate of Compliance (COC) from the ERC. On January 8, 2024, the ATC solar power project started its commercial operations.

As of December 31, 2023, Laguna Rooftop is still in the process of securing the related COC from the ERC for the MMPC solar power projects.



29. Contracts and Commitments

SPNEC

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. ("TRHI") and its associated developments to SP Holdings, given that SP Holdings is a shareholder in TRHI and that SP Holdings 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 NE 2 Project and would form part of the expansion of the Parent Company's projects.

Memorandum of Agreements ("MOA") between SP Project Holdings, Prime Infra and Prime Metro

On February 9, 2023, the BOD of SPNEC approved the MOAs between SP Project Holdings and Prime Infra for their joint ventures in Terra Solar, Solar Tanauan Corporation ("Solar Tanauan"), and SP Tarlac. The MOAs cover the following:

- a) Amendments to the Shareholders' Agreement of Terra Solar between SP Project Holdings and Prime Infra 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 Terra Solar. Terra Solar has signed a 850 MW_{ac} Mid-Merit PSA with 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 SP Project Holdings to Prime Infra for ₱1.0 billion upon execution of the agreements, which would result in Prime Infra 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 MW_{ac}, has secured over 140 hectares of land, and is currently under construction.
- c) Redemption or purchase of preferred shares in SP Tarlac of Prime Metro by SP Tarlac or SP Project Holdings for ₱1.5 billion plus accrued dividends on or before March 31 2024, which, with additional equity, would result in SP Project Holdings (or SPNEC after the share swap) owning 100% of SP Tarlac. SP Tarlac has a PSA with Meralco for 85 MW_{ac}, has secured over 140 hectares of land, and currently has 100 MW operating and 50 MW under construction.

Terms of the MOAs applied to SPNEC upon the completion of its share swap with SP Project Holdings.

Deed of Assignment between SP Project Holdings and SPNEC

On May 16, 2023, a Deed of Assignment was entered between the Parent Company, as the assignee, and SP Project Holdings, as the assignor, whereby the latter assigned all its rights and obligations under the February 9, 2023 MOA with SP Project Holdings, Prime Infra, Prime Metro and SP Tarlac, including but not limited to SP Project Holdings' right to purchase Prime Metro's preferred shares in SP Tarlac on or before March 31 2024.

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

On February 7, 2022, the Parent Company secured a 10-year Offtake Agreement with AEC, distribution utility in Pampanga Province, under which the Parent Company will supply AEC 97.8 MWh daily, representing a portion of the NE 2 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.

On January 23, 2023, the Parent Company and AEC jointly filed the PSA with the ERC. As of April 12, 2024, the Parent Company and AEC are still awaiting the approval from the ERC.

The Parent Company provided a performance bond in relation to the NE 2 project amounting to ₱15.0 million valid until August 10, 2024.

As of December 31, 2023 and 2022, performance bond amounted to ₱15.0 million was presented as part of "Bonds" under "Other current assets" in the consolidated statements of financial position (see Note 7).

SP Calatagan

Connection Agreement

In 2015, the Connection Agreement was entered between SPCRPI, an affiliate of SP Calatagan, and National Grid Corporation of the Philippines ("NGCP") wherein the Calatagan Solar Power Plant's generation facility shall connect to NGCP's transmission system. SPCRPI assigned to SP Calatagan all of its rights and obligations under this agreement through a deed of assignment executed on February 3, 2017. A copy of the Connection Agreement was sent to the NGCP on the same day.

Transmission Service Agreement

Transmission Service Agreement dated May 24, 2016 was entered between SPCRPI and NGCP for the 69 kilovolt ("kV") line of NGCP along the Calatagan, Batangas area. SPCRPI assigned to SP Calatagan all of its rights and obligations under this agreement through a deed of assignment executed on February 3, 2017.



Metering Service Agreement

The Metering Service Agreement dated May 24, 2016 was entered between SPCRPI and NGCP wherein the latter is authorized to act as the metering service provider of the Calatagan Solar Power Plant which requires revenue metering facilities and services for measuring the energy consumed and/or generated by its grid-connected facilities. The term of the agreement started on February 26, 2016 and would expire on February 25, 2026, unless earlier terminated in accordance with the terms and conditions of the agreement. SPCRPI assigned to SP Calatagan all of its rights and obligations under this agreement through a deed of assignment executed on February 3, 2017.

The Connection Agreement, Transmission Agreement, and Metering Service Agreement of SP Calatagan with NGCP are governed by the rules, terms and conditions for the Provision of Open Access Transmission Service ("OATS") rules, which govern the provision of transmission services to qualified grid users.

FIT System

FIT is an incentive scheme under the RE Act of 2009 to attract investments and hasten the deployment of renewable energy sources. FIT provides priority treatment to renewable energy developers in terms of connection to the grid, purchase and transmission of and payment for by grid operators, and a fixed premium rate for a specified period of time. On March 14, 2016, the DOE issued COE-FIT No. S-2016-03-05, which entitles SP Calatagan to a base FIT rate of ₱8.69 per kWh for 20 years.

All eligible RE plants shall be entitled to the appropriate FITs as established and such FITs shall be paid by all on-grid electricity consumers in accordance with FIT system. An RE plant shall be deemed eligible upon issuance of COC authorizing to operate as FIT-eligible RE plant, subject to the term and conditions attached to it, among them, in compliance with the Philippine Grid Code (PGC) and other pertinent laws, rules and regulations of the ERC. SP Calatagan obtained its COC with No. 16-06-M-00072L from the ERC on June 29, 2016 valid from June 28, 2016 to June 27, 2021.

On June 24, 2021, SP Calatagan received a letter from the ERC granting a Provisional Authority to Operate ("PAO") for a period of one year from June 28, 2021 to June 27, 2022. On August 28, 2022, the ERC grant an extension of PAO for a period of one year from June 28, 2022 to June 27, 2023, pending SP Calatagan's compliance and submission of the necessary requirements. On August 15, 2023, ERC issued a certification for the second extension of PAO valid for a period of six months from the date of its issuance or until February 14, 2024. As of April 12, 2024, ERC is still in the process of evaluating the requirements for the renewal submitted by SP Calatagan.

On May 26, 2020, the ERC approved Resolution No. 06, Series of 2020 which adopted FIT rate adjustments, for the years 2016 to 2020 using 2014 as the base year for the consumer price index and foreign exchange. The said resolution was published in a newspaper of general circulation on November 17, 2020 and became effective 15 days after.

While waiting for the approval of the FIT rates for the years 2021 to 2023, management has assessed that the lower between the ERC approved 2020 FIT rates and the TransCo forecasted FIT rates for the years 2021 to 2023, represent the best estimate of the transaction price SP Calatagan will be entitled to in exchange of the delivered energy. It is expected that the adjusted FIT rates applicable for the years 2021 to 2023 will also be collected in arrears in accordance with the approval of the ERC.

As of December 31, 2023, the long-term receivable from TransCo amounted to ₱319.0 million (see Note 11). The current portion of the long-term receivables amounted to ₱57.3 million is presented as part of "Trade receivables" in the consolidated statements of financial position as of December 31, 2023 (see Note 5). For the year ended December 31, 2023, interest accretion on



receivables from TransCo amounted to P13.5 million which was presented under "Interest income" in the consolidate statement of income.

REPA

On March 17, 2016, SP Calatagan and TransCo, designated as the FIT-All Fund Administrator, entered into a REPA. The REPA-0037 dated March 17, 2016 for the 63.359 MW_p Calatagan Solar Power Plant was deemed effective as of July 4, 2016 through a letter signed by TransCo Officer-in-Charge. The REPA governs the rights and obligation of the parties in respect to the full payment of all actual renewable energy generation of SP Calatagan from March 11, 2016 to March 10, 2036, the period of SP Calatagan's FIT Eligibility Period.

WESM

Under Section 30 of Electric Power Industry Reform Act ("EPIRA"), the ERC may authorize entities to become eligible as members, either directly or indirectly, of the WESM. All generating companies, distribution utilities, suppliers, bulk consumers/end-users and other similar entities authorized by the ERC, whether direct or indirect members of the WESM shall be bound by the WESM spot market rules with respect to transactions in the market.

On February 24, 2016, SP Calatagan registered with Philippines Electricity Market System ("PEMCS") as Direct WESM Member and Trading Participant-Generator Category.

Energy Regulations No. 1-94

On March 10, 2016, SP Calatagan entered into a Memorandum of Agreement with the DOE for the establishment of Trust Accounts for Accrued Financial Benefits from the commercial operations of the 63.359 MW_p Solar Power Plant. This is in compliance with the provision in the EPIRA under R.A. 9136 and more importantly to help recognize the contributions of the host communities and the people affected by the project thereby lessening conflict and promoting cooperation among the stakeholders. Under this agreement, SP Calatagan should set aside one centavo per kilowatt hour (P0.01/kWh) of the total electricity sales as financial benefit to its host community.

SP Tarlac

PSAs with Meralco 75 MW to 85MW PSA

On August 25, 2017, SP Tarlac entered into a PSA with Meralco for the sale of 75 MW up to 85 MW of electricity for a period of 20 years from the commencement date at a price of P2.9999 per kWh subject to 2% annual escalation. SP Tarlac received the final approval of the 85MW PSA from the ERC on March 4, 2019. In accordance with 75MW to 85 MW PSA, the commencement is nine months from the receipt of the provisional approval from ERC which is on August 20, 2018. SP Tarlac and Meralco agreed that the Commercial Operation Date ("COD") of the Tarlac 1A Project was on September 26, 2020. SP Tarlac obtained its COC No. 19-09-M-00182L dated September 12, 2019 from ERC which was valid for five (5) years from September 12, 2019 to September 11, 2024.



In accordance with the provision of the 75 MW to 85 MW PSA, SP Tarlac shall supply or deemed supply replacement energy to Meralco from the commencement date of the PSA up to the COD of the Tarlac 1A Project.

As of December 31, 2023, the current portion of the replacement energy cost payable presented as others in the "Trade and other payables" amounted to ₱12.1 million, and the noncurrent replacement energy cost payable presented as "Other noncurrent liabilities" amounted to ₱95.4 million.

50 MW PSA at ₱2.3456/kWh

On August 17, 2018, Meralco awarded another PSA to SP Tarlac for the sale of 50 MW of electricity for a period of 20 years from the commencement date a price of ₱2.3456 per kWh subject to annual escalation rate of 16% starting on the 11th contract year. In March 2019, SP Tarlac and Meralco then jointly requested for the approval with the ERC. As of April 12, 2024, SP Tarlac is still waiting for the approval of ERC.

Connection Agreement

In 2017, SP Tarlac entered into Connection Agreement with NGCP where the former's Tarlac 1A solar power plant's generation facility shall connect to NGCP's transmission system.

Transmission Service Agreement

SP Tarlac has Transmission Service Agreement dated November 26, 2018 with NGCP for the 69 kV line of NGCP along the Concepcion, Tarlac area, which is valid until November 25, 2028.

Metering Service Agreement

SP Tarlac has a Metering Service Agreement with NGCP wherein the latter is authorized to act as the metering service provider of the Tarlac 1A Project which requires revenue metering facilities and services for measuring the energy consumed and/or generated by its grid-connected facilities. The agreement is valid until March 25, 2029, unless earlier terminated in accordance with the terms and conditions of the agreement.

Energy Regulations No. 1-94

On June 29, 2020 and January 20, 2021, SP Tarlac entered into Memorandum of Agreements with host communities in Brgy. Sta. Rosa and Municipality of Concepcion, Tarlac for the establishment of Trust Accounts for Accrued Financial Benefits from the commercial operations of the Tarlac 1A Project. This is in compliance with the provision in the EPIRA under R.A. 9136. Under this agreement, SP Tarlac should set aside one centavo per kilo watt hour (₱0.01/kWh) of the total electricity sales as financial benefit to the host communities. For the year ended December 31, 2023, benefits to host communities amounted to ₱1.9 million which is presented under "General and administrative expenses" in the consolidated statements of income (see Note 18).

SP Rooftop

EPC Agreements

Robinsons Land Corporation ("RLC")

On October 23, 2018, SP Rooftop entered into five (5) EPC agreements with RLC for the design, engineering, procurement of components for, and construction of PV systems for the project sites. As of December 31, 2023, SP Rooftop has completed the construction of four (4) projects and is in the process of completing the remaining activities on the remaining project. As of December 31, 2023, the remaining receivable amounted to ₱28.4 million (see Note 5).



Mitsubishi Motors Philippines Corporation ("MMPC")

In June 2023, SP Rooftop entered into an electrical system modification agreement with MMPC for the supply, delivery, installation, termination and testing of the electrical works of a solar PV system for a contract price of ₱5.8 million. The project was completed and completed on October 20, 2023.

Power Purchase Agreements ("PPA")

SP Rooftop entered into three (3) PPAs for the finance, design, construction, operation and maintenance of PV system electric generation ("PSEG") facilities on the rooftops of three (3) establishments. Each PPA shall be for a term of 20-25 years, throughout which SP Rooftop shall make available all the energy output produced by PSEG facilities installed on the rooftops of each mall at the applicable payment rates stipulated in each PPA. As of December 31, 2023, SP Rooftop has three (3) PPAs. Under each PPA, SP Rooftop shall own the PSEG facilities and all the associated environmental attributes, and shall be entitled to own, claim and retain any and all the tax benefits and incentives associated with the ownership of the PSEG facilities, unless the respective mall owners purchase the PSEG facilities as allowed in the purchase option provisions of each PPA.

For the year ended December 31, 2023, SP Rooftop recognized revenue from sale of electricity amounting to ₱2.6 million. As of December 31, 2023, the outstanding receivable from sale of electricity amounted to ₱0.9 million (see Note 5).

Energy Equipment Leasing and Service Agreements (EELSA)

SP Rooftop has entered into six (6) different EELSA where SP Rooftop will develop, construct, operate and lease solar generation facilities totaling to around 4.5MW_p. Each EELSA shall have a term of 25 years beginning on the day the solar generation facility unit was commissioned.

Under each EELSA, SP Rooftop shall own the solar generation facility units as well as the improvements and shall be entitled to retain ownership upon expiration of the term subject to certain conditions. As of December 31, 2023, the construction of five (5) projects are in progress, while one has not yet started construction.

SP Retail Electricity

WESM

Under Section 30 of EPIRA, the ERC may authorize entities to become eligible as members, either directly or indirectly, of the WESM. All generating companies, distribution utilities, suppliers, bulk consumers/end-users and other similar entities authorized by the ERC, whether direct or indirect members of the WESM shall be bound by the WESM spot market rules with respect to transactions in the market.

On February 18, 2020, SP Retail Electricity was registered with IEMOP as Direct Member – RES Category.

Laguna Rooftop

PPA with DGA

On September 15, 2020, SP Rooftop and DGA entered into PPAs with ATC and MMPC to finance, construct, install, test, own, operate, and maintain PV systems. ATC and MMPC agreed to purchase all the energy output produced by the PV systems at the applicable payment rates stipulated in the PPAs. The PPAs have a term of 20 years and 25 years, respectively.

On October 27, 2021, Laguna Rooftop entered into a Deed of Assignment with SP Rooftop and DGA to assign all their rights, benefits, titles and obligations of the Assignors in and to the PPA with ATC to Laguna Rooftop, respectively. Subsequently, on April 28, 2022, Laguna Rooftop entered into a



similar agreement with the Assignors to assign all their rights, benefits, titles and obligations in and to the PPA with MMPC to Laguna Rooftop. ATC and MMPC, unconditionally and irrevocably, consented, acknowledged and agreed to the assignment.

On October 19, 2022, Laguna Rooftop and MMPC entered into a compensation agreement wherein Laguna Rooftop agreed to pay ₱14,000 for every day of delay on the agreed project timeline. The agreed construction completion date and commercial operation date were set on October 15, 2022 and December 9, 2022, respectively. However, due to delays on the construction, Laguna Rooftop incurred compensation charges amounting to ₱5.1 million in 2023.

The commercial operations date of the ATC Solar Power Project is on January 8, 2024. As of April 12, 2024, the remaining projects of Laguna Rooftop are estimated to be completed in 2024.

Master EPC Contract

On January 7, 2022, Laguna Rooftop entered into a Master EPC Contract with SP Rooftop to establish a framework within which Laguna Rooftop may issue confirmation memorandums for the performance of works in relation to the design, engineering, procurement, construction works, testing and commissioning of PV systems.

Confirmation Memorandums

In 2022, Laguna Rooftop entered into three (3) confirmation memorandums with SP Rooftop for the engineering, procurement and construction works of PV systems for the following project sites:

Project Name	Location	Contract Price
MMPC Phase 1 Solar Power Project	Sta. Rosa, Laguna	₱149,524,531
ATC Solar Power Project	Calumba, Laguna	68,247,200
MMPC Phase 2 Solar Power Project	Sta. Rosa, Laguna	8,856,663
		₱226,628,394

Laguna Rooftop is entitled to claim damages from SP Rooftop on the delay from the date of provisional acceptance of the PV systems, such claims will be utilized to pay for compensation charges of MMPC.

As agreed with SP Rooftop, Laguna Rooftop is entitled to claim damages equal to the total compensation charges finally agreed with MMPC.

Terra Solar

PSA with Meralco

On October 24, 2022, Terra Solar entered into a PSA with Meralco to provide and sell electricity for Contract Capacity of 850 MW. Terra Solar intends to construct at least 2,500 MW solar power plant and 400 MW battery energy storage system to make available the Contract Capacity. This shall be delivered to Meralco into two phases: Phase 1 or 600 MW is scheduled to be delivered by February 26 2026, and the Phase 2 or 250 MW is scheduled to be delivered by February 26 2027. The PSA shall expire on the 20th year following the commercial operations date of Phase 2, renewable for another one year.

On February 15, 2023, Terra Solar and Meralco filed a joint application of the PSA dated November 2, 2022 for the approval with the ERC. Terra Solar and Meralco obtained the ERC's approval of the PSA which was docketed under ERC Case No. 2023-014 RC dated August 18, 2023. Terra Solar and Meralco shall only be allowed to implement the aforementioned PSA upon submission of required documents to the ERC.



INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY SCHEDULES

The Board of Directors and Stockholders
SP New Energy Corporation
20th 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 (a subsidiary of MGen Renewable Energy, Inc.) and its subsidiaries (collectively referred to as the "Group") as at December 31, 2023 and 2022, and for the year ended December 31, 2023, for the six-month period ended December 31, 2022 and for the year ended June 30, 2022, and have issued our report thereon dated April 12, 2024. 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 basic consolidated financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, fairly state, in all material respects, the financial information required to be set forth therein in relation to the basic 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

BIR Accreditation No. 08-001998-103-2022, November 7, 2022, valid until November 6, 2025

PTR No. 10079942, January 5, 2024, Makati City

April 12, 2024



INDEPENDENT AUDITOR'S REPORT ON COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS

The Board of Directors and Stockholders
SP New Energy Corporation
20th 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 (a subsidiary of MGen Renewable Energy, Inc.) and its subsidiaries (collectively referred to as the "Group") as at December 31, 2023 and 2022, and for the year ended December 31, 2023, for the six-month period ended December 31, 2022 and for the year ended June 30, 2022, and have issued our report thereon dated April 12, 2024. Our audits were made for the purpose of forming an opinion on the basic 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 basic consolidated financial statements prepared in accordance with PFRSs. The components of these financial soundness indicators have been traced to the Group's consolidated financial statements as at December 31, 2023 and 2022, and for the year ended December 31, 2023, for the six-month period ended December 31, 2022 and for the year ended June 30, 2022 and no material exceptions were noted.

SYCIP GORRES VELAYO & CO.



Joanna 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

BIR Accreditation No. 08-001998-103-2022, November 7, 2022, valid until November 6, 2025

PTR No. 10079942, January 5, 2024, Makati City

April 12, 2024



SP NEW ENERGY CORPORATION
(A Subsidiary of MGen Renewable Energy, Inc.)
AND SUBSIDIARIES

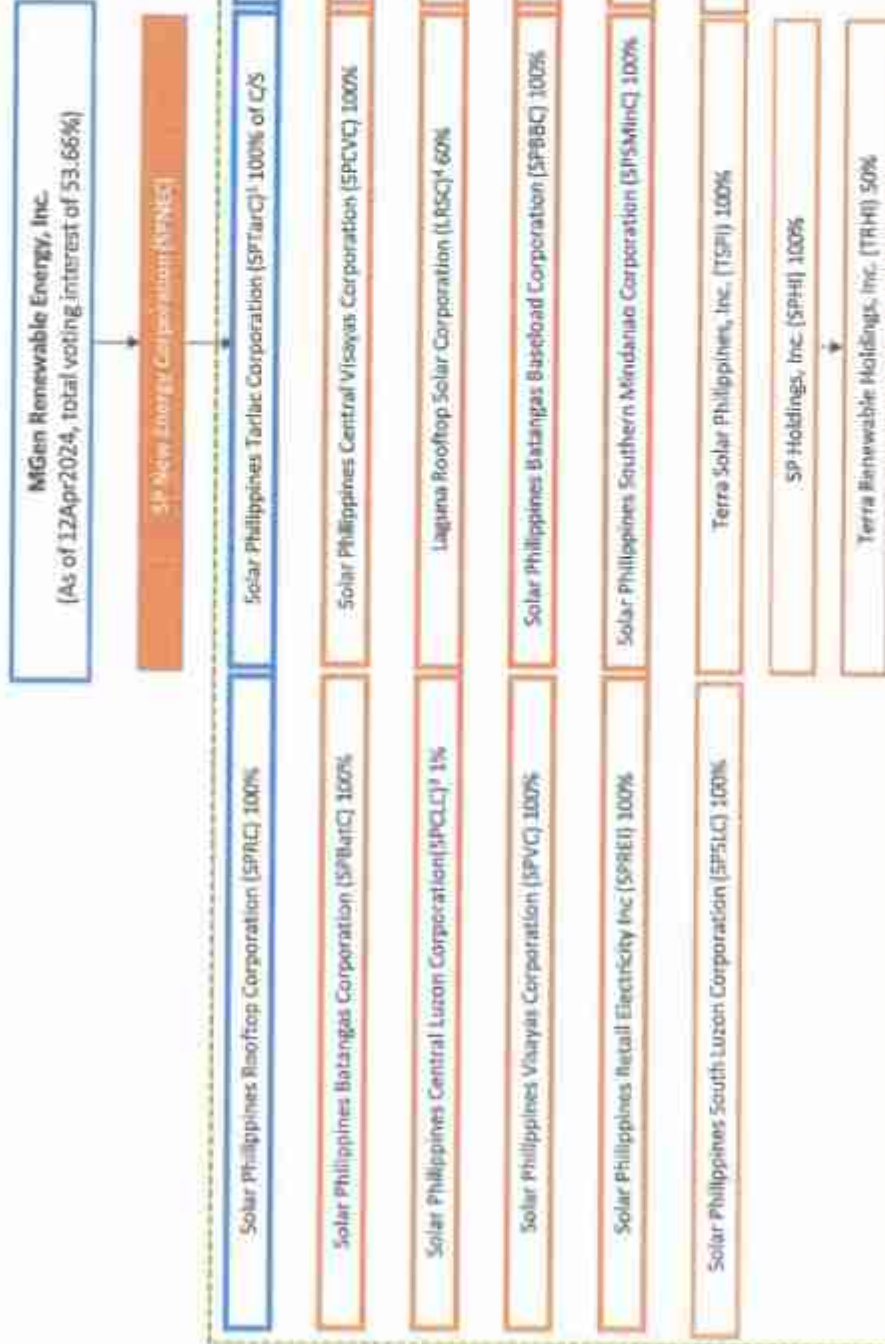
INDEX TO THE CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHEDULES
DECEMBER 31, 2023

Schedule	Contents
<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-subsiidiaries
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
D	Long-Term Debt
E	Indebtedness to Related Parties
F	Guarantees of Securities of Other Issuers <i>(not applicable)</i>
G	Capital Stock

SP NEW ENERGY CORPORATION**(A Subsidiary of MGen Renewable Energy, Inc.)****SUPPLEMENTARY SCHEDULE OF RETAINED EARNINGS****AVAILABLE FOR DIVIDEND DECLARATION****DECEMBER 31, 2023**

Deficit, January 1, 2023		(P121,718,325)
Add: Deferred tax assets		(10,201,126)
Deficit, January 1, 2023, as adjusted		(131,919,451)
Net loss during the year closed to deficit	(P104,993,864)	
Less: Non-actual/unrealized income (net of tax)		
Benefit from income tax - deferred	910,119	
Net loss actual/realized during the year		(104,083,745)
TOTAL DEFICIT, December 31, 2023		(P236,003,196)

SP New Energy Corporation & Subsidiaries
Corporate Structure



Notes:

1. In partnership with Prime Metro Power Holdings Corporation
2. In partnership with KEPCO Philippines Holdings, Inc.
3. In partnership with AC Energy Corporation
4. In partnership with DGA SP B.V.

Legend:

- Operating Entities
- Non-operating Entities

SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS

SP New Energy Corporation
(Formerly Solar Philippines Nueva Ecija Corporation)
and Subsidiaries
As of December 31, 2023 and 2022

Ratio	Formula	December 2023	December 2022
Current ratio	Dividing total current assets over total current liabilities	7.65	16.52
Acid test ratio	Dividing total current assets less inventory over total current liabilities	7.63	16.52
Solvency ratio	Dividing net income excluding depreciation and non-cash provisions over total debt obligations	0.70	N/A
Debt-to-equity ratio	Dividing total liabilities over stockholders' equity	0.21	0.07
Asset-to-equity ratio	Dividing total assets over total stockholders' equity	1.21	1.07
Interest rate coverage ratio	Dividing earnings before interest and taxes of one period over interest expense of the same period	36.70	N/A
Net debt-to-equity Ratio	Dividing total interest-bearing debts less cash and cash equivalents over total stockholders' equity	-0.16	N/A
Return on equity (%)	Dividing the net income (annual basis) by total stockholders' equity (average)	14.02%	N/A
Return on assets (%)	Dividing the net income (annual basis) by the total assets (average)	11.62%	N/A

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 ECLJA CORPORATION

SCHEDULE A - FINANCIAL ASSETS

As of December 31, 2023

FINANCIAL ASSETS	Name of Issuing Entity & association of each use	Amount shown in the balance sheet	Income received and accrued
Loans and receivables:			
Cash and cash equivalents		10,040,424,627	29,993,447
Trade Receivables		286,288,062	
Due from related parties		126,920,310	
Loans and notes receivables		-	
Advances to employees		553,434	
Non-trade Accounts Receivables		1,319,056	
Long term receivables		318,977,637	
Debt Service Reserve Account		575,810,259	
Financial assets at FVOCI			
Equity Investments			
Debt Investments			
Financial asset at FVPL			
Derivative Assets			
TOTAL		11,350,293,386	29,993,447

SOLAR PHILIPPINES NUEVA ECLJA CORPORATION
 SCHEDULE E - INDEBTEDNESS TO RELATED PARTIES
 As of December 31, 2023

Name of Related Parties	Balance at beginning of period	Balance at end of period
SOLAR PHILIPPINES POWER PROJECT HOLDINGS, INC.	22,770,229.00	536,656,775.09
COUNTRYSIDE INVESTMENTS HOLDINGS CORPORATION	-	37,552,682.38
TERRA RENEWABLES HOLDINGS, INC.	-	33,988,926.11
DGA SP B.V.	-	244,442.88

SOLAR PHILIPPINES NUEVA ECLJA CORPORATION

SCHEDULE B - AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES AND PRINCIPAL STOCKHOLDERS (OTHER THAN RELATED PARTIES)

As of December 31, 2023

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	79,198	2,827,037	(2,352,801)		553,434	-	553,434
Directors							
TOTAL	79,198	2,827,037	(2,352,801)	-	553,434	-	553,434

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 ECUA CORPORATION
SCHEDULE C - Amounts Received from Related Parties which are Reimursed during the Consolidation of Financial Statements
As of December 31, 2022

Name of Related Party	Balance at January 1, 2022	Additions	Amounts Collected	Offsetting	Reclassification	Cumulative Translation Adjustment	Current	Non-Current	Amount Estimated
Terra Nueva, Inc.	1,403,059,342.56	730,138,884	(183,900,000.00)	(66,814,432.21)	-	-	3,102,481,494	-	3,102,481,494
SP Holdings, Inc.		220,000,000	-	-	-	-	220,000,000	-	220,000,000
Solar Philippines Realty Corp.		14,350,000	(2,000,000.00)	-	-	-	12,350,000	-	12,350,000
Solar Philippines Batangas Board Corp.		3,200,000	-	-	-	-	3,200,000	-	3,200,000
Solar Philippines Eastern Corp.		20,000	-	-	-	-	20,000	-	20,000
Solar Philippines Viayas Corp.		11,000	-	-	-	-	11,000	-	11,000
Solar Philippines Batangas Corp.		1,000	-	-	-	-	1,000	-	1,000
TOTAL	1,403,059,342.56	997,870,684	(185,900,000.00)	(66,814,432.21)	-	-	3,238,213,494	-	3,238,213,494

SOLAR PHILIPPINES NUEVA ECLJA CORPORATION
SCHEDULE F - GUARANTEES OF SECURITIES OF OTHER ISSUERS
As of December 31, 2023

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, 2023

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	50,000,000,000	34,373,050,000		24,607,535,998	6

ANNEX B



**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 "LL", 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 "HPL", written over a horizontal line.

HAZEL IRIS P. LAFUENTE
Assistant Treasurer

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

Signed this ____ day of _____, 2023.

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

NOTARY PUBLIC

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Series of 2023

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. 86628 / 05-23-16
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

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
L L A G E , B A R A N G A Y S A N L O R E N Z O ,
M A K A T I C I T Y 1 2 2 9

Form Type

A C 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

(+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

20th 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.

NOTE 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
20th 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 those 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 P2,026.9 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 Joanna Feliza C. Go.

SYCIP GORRES VELAYO & CO.

Thomas J. C. G.

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, Makuti 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
ASSETS		
Current Assets		
Cash (Notes 4 and 16)	P37,232,084	P886,758,302
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
Total Current Assets	1,528,374,908	1,449,247,690
Noncurrent Assets		
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
Total Noncurrent Assets	4,675,348,302	1,954,480,680
TOTAL ASSETS	P6,203,723,210	P3,403,728,370
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and accrued expenses (Notes 10, 11 and 16)	P65,218,072	P13,000,260
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
Total Current Liabilities	92,526,977	40,331,284
Noncurrent Liabilities		
Lease liabilities - net of current portion (Notes 15 and 16)	298,599,744	289,340,172
Total Liabilities	391,126,721	329,671,456
Equity (Note 12)		
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)
Total Equity	5,812,596,489	3,074,056,914
TOTAL LIABILITIES AND EQUITY	P6,203,723,210	P3,403,728,370

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**

	December 31, 2022 (Six Months)	June 30, 2022 (One Year)	June 30, 2021 (One Year)
INTEREST INCOME (Note 4)	P2,398,960	P548,180	P6,090
EXPENSES (Note 13)	42,543,655	72,498,183	22,674,993
LOSS BEFORE INCOME TAX	40,144,695	71,950,003	22,668,903
PROVISION FOR (BENEFIT FROM) INCOME TAX - DEFERRED (Note 14)	265,138	(11,370,555)	904,291
NET LOSS	40,409,833	60,579,448	23,573,194
OTHER COMPREHENSIVE INCOME	-	-	-
TOTAL COMPREHENSIVE LOSS	P40,409,833	P60,579,448	P23,573,194
Basic/Diluted Loss Per Share (Note 17)	P0.0043	P0.0087	P0.0511

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

	Capital Stock			Additional Paid-in Capital	Deficit	Total
	Subscribed	Subscription Receivable				
Balances at June 30, 2020	P250,000	(P187,500)	P-	(P15,374,983)	(P15,312,483)	
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)	
Balances at June 30, 2022	812,435,001	-	2,347,338,021	(85,716,108)	3,074,056,914	
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)	
Balances at December 31, 2022	P1,000,000,000	P-	P4,938,722,430	(P126,125,941)	P5,812,596,489	

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

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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.

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 (P), the Group's functional and presentation currency. All amounts are rounded to the nearest P, 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*

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 P1,525.2 million and P1,445.3 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:

	December 31, 2022	June 30, 2022
Deposits for land acquisition (Note 8)	P2,026,892,396	P621,499,933
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	286,910,493
Other noncurrent assets (Note 9)	654,395,146	114,218,372
Balances at end of year	P4,665,147,176	P1,944,014,416

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 P30.2 million and P31.0 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 P254.4 million and P190.6 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).

4. Cash

	December 31, 2022	June 30, 2022
Cash in banks	P37,132,084	P886,658,302
Cash on hand	100,000	100,000
	P37,232,084	P886,758,302

Cash in banks earn interest at the respective bank deposit rates. Total interest earned on cash in banks, net of final tax, amounted to P2.4 million, P0.5 million and P6,090 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.

5. Other Current Assets

	December 31, 2022	June 30, 2022
Surety and performance bond (Note 20)	P15,000,000	P15,000,000
Prepaid premiums (Notes 13 and 20)	2,969,843	1,350,000
Cash bond deposit (Note 15)	552,038	552,038
Others	116,962	3,887,350
	P18,638,843	P20,789,388



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
Cost:			
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
Balances at end of the period	207,600	1,389,549,741	1,389,757,341
Accumulated depreciation, amortization and impairment losses:			
Depreciation (Note 13)	13,840	-	13,840
Balances at end of the period	13,840	-	13,840
Net book value	₱193,760	₱1,389,549,741	₱1,389,743,501

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

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)	₱500,000,000	₱—
Input VAT	144,640,016	96,601,001
Deferred input VAT	480,000	1,200,000
Advances to contractors	—	8,295,392
Others (Note 15)	9,403,298	8,250,146
	654,523,314	114,346,539
Less allowance for impairment of input VAT	(128,168)	(128,168)
	₱654,395,146	₱114,218,371



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).

10. Accounts Payable and Accrued Expenses

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

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	P500,000,000	P-	P-	P500,000,000	P-	Refundable, non-interest bearing	Unsecured; Not impaired
<i>Deposits for land acquisition (Note 8)</i>							
LHHC	P-	P-	P270,000,000	P270,000,000	P270,000,000	Deposits; non-interest bearing	Unsecured; Not impaired
PIC	-	-	267,000,000	267,000,000	267,000,000	-do-	-do-
				P537,000,000	P537,000,000		
<i>Due from related parties</i>							
<i>Ultimate Parent Company</i>							
SPPPHI	P8,700,000	P-	P-	P8,700,000	P-	Due and demandable; non-interest bearing	Unsecured; Not impaired
<i>Affiliates:</i>							
SPHI	251,890,000	-	-	793,590,000	541,700,000	-do-	-do-
SPCRPI	19,098,320	-	-	19,098,320	-	-do-	-do-
				P12,688,320	541,700,000		
				P811,308,320	P541,700,000		
<i>Due to a related party</i>							
SPPPHI	P-	P6,966,300	P4,945,000	P22,778,229	P22,792,348	Due and demandable; non-interest bearing	Unsecured
<i>Accounts payable (Note 10)</i>							
SPPPHI	P80,000,000	P24,000,000	P4,000,000	P12,700,000	P9,700,000	Due and demandable; non-interest bearing	Unsecured
SMSC	23,450,790	-	-	2,339,094	-	-do-	-do-
				P15,039,094	P9,700,000		

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 P2.0 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. LHHC

MOA with LHHC

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

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

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:

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

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

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

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

Period Incurred	Valid Until	Amount
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
		P254,375,252



The movements in NOLCO are as follows:

	For the six-month period ended*	For the year ended
Balances at beginning of period	P190,618,674	P19,078,574
Additions	68,221,542	172,229,330
Expirations	(4,464,964)	(689,230)
Balances at end of period	P254,375,252	P190,618,674

*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 P254.8 million and P190.6 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	P286,910,494	P297,751,234
Amortization capitalized to construction in progress*	(2,836,178)	(5,420,370)
Amortization during the period (Note 13)	(2,584,193)	(5,420,370)
Balances at end of period	P281,490,123	P286,910,494

*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	P293,878,848	P289,525,826
Interest expense capitalized to construction in progress*	4,726,877	9,215,478
Interest expense (Note 13)	4,532,695	9,142,009
Payments	-	(14,004,465)
Total lease liabilities	303,138,420	293,878,848
Current portion of lease liabilities	(4,538,676)	(4,538,676)
Noncurrent portion of lease liabilities	P298,599,744	P289,340,172

*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	P4,532,695	P9,142,009	P7,648,652
Amortization of ROU assets	2,584,193	5,420,370	4,038,265
Total amount recognized in the consolidated statements of comprehensive income	P7,116,888	P14,562,379	P11,686,917

- g. As of December 31, 2022 and June 30, 2022, cash bond deposit amounting to P0.6 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
	(In Thousand Pesos)				
Financial assets at amortized cost:					
Cash in banks	P37,132	P-	P-	P-	P37,132
Subscription receivable	651,116	-	-	-	651,116
Due from related parties	821,388	-	-	-	821,388
Performance bond and cash bond deposit	15,552	-	-	-	15,552
	P1,525,188	P-	P-	P-	P1,525,188
Financial liabilities at amortized cost:					
Accounts payable	P15,839	P-	P-	P-	P15,839
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
	P45,185	P4,539	P101,981	P567,270	P718,975

	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	P886,658	P-	P-	P-	P886,658
Due from related parties	541,700	-	-	-	541,700
Performance bond and cash bond deposit	15,552	-	-	-	15,552
	P1,443,910	P-	P-	P-	P1,443,910
Financial liabilities at amortized cost:					
Accounts payable	P9,767	P-	P-	P-	P9,767
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
	P39,636	P4,539	P91,597	P577,654	P713,426

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 P233.1 million and P253.4 million as of December 31, 2022 and June 30, 2022 respectively, while the carrying value of the lease liabilities amounted to P303.1 million and P293.9 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:

	December 31, 2022	June 30, 2022
Capital stock	P1,000,000,000	P812,435,001
Additional paid-in capital	4,938,722,430	2,347,338,021
Deficit	(126,125,941)	(85,716,108)
	P5,812,596,489	P3,074,056,914

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

17. Basic/Diluted Loss Per Share

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

	December 31, 2022 (Six Months)	June 30, 2022 (One Year)	June 30, 2021 (One Year)
(a) Net loss attributable to equity holders of the Parent Company	P40,409,833	P60,579,448	P23,573,194
(b) Weighted average number of common shares outstanding	9,374,783,335	6,999,350,005	461,195,834
Basic/diluted loss per share (a/b)	P0.0043	P0.0087	P0.0511

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

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:

- 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	P22,792,348	P–	(P22,119)	P22,770,229
Lease liabilities	293,878,848	–	9,259,572	303,138,420
Total liabilities from financing activities	P316,671,196	P–	P9,237,453	P325,908,649

June 30, 2022

	July 1, 2021	Cash flows	Others	June 30, 2022
Due to a related party	P22,792,348	P–	P–	P22,792,348
Lease liabilities	289,525,826	(14,004,465)	18,357,487	293,878,848
Total liabilities from financing activities	P312,318,174	(P14,004,465)	P18,357,487	P316,671,196

June 30, 2021

	July 1, 2020	Cash flows	Others	June 30, 2021
Due to a related party	P15,366,623	P7,425,725	P–	P22,792,348
Lease liabilities	45,275,983	–	244,249,843	289,525,826
Total liabilities from financing activities	P60,642,606	P7,425,725	P244,249,843	P312,318,174



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 RESSs, 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).

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 SPPHI 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 P1.5 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
20th 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
20th 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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AND SUPPLEMENTARY SCHEDULES
DECEMBER 31, 2022**

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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

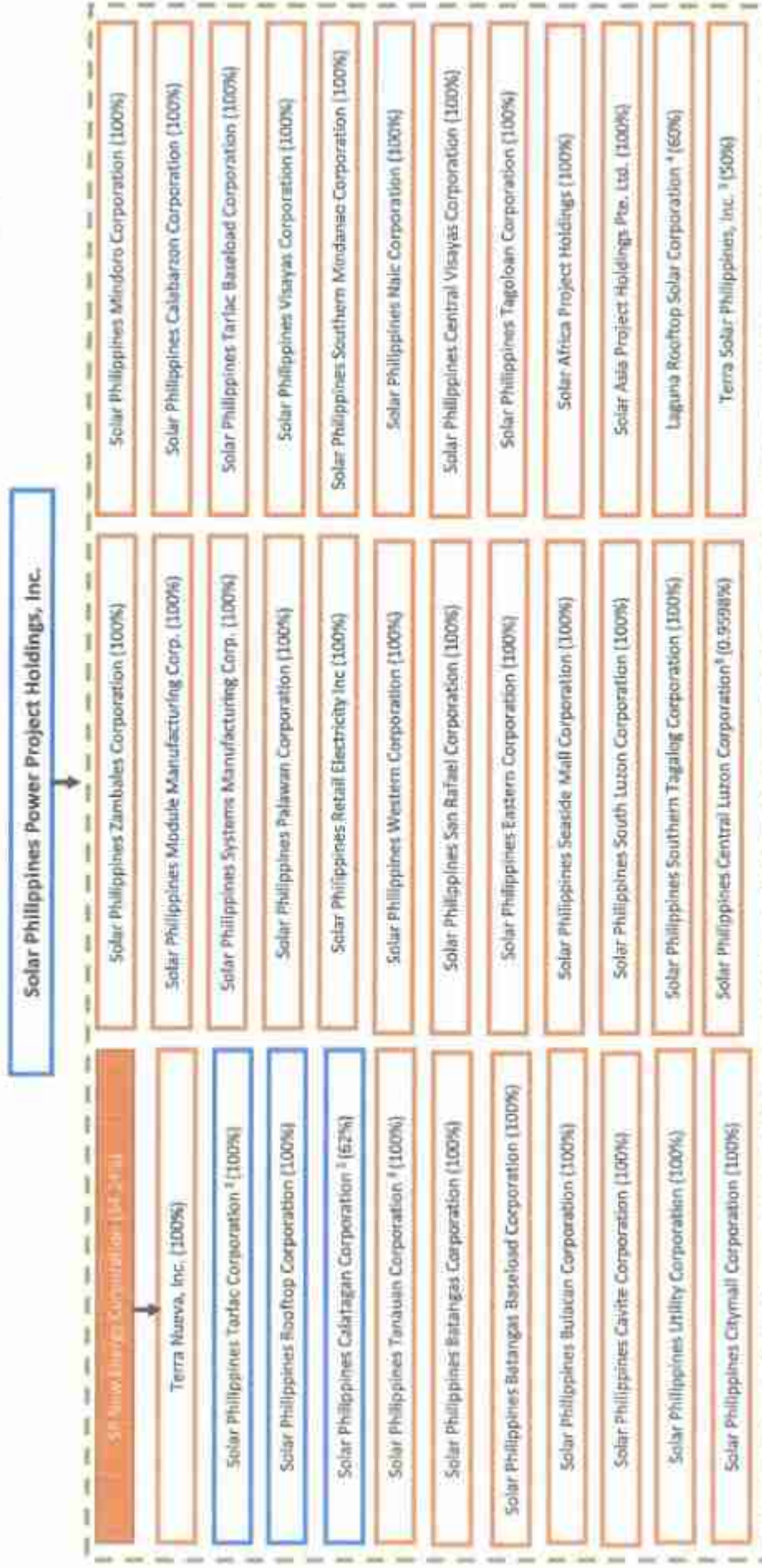
SP NEW ENERGY CORPORATION
(Formerly Solar Philippines Nueva Ecija Corporation,
a Subsidiary of Solar Philippines Power Project Holdings, Inc.)

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)
TOTAL DEFICIT, December 31, 2022		(P131,919,451)



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



Notes:

- 1 In partnership with Prime Metro Power Holdings Corporation
- 2 In partnership with KIPCO 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

Ratio	Formula	December 2022	June 2022
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 6B-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			

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
Loans and receivables:			
Cash and cash equivalents		37,232,084	2,398,960
Trade Receivables			
Due from related parties		821,388,320	
Loans and notes receivables			
Advances to employees			
Non-trade Accounts Receivables			
Long term receivables			
Debt Service Reserve Account			
Financial assets at FVOCI			
Equity Investments			
Debt Investments			
Financial asset at FVPL			
Derivative Assets			
TOTAL		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							
TOTAL	17,923	978,082	(916,807)	-	79,198	-	79,198

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 ECLIA CORPORATION
 SCHEDULE C - Amounts Receivable from Related Parties which are Eliminated during the Consolidation of Financial Statements
 As of December 31, 2023

Name of Related Party	Balance at July 1, 2023	Additions	Amounts Collected	Offsetting	Reclassification	Cumulative Translation Adjustment	Current	Non-Current	Amount Eliminated
Terra Huma, Inc.	-	1,603,059,243	-	-	-	-	1,603,059,243	-	1,603,059,243
TOTAL	-	1,603,059,243	-	-	-	-	1,603,059,243	-	1,603,059,243

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 ECLJA 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 ECLJA 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	0

Sustainability Report 2023

Contextual Information

Name of Organization:	SP New Energy Corporation (SPNEC)
Location of Headquarters:	20 th Floor AIA Tower, 8767 Paseo de Roxas, Barangay Bel-Air, Makati City, Philippines 1226 ¹
Location of Operations:	Barangay Las Piñas, Municipality of Peñaranda, Province of Nueva Ecija
Report Boundary: (Legal entities and subsidiaries included in this report)	Limited to SP New Energy Corporation (SPNEC)
Business Model, including Primary Activities, Brands, Products, and Services:	Renewable energy development and power generation
Reporting Period:	2023
Highest Ranking Person responsible for this report:	Chief Compliance Officer

** If you are a holding company, you could have an option whether to report on the holding company only or include the subsidiaries. However, please consider the principle of materiality when defining your report boundary.*

Materiality Process²

Explain how you applied the materiality principle (or the materiality process) in identifying your material topics.
<p>SPNEC's primary purpose is the development of renewable energy power facilities and the conversion of renewable energy into usable form fit for electricity generation and distribution. Materiality is limited to the Company's operations which have actual and relevant environmental, social, and/or community impact.</p> <p>It is noteworthy that in November 2023, MGen Renewable Energy, Inc. (MGreen) entered into a Subscription Agreement to acquire shares of SPNEC. The agreement resulted to MGreen acquiring 50.53% of the total issued and outstanding capital stock of SPNEC, which was effective upon the approval application for the second increase in authorized capital stock with the SEC, this was subsequently approved on 17 January 2024.</p> <p>We note that SPNEC is in a state of transition, validation, and consolidation of data following the acquisition of MGreen of the controlling stake of SPNEC and consequently is based on matters known to the current management of SPNEC.</p> <p>Notwithstanding the foregoing, SPNEC remains committed to the objectives of this sustainability requirements and shall continually improve its sustainability reporting which includes the identification, monitoring, and discussion of the Company's impacts and relevant actions in succeeding reports.</p>

¹ 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.

² See GRI 102-46 (2016) for more guidance.

ECONOMIC PERFORMANCE

Direct Economic Value Generated and Distributed

Disclosure	Amount	Units
Direct economic value generated (revenue)	635,451,217	PhP
Direct economic value distributed:		
a. Operating costs ³	315,979,451	PhP
b. Employee wages and benefits	11,123,826	PhP
c. Payments to suppliers, other operating costs ⁴	134,794,630	PhP
d. Dividends given to stockholders and interest payments to loan providers ⁵	198,370,900	PhP
e. Taxes given to government	40,924,882	PhP
f. Investments to community (e.g. donations, CSR) ⁶	32,194,565	PhP

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
Primary business operations. Impact is caused by the Company's relationship with its stakeholders.	Shareholders, Business Partners (suppliers, customers, contractors, etc.), Government, and Host Communities	<p>The Company aims to be an enabler of development of the provinces in the Philippines through provision of green energy for development. SPNEC also seeks to accelerate the adoption of solar energy through project development.</p> <p>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 paid to the local governments during the development phase and once the projects start commercial operations.</p> <p>SPNEC continuously engage with various stakeholders and be receptive to their feedback for the company to provide better service and work for their greater benefit.</p>

³ Excludes salaries and wages amounting to PhP 11,123,826.

⁴ Refers to General and Administrative Expenses excluding Taxes and Licenses of PhP 40,924,882 and Others of PhP 32,194,565.

⁵ Sum of payments of interests of PhP 130,800,478 and dividends of PhP 91,570,424.

⁶ Includes government share, benefits to host communities, procurement, retained fees, trust fees, utilities, miscellaneous and representation.

What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
<p>The following risks may adversely impact SPNEC's operations, and financial performance and position:</p> <p>Occurrence of Climate-related events (e.g., flooding, earthquake, etc.) that could impact the power plant's integrity and reliability.</p> <p>Market-related risks such as high inflation, interest rate volatility, and economic downturn which could translate to higher costs</p> <p>Failure to respond with speed and agility to regulatory changes might impede the Company's ability to service its customers.</p> <p>Loss of key personnel related to the Company's management and operations.</p> <p>Any Possible claims against the Company or other unforeseen events</p>	Shareholders, Business Partners (suppliers, customers, contractors, etc.), Government, and Host Communities	SPNEC's Management Team routinely conducts internal assessments to ensure that risks are properly addressed and mitigated. Further, the Company's internal policies provide adequate guidance on enterprise-wide risk management and oversight.

What are the Opportunity/es Identified?	Which stakeholders are affected?	Management Approach
<p>SPNEC identified the following opportunities with respect to its business:</p> <p>Maximizing the capacity of the solar power plants that the Company owns or developing.</p> <p>Expansion beyond where the power plant is being developed.</p> <p>Investments in projects once commercial operations start.</p>	Shareholders, Business Partners (suppliers, customers, contractors, etc.), Government, and Host Communities	SPNEC is in the process of developing one of the largest solar power plants in Asia, as such it continually seeks strategic partnerships for funding, operations, among others.

Climate-related risks and opportunities?

Governance	Strategy	Risk Management	Metrics and Targets
The Company, through its Board (<i>en banc</i>) and Board-level Committees institutionalize SPNEC's Corporate Governance (CG) Manual, Policies, and Strategies which serves as the primary guidance on all aspects of governance and sustainability.	SPNEC, as a Renewable Energy Company, is at the forefront of mitigating the risks that stem from climate change. Mindful of the potential impacts of climate-change induced events on its business, the Company aims to maximize available technologies to monitor and mitigate risks.	The Board and Board-level Committees are mandated to ensure SPNEC's compliance with its CG Manual and prevailing environmental laws and regulations.	While the Company is in transition, it is in the process of identifying, consolidating, and monitoring relevant metrics and targets.
Recommended Disclosures			
Not applicable.	Not applicable.	Not applicable.	Not applicable.

Note: The Company does not have sufficient information to fully assess its climate-related risks and opportunities yet given its current state of transition. The Company has yet to implement an integrated program that will monitor and measure climate-related risks and opportunities through a pre-agreed set of metrics and milestones.

Procurement Practices

Proportion of spending on local suppliers

Disclosure	Quantity	Units
Percentage of procurement budget used for significant locations of operations that is spent on local suppliers	n/a	%

Note: The Company is currently in a state of transition and has yet to establish procurement practices geared towards identifying, measuring, and sufficiently monitoring this metric.

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
SPNEC's diversified suppliers' base. The Company also has a construction management services contract with its ultimate parent company, SPPPHI, which includes the procurement of its requirements.	Business Partners and Host Communities	The Company, through its sub-contractor, aims to tap local businesses and residents for its requirements for the construction and operation its solar power plant project. Through this, SPNEC spur economic activity that may lead to sustainable progress at the grassroots level.

⁷ Adapted 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.

What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
<p>Reliability and competence of suppliers to perform the requirements of its sub- contractor.</p> <p>Competitiveness of the costs associated with tapping local communities in the development of the project.</p>	Business Partners and Host Communities	The Company has manuals for construction, as well as health, safety, and welfare policies, for purposes of the development, and operations & maintenance (O&M) of its power plants. Management ensures that these are implemented and followed accordingly
What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
Development and implementation of Procurement policies once the Company establishes its own Procurement unit once transition is completed.	Employees, Business Partners, and Host Communities	The Company is in the process of establishing its own procurement unit guided by a clear set of policies and rules.

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	Nil	%
Percentage of business partners to whom the organization's anti-corruption policies and procedures have been communicated to	Nil	%
Percentage of directors and management that have received anti-corruption training	Nil	%
Percentage of employees that have received anti-corruption training	Nil	%

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
SPNEC's existing and potential business relationship is maintained by Directors/ Management Officers. These relationships ensure the unimpeded development/ operations of the Company and its facilities.	Directors and Management Officers, Business Partners, Government, General Public	SPNEC remains committed to improving its anti-corruption drive through its Policy on Corporate Governance and Ethics, among others.
What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
Occurrence of corruption incident between the Company's Directors and/or Officers and a third party.	Directors and officers, External business partners, Government, General public	SPNEC's Manual on Corporate Governance and Policies on Related-party transactions, Whistle Blowing, Ethics, among others, are sufficient to ensure that this risk is properly identified, monitored, and acted upon.

What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
Creation of a more 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 creates a clear code of conduct and ethical business policy.

Incidents of Corruption

Disclosure	Quantity	Units
Number of incidents in which directors were removed or disciplined for corruption	Nil	#
Number of incidents in which employees were dismissed or disciplined for corruption	Nil	#
Number of incidents when contracts with business partners were terminated due to incidents of corruption	Nil	#

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
SPNEC's existing and potential business relationship is maintained by Directors/ Management Officers. These relationships ensure the unimpeded development/ operations of the Company and its facilities.	Directors and Management Officers, Business Partners, Government, General Public	SPNEC remains committed to improving its anti-corruption drive through its Policy on Corporate Governance and Ethics, among others.

What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
Possible Conflict of Interest and Bribery (receipt or offering gifts)	Directors and officers, External business partners, Government, General public	SPNEC's Manual on Corporate Governance and Policies on Related-party transactions, Whistle Blowing, Ethics, among others, are sufficient to ensure that this risk is properly identified, monitored, and acted upon.

What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
Creation of a more 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 create a clear code of conduct and ethical business policy.

ENVIRONMENT

Note: The Company has yet to consolidate sufficient information to fully assess its environment-related sustainability metrics given its current state of transition. It bears to emphasize however, that SPNEC remains committed to the objectives sustainability and shall continually improve its sustainability reporting which include the identification, monitoring, and the discussion of the Company's impacts and relevant actions in succeeding reports.

Resource Management

Energy consumption within the organization:

Disclosure	Quantity	Units
Energy consumption (renewable sources)	nil	GJ
Energy consumption (gasoline)	nil	GJ
Energy consumption (LPG)	nil	GJ
Energy consumption (diesel)	nil	GJ
Energy consumption (electricity)	nil	kWh

Reduction of energy consumption

Disclosure	Quantity	Units
Energy reduction (gasoline)	nil	GJ
Energy reduction (LPG)	nil	GJ
Energy reduction (diesel)	nil	GJ
Energy reduction (electricity)	nil	kWh
Energy reduction (gasoline)	nil	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
Not applicable.	Not applicable.	Not applicable.
What are the Risk/s identified?	Which stakeholders are affected?	Management Approach
Not applicable.	Not applicable.	Not applicable.
What are the Opportunity/es identified?	Which stakeholders are affected?	Management Approach
Not applicable.	Not applicable.	Not applicable.

Water consumption within the organization

Disclosure	Quantity	Units
Water withdrawal	None	Cubic meters
Water consumption	None	Cubic meters
Water recycled and reused	None	Cubic meters

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
Not applicable.	Not applicable.	Not applicable.
What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
Not applicable.	Not applicable.	Not applicable.
What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
Not applicable.	Not applicable.	Not applicable.

Materials used by the Organization

Disclosure	Quantity	Units
Materials used by weight or volume		
• renewable	nil	kg/liters
• non-renewable	nil	kg/liters
Percentage of recycled input materials used to manufacture the organization's primary products and services	nil	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
Not applicable.	Not applicable.	Not applicable.
What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
Not applicable.	Not applicable.	Not applicable.
What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
Not applicable.	Not applicable.	Not applicable.

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	nil	nil
Habitats protected or restored	nil	nil
IUCN ⁸ Red List species and national conservation list species with habitats in areas affected by operations	nil	nil

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
Not applicable.	Not applicable.	Not applicable.
What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
Not applicable.	Not applicable.	Not applicable.

⁸ International Union for Conservation of Nature

What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
Not applicable.	Not applicable.	Not applicable.

Environmental impact management

Air Emissions

GHG

Disclosure	Quantity	Units
Direct (Scope 1) GHG Emissions	nil	Tonnes CO ₂ e
Energy indirect (Scope 2) GHG Emissions	nil	Tonnes CO ₂ e
Emissions of ozone-depleting substances (ODS)	nil	Tonnes

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
Not applicable.	Not applicable.	Not applicable.
What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
Not applicable.	Not applicable.	Not applicable.
What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
Not applicable.	Not applicable.	Not applicable.

Air pollutants

Disclosure	Quantity	Units
NO _x	nil	n/a kg
SO _x	nil	n/a kg
Persistent organic pollutants (POPs)	nil	n/a kg
Volatile organic compounds (VOCs)	nil	n/a kg
Hazardous air pollutants (HAPs)	nil	n/a kg
Particulate matter (PM)	nil	n/a kg

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
Not applicable.	Not applicable.	Not applicable.
What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
Not applicable.	Not applicable.	Not applicable.
What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
Not applicable.	Not applicable.	Not applicable.

Solid and Hazardous Wastes

Solid Waste

Disclosure	Quantity	Units
Total solid waste generated	nil	kg
Reusable	nil	kg
Recyclable	nil	kg
Composted	nil	kg
Incinerated	nil	kg
Residuals/Landfilled	nil	kg

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
Not applicable.	Not applicable.	Not applicable.
What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
Not applicable.	Not applicable.	Not applicable.
What are the Opportunity/es Identified?	Which stakeholders are affected?	Management Approach
Not applicable.	Not applicable.	Not applicable.

Hazardous Waste

Disclosure	Quantity	Units
Total weight of hazardous waste generated	nil	kg
Total weight of hazardous waste transported	nil	kg

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
Not applicable.	Not applicable.	Not applicable.
What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
Not applicable.	Not applicable.	Not applicable.
What are the Opportunity/es Identified?	Which stakeholders are affected?	Management Approach
Not applicable.	Not applicable.	Not applicable.

Effluents

Disclosure	Quantity	Units
Total volume of water discharges	n/a	Cubic meters
Percent of wastewater recycled	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
Not applicable.	Not applicable.	Not applicable.

What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
Not applicable.	Not applicable.	Not applicable.
What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
Not applicable.	Not applicable.	Not applicable.

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	nil	PhP
No. of non-monetary sanctions for non-compliance with environmental laws and/or regulations	nil	#
No. of cases resolved through dispute resolution mechanism	nil	#

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
Not applicable.	Not applicable.	Not applicable.
What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
Not applicable.	Not applicable.	Not applicable.
What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
Not applicable.	Not applicable.	Not applicable.

SOCIAL

Note: The Company has yet to consolidate sufficient information to fully assess its social-related sustainability metrics given its current state of transition. It bears to emphasize however, that SPNEC remains 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.

Further, SPNEC entered into a Management Service Agreement (MSA) with Solar Philippines Power Project Holdings, Inc. (SPPHI) on 30 April 2021. The agreement covers executive and leadership support, strategy execution, management of business operations from 1 May 2021 to 30 April 2024. The MSA covers all necessary administrative and advisory services on management, investment, and technical matters involving the SPNEC'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 ⁹		
a. Number of female employees	nil	#
b. Number of male employees	nil	#
Attrition rate ¹⁰	nil	Rate
Ratio of lowest paid employee against minimum wage	nil	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	nil	nil
PhilHealth	n/a	nil	nil
Pag-ibig	n/a	nil	nil
Parental leaves	n/a	nil	nil
Vacation leaves	n/a	nil	nil
Sick leaves	n/a	nil	nil
Medical benefits (aside from PhilHealth)	n/a	nil	nil
Housing assistance (aside from Pag-ibig)	n/a	nil	nil
Retirement fund (aside from SSS)	n/a	nil	nil
Further education support	n/a	nil	nil
Company stock options	n/a	nil	nil
Telecommuting	n/a	nil	nil
Flexible-working Hours	n/a	nil	nil
(Others)	n/a	nil	nil

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
Not applicable.	Not applicable.
What are the Risk/s Identified?	Management Approach
Not applicable.	Not applicable.
What are the Opportunity/es Identified?	Management Approach
Not applicable.	Not applicable.

⁹ Employees are individuals who are in an employment relationship with the organization, according to national law or its applicable (GR Standards 2016 Glossary)

¹⁰ Attrition rate = [(no. of new hires + no. of survivors) ÷ (average of total no. of employees of previous year and total no. of employees of current year)]

Employee Training and Development

Disclosure	Quantity	Units
Total training hours provided to employees		
a. Female employees	nil	Hours
b. Male employees	nil	Hours
Average training hours provided to employees		
a. Female employees	nil	Hours/ Employee
b. Male employees	nil	Hours/ Employee

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
Not applicable.	Not applicable.
What are the Risk/s Identified?	Management Approach
Not applicable.	Not applicable.
What are the Opportunity/ies Identified?	Management Approach
Not applicable.	Not applicable.

Labor-Management Relations

Disclosure	Quantity	Units
% of employees covered with Collective Bargaining Agreements	Not applicable	%
Number of consultations conducted with employees concerning employee-related policies	Not applicable	#

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
Not applicable.	Not applicable.
What are the Risk/s Identified?	Management Approach
Not applicable.	Not applicable.
What are the Opportunity/ies identified?	Management Approach
Not applicable.	Not applicable.

Diversity and Equal Opportunity

Disclosure	Quantity	Units
% of female workers in the workforce	n/a	%
% of male workers in the workforce	n/a	%
Number of employees from indigenous communities and/or vulnerable sector*	n/a	#

* 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).

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
Not applicable.	Not applicable.
What are the Risk/s Identified?	Management Approach
Not applicable.	Not applicable.
What are the Opportunity/ies Identified?	Management Approach
Not applicable.	Not applicable.

Workplace Conditions, Labor Standards, and Human Rights

Occupational Health and Safety

Disclosure	Quantity	Units
Safe Man-Hours	n/a	#
No. of work-related injuries	n/a	#
No. of work-related fatalities	n/a	#
No. of work related ill-health	n/a	#
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
Not applicable.	Not applicable.
What are the Risk/s Identified?	Management Approach
Not applicable.	Not applicable.
What are the Opportunity/ies Identified?	Management Approach
Not applicable.	Not applicable.

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 disallow 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	Not applicable	
Child labor	Not applicable	
Human Rights	Not applicable	

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
Not applicable.	Not applicable.
What are the Risk/s Identified?	Management Approach
Not applicable.	Not applicable.
What are the Opportunity/es Identified?	Management Approach
Not applicable.	Not applicable.

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. The Company defers to applicable laws and regulations as it enjoins its suppliers to ensure compliance.	
Forced labor	same	
Child labor	same	
Human rights	same	
Bribery and corruption	same	

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
Not applicable.	Not applicable.
What are the Risk/s Identified?	Management Approach
Not applicable.	Not applicable.
What are the Opportunity/es Identified?	Management Approach
Not applicable.	Not applicable.

Relationship with Community

Significant Impacts on Local Communities

Operations with significant (positive or negative) impacts on local communities (exclude CSR projects; this has to be business operations)	Location	Vulnerable groups (if applicable)*	Does the particular operation have impacts on indigenous people (Y/N)?	Collective or individual rights that have been identified that or particular concern for the community	Mitigating measures (if negative) or enhancement measures (if positive)
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 (BCP, 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
Not applicable.	Not applicable.
What are the Opportunity/ies Identified?	Management Approach
Not applicable.	Not applicable.

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
Not applicable.	Not applicable.
What are the Risk/s Identified?	Management Approach
Not applicable.	Not applicable.
What are the Opportunity/ies Identified?	Management Approach
Not applicable.	Not applicable.

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.

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
Not applicable.	Not applicable.
What are the Risk/s Identified?	Management Approach
Not applicable.	Not applicable.
What are the Opportunity/ies Identified?	Management Approach
Not applicable.	Not applicable.

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.

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
Not applicable.	Not applicable.
What are the Risk/s Identified?	Management Approach
Not applicable.	Not applicable.
What are the Opportunity/ies Identified?	Management Approach
Not applicable.	Not applicable.

Customer privacy

Disclosure	Quantity	Units
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.

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
Not applicable.	Not applicable.
What are the Risk/s Identified?	Management Approach
Not applicable.	Not applicable.
What are the Opportunity/ies Identified?	Management Approach
Not applicable.	Not applicable.

Data Security

Disclosure	Quantity	Units
No. of data breaches, including leaks, theft, and losses of data	Nil	#

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
Not applicable.	Not applicable.
What are the Risk/s Identified?	Management Approach
Not applicable.	Not applicable.
What are the Opportunity/ies Identified?	Management Approach
Not applicable.	Not applicable.

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
Generation of Electricity	<p>Goal 7: Affordable and Clean Energy</p> <p>The Company's power plants will produce electricity purely from solar energy, a clean source of energy.</p> <p>The Company aims to use 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>Goal 9: Industry, Innovation, and Infrastructure</p> <p>The Company builds its energy infrastructures that are modularly constructed and considered to be more resilient to typhoons which affect the country.</p> <p>By design, solar power plants have no single point of failure. Thus, repairs and maintenance may be done without shutting the entire plant unlike conventional sources of energy.</p>	The Company's primary source for its power generation is renewable energy (RE) particularly Solar Energy. RE is poised to positively contribute, rather than negatively, to the attainment of the UN SDGs.	The Board of Directors and Management remains ever mindful of the Company's role in attaining the UN SDGs. As such business decisions are attuned to this consideration.

Key Products and Services	Societal Value / Contribution to UN SDGs	Potential Negative Impact of Contribution	Management Approach to Negative Impact
	<p>Goal 11: Sustainable Cities and Communities</p> <p>The Company's investment in solar power development contributes to the overall reduction in air pollution in cities and communities by promoting the use of RE.</p> <p>Compared to other energy sources, solar power technology produces little to no emission, noise pollution, and water waste.</p> <p>Given these factors, SPNEC believes that the use of solar power technology offers the least negative impact in the communities it operates in.</p> <p>Goal 13: Climate Action</p> <p>The Company is at the forefront of the adoption of renewable energy in the Philippines. SPNEC is set to develop 3,500 megawatts (MW) of solar panels and 4,000 MW of battery energy storage systems in Luzon.</p>		

* None/ Not Applicable is not an acceptable answer. For holding companies, the services and products of its subsidiaries may be disclosed.