

14 November 2023

SECURITIES AND EXCHANGE COMMISSION
7907 Makati Avenue, Salcedo Village, Barangay Bel-Air
Makati City 1209

Attention : **VICENTE GRACIANO P. FELIZMENIO, JR.**
Director
Markets and Securities Regulation Department

PHILIPPINE STOCK EXCHANGE
PSE Tower, 5th Avenue corner 28th Street
Bonifacio Global City, Taguig City 1634

Attention : **ALEXANDRA D. TOM WONG**
Officer-in-Charge
Disclosure Department

Re : **SEC Form 17-Q (Quarterly Report)**

Ladies and Gentlemen:

The undersigned is hereby filing on behalf of **SP NEW ENERGY CORPORATION**, formerly Solar Philippines Nueva Ecija Corporation (the “**Company**”) the Company’s SEC Form 17-Q (Quarterly Report) for the quarter ended 30 September 2023.

Very truly yours,

SP NEW ENERGY CORPORATION

By: 
HAZEL IRIS P. LAFUENTE
Assistant Corporate Secretary

COVER SHEET

C S 2 0 1 6 2 7 3 0 0

S.E.C. Registration Number

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

(Company's Full Name)

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

(Business Address of the Company)

Hazel Iris P. Lafuente

Contact Person

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

Company Telephone Number

1 2

Month

3 1

Day

Fiscal Year

SEC Form 17-Q

Form Type

1st Monday of May each year

Regular Meeting

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

Secondary License type, if applicable

MSRD

Dept. Requiring this Doc.

Amended Articles Number/Section

Total No. of Stockholders

Total amount of Borrowings

Domestic

Foreign

To be Accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

Remarks = Pls. use black ink for scanning purposes.

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES
REGULATION CODE AND SRC RILE 17(2)(b) THEREUNDER

1. 30 September 2023
For the quarterly period ended
2. SEC Identification Number CS201627300 3. BIR Tax Identification No. 009-468-103
4. SP New Energy Corporation
Exact name of issuer as specified in its charter
5. Metro Manila, Philippines 6. (SEC Use Only)
Province, country, or other jurisdiction of incorporation Industry Classification Code:
7. 20th Floor PhilamLife Tower, 8767 Paseo de Roxas, Barangay Bel-Air, Makati City, Philippines 1226
Address of principal office Postal Code
8. (02) 8817-2585
Issuer's telephone number, including area code
9. Solar Philippines Nueva Ecija Corporation
Former name or former address, 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	8,124,350,005*

**Note: Only 8,124,350,005 common shares are registered with the Securities and Exchange Commission (the "Commission"). 1,875,649,995 common shares are not registered as at the time of their issuance they were exempt from the registration requirement of the Securities Regulation Code ("SRC"), as evidenced by the Confirmation of Exempt Transaction issued by the Commission on 19 July 2022. Further, 24,373,050,000 common shares are not registered as they are covered by an exempt transaction under Sections 10.1 (e), (k) and (i) of the SRC.*

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

Yes [/] No []

12. Indicate by check mark whether the registrant:

- (a) Has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder or Sections 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 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 []

PART I--FINANCIAL INFORMATION

Item 1. Financial Statements.

- Consolidated Financial Position as of September 30, 2023 and December 31, 2022
- Consolidated Comprehensive Income for the nine (9) -month periods ended September 30, 2023 and 2022
- Consolidated Cash Flow for the nine (9) -month periods ended September 30, 2023 and 2022
- Consolidated Changes in Equity for the nine (9) -month periods ended September 30, 2023 and 2022
- Notes to Consolidated Financial Statements

[Please see attached]

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

- Material Changes to the Consolidated Statements of Financial Position as of September 30, 2023, compared to the Consolidated Statements of Financial Position as of December 31, 2022
- Material Changes to the Consolidated Statements of Comprehensive Income for the Nine (9) -months ended September 30, 2023, compared to the Consolidated Statements of Comprehensive Income for the Nine (9) -months ended September 30, 2022
- Key Performance Indicators

[Please see attached]

PART II--OTHER INFORMATION

Not applicable


[Signature page follows]

SIGNATURES

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

SP NEW ENERGY CORPORATION

By:


HAZEL IRIS P. LAFUENTE
Assistant Treasurer

Date: 14 November 2023

SP New Energy Corporation
(formerly Solar Philippines Nueva Ecija Corporation, a Subsidiary of Solar Philippines Power Project Holdings, Inc.) and Subsidiaries

Unaudited Interim Condensed Consolidated
Financial Statements
September 30, 2023
(With Comparative Audited Figures as of
December 31, 2022)
and For the Nine-Month Periods Ended
September 30, 2023 and 2022

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

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS
OF FINANCIAL POSITION

As at September 30, 2023

(With Comparative Audited Figures as at December 31, 2022)

	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 3 and 17)	₱183,861,965	₱37,232,084
Trade receivables (Notes 4 and 17)	266,051,626	—
Subscription receivable (Note 14 and 17)	1,319,056	651,115,661
Inventories (Note 5)	24,362,729	—
Due from related parties (Notes 13 and 17)	608,016,638	821,388,320
Other current assets (Notes 6 and 17)	737,454,011	18,638,843
Total Current Assets	1,821,066,025	1,528,374,908
Noncurrent Assets		
Property, plant and equipment (Notes 1 and 8)		
At cost	10,142,155,535	1,671,233,624
At fair value	6,148,976,200	—
Deposits for land acquisition (Notes 9 and 13)	3,680,182,787	2,026,892,396
Investment properties (Note 7)	—	312,626,010
Deferred income tax assets	11,308,804	10,201,126
Other noncurrent assets (Notes 10 and 17)	860,750,217	654,395,146
Total Noncurrent Assets	20,843,373,543	4,675,348,302
TOTAL ASSETS	₱22,664,439,568	₱6,203,723,210
LIABILITIES AND EQUITY		
Current Liabilities		
Trade and other payables (Notes 11, 13 and 17)	₱301,377,334	₱65,218,072
Current portion of:		
Loans payable (Notes 12 and 17)	366,689,302	—
Lease liabilities (Notes 16 and 17)	10,205,326	4,538,676
Due to related parties (Notes 13 and 17)	731,322,916	22,770,229
Other current liabilities	2,869,262	—
Total Current Liabilities	1,412,464,140	92,526,977

(Forward)

	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Noncurrent Liabilities		
Noncurrent portion of:		
Loans payable (Notes 12 and 17)	₱2,837,118,234	₱–
Lease liabilities (Notes 16 and 17)	389,780,525	298,599,744
Deferred income tax liabilities	1,254,058,222	–
Other noncurrent liabilities (Note 19)	98,768,928	–
Total Noncurrent Liabilities	4,579,725,909	298,599,744
TOTAL LIABILITIES	5,992,190,049	391,126,721
Equity Attributable to the Equity Holders of the Parent Company (Note 14)		
Capital stock	3,437,305,000	1,000,000,000
Additional paid-in capital	5,713,202,754	4,938,722,430
Equity reserve (Note 2)	508,005,980	–
Revaluation surplus	3,768,653,131	–
Deficit	(286,608,443)	(126,125,941)
	13,140,558,422	5,812,596,489
Non-controlling interest	3,531,691,097	–
Total Equity	16,672,249,519	5,812,596,489
TOTAL LIABILITIES AND EQUITY	₱22,664,439,568	₱6,203,723,210

See accompanying Notes to Unaudited Interim Condensed Consolidated Financial Statements.

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

**UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF
COMPREHENSIVE INCOME**

	Three-Month Period Ended September 30		Nine-Month Period Ended September 30	
	2023	2022	2023	2022
REVENUE FROM CONTRACTS WITH CUSTOMERS (Note 20)	P269,623,227	P—	P333,666,169	P—
COSTS OF SALES AND SERVICES (Note 15)	(123,154,496)	—	(160,543,158)	—
GROSS PROFIT	146,468,731	—	173,123,011	—
GENERAL AND ADMINISTRATIVE EXPENSES (Note 15)	(47,722,124)	(15,956,573)	(96,805,726)	(50,367,605)
FINANCE COSTS (Notes 12 and 16)	(75,989,365)	—	(94,400,746)	—
INTEREST INCOME (Notes 3 and 6)	16,057,842	49,792	18,907,175	566,194
OTHER INCOME - net (Note 8)	20,630,252	392,905	23,866,887	118,196
INCOME (LOSS) BEFORE INCOME TAX	59,445,336	(15,513,876)	24,690,601	(49,683,215)
PROVISION FOR (BENEFIT FROM) INCOME TAX	—	—	—	9,234,371
NET INCOME (LOSS)	P59,445,336	(P15,513,876)	P24,690,601	(P40,448,844)
Net income (loss) attributable to:				
Equity holders of the Parent Company	(P49,729,664)	(P15,513,876)	(P106,984,399)	(P49,683,215)
Non-controlling interest	109,175,000	—	131,675,000	—
	P59,445,336	(P15,513,876)	P24,690,601	(P49,683,215)
Basic/Diluted Income (Loss) Per Share (Note 18)	(P0.0014)	(P0.0018)	(P0.0051)	(P0.0060)

See accompanying Notes to Unaudited Interim Condensed Consolidated Financial Statements.

	Three-Month Period Ended September 30		Nine-Month Period Ended September 30	
NET INCOME (LOSS)	P59,445,336	(P15,513,876)	P24,690,601	(P40,448,844)
OTHER COMPREHENSIVE INCOME				
<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 P514.1 million (Note 8)	—	—	1,542,255,053	—
TOTAL COMPREHENSIVE INCOME (LOSS)	P59,445,336	(P15,513,876)	P1,566,945,654	(P40,448,844)
Total comprehensive income (loss) attributable to:				
Equity holders of the Parent Company	(P49,729,664)	(P15,513,876)	P1,435,270,654	(P40,448,844)
Non-controlling interest	109,175,000	—	131,675,000	—
	P59,445,336	(P15,513,876)	P1,566,945,654	(P40,448,844)

See accompanying Notes to Unaudited Interim Condensed Consolidated Financial Statements.

SP NEW ENERGY CORPORATION

(Formerly Solar Philippines Nueva Ecija Corporation,

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

AND SUBSIDIARIES**UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY****FOR THE NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2023 AND 2022**

	Equity Attributable to the Equity Holders of the Parent Company						Non-controlling interest	Total
	Capital Stock	Additional Paid-in Capital	Equity Reserve	Revaluation Surplus	Deficit	Total		
Balances at January 1, 2023	P1,000,000,000	P4,938,722,430	P–	P–	(P126,125,941)	P5,812,596,489	P–	P5,812,596,489
Issuance of shares, net of stock issuance cost (Note 14)	2,437,305,000	–	–	–	(54,235,555)	2,383,069,445	–	2,383,069,445
Equity infusion (Note 14)	–	774,480,324	–	–	–	774,480,324	–	774,480,324
Effect of common control business combination (Note 2)	–	–	508,005,980	2,226,398,078	737,452	2,735,141,510	–	2,735,141,510
Non-controlling interest arising from effect of business combination (Note 2)	–	–	–	–	–	–	3,400,016,097	3,400,016,097
Net income (loss) for the period	–	–	–	–	(106,984,399)	(106,984,399)	131,675,000	24,690,601
Other comprehensive income (Note 8)	–	–	–	1,542,255,053	–	1,542,255,053	–	1,542,255,053
Total comprehensive income (loss) for the period	–	–	–	1,542,255,053	(106,984,399)	1,441,382,805	131,675,000	1,566,945,654
Balances at September 30, 2023	P3,437,305,000	P5,713,202,754	P508,005,980	P3,768,653,131	(P286,608,443)	P13,140,558,422	P3,531,691,097	P16,672,249,519
Balances at January 1, 2022	P812,435,001	P2,362,016,064	P–	P–	(P60,781,142)	P3,113,669,923	P–	P3,113,669,923
Issuance of shares, net of stock issuance cost	187,564,999	2,577,981,366	–	–	–	2,765,546,365	–	2,765,546,365
Total comprehensive loss for the period	–	–	–	–	(40,448,843)	(40,448,843)	–	(40,448,843)
Balances at September 30, 2022	P1,000,000,000	P4,939,997,430	P–	P–	(P101,229,985)	P5,838,767,445	P–	P5,838,767,445

See accompanying Notes to Unaudited Interim Condensed Consolidated Financial Statements.

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

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF
CASH FLOWS

FOR THE NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2023 AND 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Income (loss) before income tax	₱24,690,601	(₱49,683,212)
Adjustments for:		
Depreciation and amortization (Note 15)	100,244,112	1,353,460
Finance costs (Notes 12 and 16)	94,400,746	—
Unrealized foreign exchange loss	18,603	—
Gain on sale of solar power plant (Note 8)	(17,625,184)	—
Interest income (Notes 3, 6 and 20)	(18,907,175)	(566,194)
Operating income (loss) before working capital changes	182,821,703	(48,895,946)
Decrease (increase) in:		
Trade receivables (Note 4)	166,675,200	—
Inventories (Note 5)	41,746,762	—
Other current assets (Note 6)	(57,493,969)	(16,767,120)
Increase (decrease) in:		
Trade and other payables	(304,301,976)	(70,092,868)
Other current liabilities	(81,964,330)	—
Dividends payable	(61,570,424)	—
Cash used in operations	(114,087,034)	(135,755,934)
Interest received	1,115,872	566,194
Net cash flows used in operating activities	(112,971,162)	(135,189,740)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of Solar Philippines Assets, net of cash acquired (Note 2)	(2,715,890,476)	—
Additions to:		
Deposits for land acquisition (Note 9)	(1,219,096,235)	(475,918,552)
Property, plant and equipment (Note 8)	(547,257,045)	(1,123,954,809)
Decrease (increase) in other noncurrent assets (Note 10)	331,735,101	(148,658,171)
Decrease (increase) in due from related parties (Note 13)	471,964,809	(821,421,290)
Decrease in other noncurrent liabilities	(4,501,202)	—
Cash flows used in investing activities	(3,683,045,048)	(2,569,952,822)
CASH FLOWS FROM FINANCING ACTIVITIES		
Issuance of shares, net of stock issuance costs (Note 14)	2,383,069,445	1,924,018,145
Equity infusion (Note 14)	774,480,324	—
Collection of subscription receivable (Note 14)	649,796,605	—
Due to related parties	297,372,969	—
Payments of:		
Loans payable (Note 12)	(143,958,994)	—
Lease liabilities (Note 16)	(18,096,655)	(14,004,465)
Net cash flows from financing activities	3,942,663,694	1,910,013,680

	2023	2022
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(P18,603)	P-
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	146,629,881	(795,128,882)
CASH AND CASH EQUIVALENTS AT JANUARY 1	37,232,084	2,684,140,206
CASH AND CASH EQUIVALENTS AT SEPTEMBER 30 (Notes 3 and 17)	P183,861,965	P1,889,011,324

See accompanying Notes to Unaudited Interim Condensed Consolidated Financial Statements.

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

NOTES TO UNAUDITED INTERIM CONDENSED 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 November 14, 2023, the Parent Company has subsidiaries that are in commercial operations.

The Parent Company and its subsidiaries are hereby collectively referred to as the “Group”. All subsidiaries are incorporated in the Republic of the Philippines (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 SPPPHI 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 14).

On May 10, 2023, given the modified acquisition by SPNEC of 100% of the shares of SPPPHI in various entities (the Solar Philippines Assets), SPNEC entered into a Subscription Agreement with SPPPHI for the latter to subscribe to 24.37 billion common shares at ₱0.10 par value, which was intended to support SPNEC’s application for the increase in authorized capital stock with the SEC, which was approved on June 1, 2023 (see Note 14). As a result, SPNEC’s public ownership decreased below the minimum public ownership requirement of 20% and the Philippine Stock Exchange, Inc. (“PSE”) suspended the trading of SPNEC’s shares in the PSE on June 2, 2023.

As of November 14, 2023, Solar Philippines Power Project Holdings, Inc. (“SPPPHI”), a corporation organized in the Republic of the Philippines, holds 74.38% ownership of SPNEC’s outstanding common shares.

2. Summary of Significant Accounting Policies

Basis of Preparation

The unaudited interim condensed consolidated financial statements of the Group as of September 30, 2023 and for the nine-month periods ended September 30, 2023 and 2022 have been prepared in accordance with Philippine Accounting Standard (PAS) 34, *Interim Financial Reporting*. The unaudited interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements as at December 31, 2022.

The unaudited interim condensed consolidated financial statements of the Group have been prepared using the historical cost basis, except for land carried at revalued amount. The unaudited interim condensed consolidated financial statements are presented in Philippine Peso (₱), which is also the Group's functional currency. All amounts are rounded to the nearest ₱, unless otherwise indicated.

New Standards, Interpretations and Amendments

The accounting policies adopted are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended December 31, 2022, except for the adoption of new standards effective as of January 1, 2023. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Several amendments apply for the first time in 2023, but do not have an impact on the unaudited interim condensed consolidated financial statements of the Group.

- Amendments to 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 had no impact on the Group's unaudited interim condensed consolidated financial statements.

- 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.

The amendments had no impact on the Group's unaudited interim condensed consolidated financial statements.

- 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).

The amendments had no impact on the Group's unaudited interim condensed consolidated financial statements.

Basis of Consolidation

The unaudited interim condensed consolidated financial statements comprise the financial statements of the Group. For the nine-month periods ended September 30, 2023, the following are the changes in the Parent Company's ownership in its subsidiaries:

	Percentage of Ownership (%)	
	September 30, 2023	December 31, 2022
Terra Nueva, Inc. (TNI) ^{1,3}	100	100
Solar Philippines Calatagan Corporation (SPCC) ^{2,3}	55.35	—
Solar Philippines Tarlac Corporation (SP Tarlac) ³	100	—
Solar Philippines Rooftop Corporation (SPRC) ³	100	—
Solar Philippines Batangas Corporation (SP Batangas) ^{1,3}	100	—
Solar Philippines Batangas Baseload Corporation (SP Batangas Baseload) ^{1,3}	100	—
Solar Philippines Central Visayas Corporation (SP Central Visayas) ^{1,3}	100	—
Solar Philippines Eastern Corporation (SP Eastern) ^{1,3}	100	—
Solar Philippines Retail Electricity, Inc. (SPREI) ^{1,3}	100	—
Solar Philippines Southern Mindanao Corporation (SP Southern Mindanao) ^{1,3}	100	—
Solar Philippines Southern Tagalog Corporation (SP Southern Tagalog) ^{1,3}	100	—
Solar Philippines South Luzon Corporation (SP South Luzon) ^{1,3}	100	—
Solar Philippines Tarlac Baseload Corporation (SP Tarlac Baseload) ^{1,3}	100	—
Solar Philippines Visayas Corporation (SP Visayas) ^{1,3}	100	—
Solar Philippines Western Corporation (SP Western) ^{1,3}	100	—
Laguna Rooftop Solar Corporation (LRSC) ^{1,3}	60	—

¹Has not yet started commercial operations as of June 30, 2023

²Economic interest is 100% after dividend to preferred stock

³Incorporated in the Philippines

The following were the changes in the Group structure in 2023:

Acquisition of Solar Philippines Assets

On May 5, 2023, the BOD of SPNEC approved the modified acquisition by SPNEC of 100% of the shares of SPPPHI in various entities (the Solar Philippines Assets) to be at cost and paid in cash, in lieu of a tax-free share swap, from the proceeds of SPPPHI subscribing in cash at par for 24.37 billion shares.

On May 15, 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 rights, titles, and interests in and to the Solar Philippines Assets, using the proceeds of SPPPHI's subscription of 24.37 billion SPNEC common shares, premised on the approval of SPNEC's increase in authorized capital stock (see Note 14).

On the same date, SPNEC entered into DOASs with SPPPHI for SPNEC to purchase SPPPHI's rights, titles, and interests in and to Solar Philippines Tarlac Corporation and Solar Philippines Rooftop Corporation for a purchase price of ₱2,325.0 million.

On June 9, 2023, SPNEC entered into another DOAS with SPPPHI for SPNEC to purchase SPPPHI's rights, titles, and interests in and to the following Solar Philippines Assets for a purchase price of ₱79.9 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 Deed of Absolute Sale of Shares with SPPPHI for SPNEC to purchase SPPPHI's rights, titles, and interests in and to Solar Philippines Calatagan Corporation for a purchase price of ₱499.1 million.

The aforementioned acquisitions resulted to 100% interest in the Solar Philippines Assets, except for SPCC, LRSC, TSPI and SP Central Luzon in which SPNEC acquired 55.35%, 60%, 49% and 1% interests, respectively, and excluding preferred shares in SP Tarlac.

As the transaction is outside the scope of PFRS 3, the acquisition was accounted for using the pooling-of-interests method. In applying the pooling-of-interests method, the assets and liabilities of acquired entities are taken into the merged business at their carrying value. Likewise, no goodwill was recognized in the business combination.

Solar Philippines Assets have been classified in the Group's unaudited interim condensed consolidated financial statements as of September 30, 2023 as follows:

- a. Balance sheet accounts were consolidated.
- b. Income statement accounts from the date of acquisition are included in the unaudited interim condensed consolidated statements of income.

Details of the balances of the Solar Philippines Assets which were consolidated to the Group at the date of acquisition are as follows:

Assets	
Cash and cash equivalents	₱188,175,524
Trade receivables	432,726,826
Inventories	66,109,492
Due from related parties	258,593,127
Other current assets	652,589,284
Property, plant and equipment	
At cost	8,037,291,956
At fair value	3,775,546,200
Deposits for land acquisition	434,194,156
Deferred income tax assets	1,107,678
Other noncurrent assets	527,955,042
	<hr/>
	₱14,374,289,285
Liabilities	
Trade and other payables	₱536,389,806
Other current liabilities	122,494,306
(Forward)	

Notes payable	3,262,805,528
Lease liabilities	98,120,014
Dividends payable	61,570,424
Due to related parties	411,179,718
Deferred income tax liabilities	739,973,204
Other noncurrent liabilities	103,270,130
	<u>5,335,803,130</u>
Total Identifiable Net Assets	9,038,486,155
Less: Revaluation surplus	2,226,398,078
Non-controlling interest	3,400,016,097
	<u>3,412,071,980</u>
Consideration paid	(2,904,066,000)
Equity reserve	<u>P508,005,980</u>

From acquisition date to September 30, 2023, the contribution of the acquired Solar Philippines Assets to revenue and net loss amounted to as follows:

Revenue from contracts with customers	P333,666,169
Costs of sales and services	(160,543,158)
Gross Profit	173,123,011
General and administrative expenses	(30,697,865)
Finance costs	(86,743,565)
Interest income	18,195,360
Other income - net	22,980,742
Net income	<u>P96,857,683</u>
Net income (loss) attributable to:	
Equity holders of the Parent Company	(P12,317,317)
Non-controlling interest	109,175,000
	<u>P96,857,683</u>

If the business combination had taken place at the beginning of 2023, the contribution of the Solar Philippines Assets to revenue and net income would have been P871.0 million and P289.5 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	P2,904,066,000
Less: cash acquired with the subsidiaries	(188,175,524)
Net cash outflow	<u>P2,715,890,476</u>

Non-controlling interest (NCI)

The NCI in the unaudited interim condensed consolidated financial statements represent mainly the ownership of KEPCO Philippine Holdings, Inc. (“KPHI”) in SPCC, Prime Metro Power Holdings Corporation (“PMPHC”) in SP Tarlac, and of DGA SP B.V. (“DGA”) in LRSC.

Equity reserves

This represents the impact of the common control business combination with SPPPHI to acquire the latter’s ownership interest in various entities in exchange for SPNEC’s issuance of additional primary shares.

Business Combination of Entities under Common Control

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

- The assets and liabilities of the combining entities are reflected in the unaudited interim condensed 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 unaudited interim condensed consolidated statements of income, comprehensive income and cash flows reflect the result of the combining entities in full, irrespective of when the combination takes place.
- Comparative financial information are presented as if the entities had always been combined, or on date the common control existed on the combining entities, whichever comes earlier.
- The effects of any intercompany transactions are eliminated to the extent possible.

3. Cash and Cash Equivalents

	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Cash in banks	₱165,531,501	₱37,132,084
Short-term deposits	18,040,464	—
Cash on hand	290,000	100,000
	₱183,861,965	₱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 and short-term deposits earn interest at the respective bank deposit rates for its peso and foreign currency-denominated accounts. Total interest earned, net of final tax, amounted to ₱1.1 million and ₱0.5 million for the nine-month periods ended September 30, 2023 and 2022, respectively.

4. Trade Receivables

The Group's trade receivables as of September 30, 2023 are as follows:

Trade Receivables	
Third parties (Note 19)	P311,794,341
Related party	4,189,065
	<u>315,983,406</u>
Less: allowance for doubtful accounts	<u>49,931,780</u>
	<u>P266,051,626</u>

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.

5. Inventories

The Group's inventories as of September 30, 2023 is as follows:

Panels and inverters	P18,283,038
Mounting structures	14,080,520
Cables	10,670,212
Others	10,711,259
	<u>53,745,029</u>
Less: allowance for impairment loss	<u>29,382,300</u>
	<u>P24,362,729</u>

Others include cost of consumables, supplies accessories and electricals, which includes cost of cables, batteries, switch boards and transformers, that will be used in the construction projects of SPRC.

Inventories charged to cost of sales and services for the nine month-periods ended September 30, 2023 and 2022 amounted to P2.9 million and nil, respectively (see Note 15).

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

6. Other Current Assets

	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Short-term investments	₱607,935,687	₱—
Cash bond deposit and performance bond (Notes 16 and 19)	37,840,512	15,552,038
Advances to suppliers	39,211,037	—
VAT receivable	14,622,958	—
Creditable withholding taxes	13,581,183	—
Prepaid premiums (Note 19)	4,926,392	2,969,843
Others	19,336,242	116,962
	₱737,454,011	₱18,638,843

Short-term investments pertain to the restricted interest-bearing accounts opened and established by SPCC 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 loans, and as performance security to the Power Supply Agreement (PSA) contract (see Note 19). Interest earned from short-term investments amounted to ₱8.4 million and nil for the nine-month periods ended September 30, 2023 and 2022, respectively.

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

7. 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 of December 31, 2022.

In 2023, as a result of the consolidation of the Solar Philippines Assets (see Note 2), the investment properties were reclassified to land under property, plant and equipment (see Note 8).

8. Property, Plant and Equipment

At cost

	September 30, 2023 (Unaudited)							
	Solar Power Plants	Land Improvements	Transportation Equipment	Office and Warehouse Equipment	Furniture and Fixtures	Construction in progress (CIP)	Right-of-use Assets	Total
Cost:								
Balance at beginning of the period	P–	P–	P207,600	P–	P–	P1,389,549,741	P301,837,803	P1,691,595,144
Effect of business combination (Note 2)	8,558,032,873	722,248	493,482	1,464,816	385,031	697,185,617	249,432,583	9,507,716,650
Additions	937,304	1,543,512	–	–	–	426,358,602	–	428,839,418
Disposals	(18,691,782)	–	–	–	–	–	–	(18,691,782)
Balances at end of the period	8,540,278,395	2,265,760	701,082	1,464,816	385,031	2,513,093,960	551,270,386	11,609,459,430
Accumulated depreciation, amortization, and impairment losses:								
Balance at beginning of the period	–	–	13,840	–	–	–	20,347,680	20,361,520
Effect of business combination (Note 2)	1,299,392,699	722,248	318,619	1,169,828	319,673	–	42,911,324	1,344,834,391
Depreciation and amortization (Note 15)	92,346,398	25,725	59,316	62,422	26,852	–	8,099,376	100,620,089
Amortization capitalized to CIP*	–	–	–	–	–	–	3,876,289	3,876,289
Disposals	(2,388,394)	–	–	–	–	–	–	(2,388,394)
Balances at end of the period	1,389,350,703	747,973	391,775	1,232,250	346,525	–	75,234,669	1,467,303,895
Net book value	P7,150,927,692	P1,517,787	P309,307	P232,566	P38,506	P2,513,093,960	P476,035,717	P10,142,155,535

*Incurred during the construction period (see Note 1)

	December 31, 2022 (Audited)			
	Transportation Equipment	Construction in progress	Right-of-use Assets	Total
Cost:				
Balance at beginning of the period	P–	P921,385,618	P301,837,803	P1,223,223,421
Additions (Notes 8 and 13)	207,600	468,164,123	–	468,371,723
Balances at end of the period	207,600	1,389,549,741	301,837,803	1,691,595,144
Accumulated depreciation, amortization and impairment losses:				
Balance at beginning of the period	–	–	14,927,309	14,927,309
Depreciation and amortization (Note 15)	13,840	–	2,584,193	2,598,033
Amortization capitalized to CIP*	–	–	2,836,178	2,836,178
Balances at end of the 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

*Incurred during the construction period (see Note 1)

Solar Power Plants

As of September 30, 2023, the solar power plants pertain to the solar power plant of SPCC and SP Tarlac, which are pledged as collateral for long-term loan (see Note 12).

In 2023, SPRC entered into a deed of absolute sale with IBC International Builders Corporation for the sale of SPRC's power plant with book value amounting to ₱16.3 million for a consideration amounting to ₱33.9 million. In 2023, SPRC recognized gain on sale amounting to ₱17.6 million presented as part of "Other income (loss) - net" in the unaudited interim condensed consolidated statements of comprehensive income.

CIP

This pertains to costs capitalized related mainly to the SPNEC's Phase 1 Project and SP Tarlac's 1B project (see Notes 1 and 19).

Right-of-use (ROU) assets

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

As of September 30, 2023 and December 31, 2022, the Group's total land lease area under lease is at 1,008.8 hectares and 347.42 hectares, respectively.

The costs of ROU assets are amortized using the straight-line method over the lease term. As of September 30, 2023, the remaining terms of the leases range from 21 to 46 years (including extension of five years) (see Note 15).

At revalued amount

Land

	September 30, 2023 (Unaudited)
Effect of business combination (Note 2)	₱3,775,546,200
Reclassification from investment properties (Note 7)	312,626,010
Additions	4,463,919
Revaluation increment	2,056,340,071
	<u>₱6,148,976,200</u>

The Group's land is comprised of parcels of land with a total land area of 452.13 hectares as of September 30, 2023.

For the nine-month period ended September 30, 2023, the fair value increment amounting to ₱1,542.2 million, net of deferred income tax, is recognized in other comprehensive income, and accumulated in equity under "Revaluation surplus" account amounting to ₱3,768.7 million, net of deferred income tax as of September 30, 2023.

As of September 30, 2023, the Group engaged a qualified independent valuer to appraise the Group's land. The valuations undertaken were based on market value approach wherein the fair value, supported by market evidence, is the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction, after

proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.

Key unobservable inputs (Level 3) used to measure the fair value of the land is the price per square meter ranging from ₱500 to ₱1,300 for the nine-month period ended September 30, 2023, depending on the property. Significant increases (decreases) in estimated price per square meter in isolation would result in a significantly higher (lower) fair value on a linear basis.

As of September 30, 2023, the Group's lands which pertain to SPCC's 105.27 hectares of lands (Project Lands for Equity Infusion) and SP Tarlac's Tarlac 1A Project land with land area of 30.41 hectares located in Conception Tarlac are mortgaged as security for its respective long-term loans totaling to ₱3,264.3 million (see Note 12).

If the lands were measured using the cost model, the carrying value amounted to ₱1,215.9 million as of September 30, 2023.

9. 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 Project. The MOA covers certain parcels of land with a total area of 68.621 hectares.

In October 2022, PIC has filed with the National Irrigation Authority ("NIA") for the issuance of certificate of non-irrigation coverage for approximately 18.0 hectares.

As of October 25, 2023, SPNEC has secured the corresponding DAR Conversion Order (DARCO) for 378,948 square meters and was able to collate the necessary documents for DARCO Application for 20,000 square meters of land. In addition, SPNEC was also able to collate the necessary documents for Certificate of Non-Irrigation Coverage (CNIC) Application for 124,029 square meters of land. For the rest of the 547,089 square meters of land (24,112 square meters), SPNEC aims to accomplish the collation of necessary documents for CNIC application no later than February 2024, given that it has already facilitated the update of LGU records via processing updated RPT payments.

As for the remaining 139,121 square meters of land, PIC has incurred delay versus previously targeted June 2023 completion due to logistical challenges with landowners but is on a catch-up plan to complete possessory right transfer to SPNEC until April 2025 as originally scheduled.

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 SPNEC's Phase 1 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.

As of October 2023, SPNEC has made progress in updating LGU records via processing updated RPT payments for the lands. With this, SPNEC aims to complete the collation of documents necessary for application of the Certificate of Non-Irrigation Coverage (CNIC) with the National Irrigation Authority (NIA) for the 388,306 square meters of land no later than February 2024.

As for the remaining 179,758 square meters of land, LHHC is continuously collating records and documents from various landowners to aid possessory rights transfer to SPNEC.

As of September 30, 2023 and December 31, 2022, deposits for land acquisition related to these MOAs amounted to ₱537.0 million which represent full payment (see Note 13).

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.

In 2023, the Group entered into additional CTS with various landowners. These additional CTS has a total contract price of ₱1,232.9 million, including land-related costs, covers certain parcels of land with a total area of 754.56 hectares.

Additions through business combination pertains to CTS entered into by SPCC and SP Tarlac with various landowners amounting to ₱434.2 million, including land-related costs, as of September 30, 2023. This covers certain parcels of land with a total area of 87.80 hectares.

As of September 30, 2023 and December 31, 2022, deposits for land acquisition to various landowners, including land-related costs amounted to ₱2,709.0 million and ₱1,489.9 million, respectively (see Note 13). The remaining balance will be settled when the conditions under the CTS are satisfied.

As of September 30, 2023 and December 31, 2022, roll-forward of the Group's deposits for land acquisition are as follows:

	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Balances at the beginning of period	₱2,026,892,396	₱621,499,933
Additions	1,219,096,236	1,405,392,463
Effect of business combination (Note 2)	434,194,155	—
Balances at the end of period	₱3,680,182,787	₱2,026,892,396

The Group's deposit for land acquisition covers certain parcels of land with a total area of 2,569.82 hectares and 1,727.36 hectares as of September 30, 2023 and December 31, 2022, respectively.

10. Other Noncurrent Assets

	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Long-term receivables	P331,487,177	P–
Deposits (Note 13)	245,520,692	500,000,000
Input VAT	177,038,544	144,640,016
Advances to contractors (Note 13)	46,697,589	–
Plant construction materials	42,344,376	–
Deferred input VAT	13,683,481	480,000
Others (Note 16)	9,459,297	9,403,298
	866,231,156	654,523,314
Less allowance for impairment of input VAT	(5,480,939)	(128,168)
	P860,750,217	P654,395,146
	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Balances at the beginning of period	P128,168	P128,168
Effect of business combination	5,352,771	–
Balances at the end of period	P5,480,939	P128,168

Deposits include advance payments made amounting to P245.5 million in relation to the Contract to Sell Shares entered into by SPPPHI, SPNEC and individual stockholder on May 15, 2023 for the acquisition of the latter's shares in SPCC (see Note 2).

Advances to contractors pertain to advance payments for the purchase of goods and services in connection with the construction of SP Tarlac's 1B Project (see Notes 1 and 19).

Plant construction materials are carried at cost and these are expected to be used for the construction of SP Tarlac's solar power plant.

11. Trade and Other Payables

	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Accounts payable		
Third parties	P30,366,320	P15,039,314
Related parties (Note 13)	106,164,450	–
Accrued interest (Note 12)	88,728,246	–
Accrued expenses	56,073,488	2,836,359
Withholding tax payable	2,473,148	47,298,615
Other payables	17,571,682	43,784
	P301,377,334	P65,218,072

Accounts payable are non-interest bearing and are normally settled within one year. Withholding tax payable pertains to withholding taxes on professional fees and various payments to contractors for services rendered.

Accrued expenses consist mainly of accrual for benefits to host communities, light and water, professional fees, differential cost of replacement energy charged by MERALCO to SP Tarlac.

12. Loans Payable

As of September 30, 2023, the Group's loans payable is as follows:

Entity	Loan Amount	Interest rate	Repayment schedule	Outstanding balance
SP Tarlac	₱2.2 billion	7.83% per annum	Semi-annually starting January 3, 2021 until July 3, 2031	₱1,935,750,000
SPCC	₱3.4 billion	PDST-R2 for 5-year treasury securities on the interest rate setting date plus spread	Semi-annually starting October 3, 2018 until April 3, 2029	1,308,000,000
Total				3,243,750,000
Less: Unamortized debt transaction cost				39,942,464
				3,203,807,536
Less: Current portion				366,689,302
Loans payable, net of current portion				₱2,837,118,234

The movements in the unamortized debt transaction costs of the long-term loan facility as of September 30, 2023 are as follows:

Effect of business combination	₱43,994,605
Amortization	4,052,141
Balance at end of period	₱39,942,464

SP Tarlac

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

On June 18, 2019, SP Tarlac signed an OLSA with BDO Unibank, Inc. (BDO) for a long-term loan facility of ₱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. Principal repayment period shall be semi-annual beginning on January 3, 2021 up to July 25, 2031.

The long-term loan from the OLSA carries an interest rate of 7.83% per annum, which is the floor rate divided by applicable interest premium factor, until July 25, 2024. A repricing shall be made after five (5) years from the initial drawdown which will be on July 4, 2024 and July 26, 2024 while second repricing date is ten (10) years after the initial drawdown date which will be on July 4, 2029 and July 26, 2029.

For the nine month-period ended September 30, 2023 and 2022, total interest expense recognized in the unaudited interim condensed consolidated statements of amounted to ₱60.0 million and nil,

respectively. As of September 30, 2023, accrued interest relating to the long-term facility amounted to ₱37.5 million (see Note 11).

Starting fiscal year 2021, in accordance with SP Tarlac's OLSA, SP Tarlac is required to maintain a maximum debt-to-equity ratio of 50:50. Moreover, starting September 26, 2022, which is two (2) years after the commencement of COD, SP Tarlac is required at all times to maintain a debt service coverage ratio (DSCR) of at least 1.20x.

As of September 30, 2023, the OLSA is secured by the following:

1. Solar power plant with a net book value of ₱4,555.7 million (see Note 8).
2. Tarlac 1A Project with a net book value of revalued land amounted to ₱1,459.7 million (see Note 8).
3. Leased Tarlac 1A Project land of 61.48 ha (see Note 16).
4. Stockholder of the Parent Company's 172.2 ha of land of which 87.5 ha are covered by a memorandum of agreement for the transfer of the land to SPCC (see Note 8).
5. SP Tarlac's common stocks.

SPCC

Omnibus Loan and Security Agreement (₱3,400.0 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 the Parent Company and SPCRPI, which were used to partially finance the construction of the Project. On April 3, 2017, SPCC received the full proceeds of the long-term loan.

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. Principal repayment period shall be semi-annual from October 3, 2018 up to April 3, 2029.

One of the requirements of the OLSA is the completion of the transfer of the Project Lands to SPCC (see Note 8). On July 6, 2021, the 78.8 hectares Project Lands for Equity Infusion were legally transferred to SPCC as mandated under the OLSA and as evidenced by the TCTs issued under its name.

On December 19, 2018, SPCC received a waiver from the SPCC Lenders on the following items:

- (a) Change in ownership structure
- (b) Enter into any joint venture, partnership or similar business combination or arrangement in relation to the Project
- (c) Amend or permit the amendment or modification of its articles of incorporation
- (d) Extend the processing of the Project Lands infusion on or before November 15, 2019
- (e) Replace the stock certificates to reflect the new ownership structure
- (f) Use proceeds from the share subscription as (i) cash dividend (ii) purchase of lands in addition to the Project Lands (see Note 8)

On May 3, 2021, SPCC entered into a share subscription agreement with its stockholder for the subscription of 60.0 million common B shares with ₱10 par value out of the reclassification and increase in authorized capital stock of SPCC in exchange for Project Lands with an appraised value amounting to ₱606.0 million. SPCC filed its application for the said capital reclassification and increase before the SEC on June 23, 2021.

On July 6, 2021, the Project lands were legally transferred to SPCC as mandated under the OLSA, evidenced by the TCTs issued under its name.

On March 18, 2022, the Lenders provided the certification on SPCC's outstanding balance and consent to transfer the Project Lands for Equity Infusion which is a requirement for the increase in authorized capital stock. On December 27, 2022, SPCC requested to extend the processing of the Project Lands on or before the end of the 1st quarter of 2023. Subsequently, SPCC requested another extension until end of 2nd quarter of 2023 on March 22, 2023.

On March 15, 2023, SPCC formally received the SEC's certificates of approval for the increase and reclassification of its authorized capital stock with confirmation of valuation, all dated December 29, 2022 (see Note 2).

As of September 30, 2023, the OLSA is secured by the following:

- (1) Solar power plant presented as part of "Property, plant and equipment" with a carrying value of ₱2,579.7 million as of September 30, 2023 (see Note 8);
- (2) Project Lands at revalued amount of ₱2,315.9 million as of September 30, 2023 (see Note 8); and
- (3) SPCC's capital stock comprising of common stock and preferred stock amounting to ₱1,099.5 million and ₱305.9 million, respectively.

For the nine month-period ended September 30, 2023 and 2022, interest expense on the long-term loan facility amounted to ₱26.7 million and nil, respectively. Accrued interest as of September 30, 2023 amounted to ₱26.1 million (see Note 11).

13. 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.

The Group, in the normal course of business, has cash advances transactions with its stockholders and related parties, SPPPHI, SPCRPI, SPHI, Solar Philippines Module Manufacturing Corporation (SPMMC), Solar Philippines Systems Manufacturing Corporation (SPSMC) and Solar Maintenance Services Corporation (SMSC), for various business requirements.

	Transactions during the nine month-periods ended September 30 (Unaudited)		Outstanding balance as of			
	2023	2022	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)	Terms	Conditions
Deposits (Note 10)						
Stockholder of SPPPHI	P245,520,692	P–	P245,520,692	P–	Refundable, non-interest bearing	Unsecured; Not impaired
SPPPHI	–	–	–	500,000,000	-do-	-do-
			P245,520,692	P500,000,000		
Advances to contractors (Note 10)						
SPCRPI	P–	P–	P38,400,000	P–	Cash advances	Unsecured; Not impaired
Deposits for land acquisition (Note 9)						
LHHC	P–	P–	P270,000,000	P270,000,000	Deposits; non-interest bearing	Unsecured; Not impaired
PIC	–	–	267,000,000	267,000,000	-do-	-do-
			P537,000,000	P537,000,000		
Due from related parties						
Ultimate Parent Company						
SPPPHI	P–	P–	P89,970,396	P8,700,000	Due and demandable; non-interest bearing	Unsecured; Not impaired
Affiliates:						
SPHI	P–	P–	P474,090,000	P793,590,000	Due and demandable; non-interest bearing	Unsecured; Not impaired
SPCRPI	–	–	36,662,932	19,098,320	-do-	-do-
Stockholder of SPPPHI	–	–	7,293,310	–	-do-	-do-
			518,046,242	812,688,320		
			P608,016,638	P821,388,320		
Due to related parties						
SPPPHI	P300,000,000	P–	P731,061,275	P22,770,229	Due and demandable; non-interest bearing	Unsecured
DGA SP B.V.	–	–	244,443	–	-do-	-do-
SPSMC	–	–	17,198	–	-do-	-do-
			P731,322,916	P22,770,229		
Accounts payable (Note 11)						
SPCRPI	P–	P–	P85,714,453	P–	Due and demandable; non-interest bearing	Unsecured
SMSC	53,915,995	–	14,178,083	2,339,094	-do-	-do-
SPPPHI	49,425,000	18,500,000	5,723,958	12,700,220	-do-	-do-
SPMMC	–	–	547,956	–	-do-	-do-
			P106,164,450	P15,039,314		
Dividends payable						
SPPPHI	P–	P–	P61,570,424	P–	Due and demandable; non-interest bearing	Unsecured

a. SPPPHI

Deed of Assignment between SPNEC and 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 16).

Management Services Agreement (“MSA”) between SPNEC and 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, 2024, renewable upon mutual agreement of both parties, for a monthly fee of ₱2.0 million, subject to 5% annual escalation.

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

Prior to May 2021, the administrative and finance functions of the Parent Company were being handled by SPPPHI at no cost to the Parent Company. Starting May 2021, the key administrative and finance functions are performed by SPPPHI through the MSA. Management fee recognized for the nine month-periods ended September 30, 2023 and 2022 amounted to ₱22.4 million and ₱18.5 million, respectively, presented as “Management fee” under “General and administrative expenses” in the unaudited interim condensed consolidated statements of comprehensive income (see Note 15).

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 unaudited interim condensed consolidated statements of financial position as of December 31, 2022. In 2023, TNI reclassified the deposits to deposits for land acquisition upon receipt of the DAR conversion orders (see Note 10).

Intercompany Advance Agreement (IAA) with SPPPHI and TNI

On May 5, 2023, the BOD of SPNEC approved the authority to enter in a loan arrangement with SPPPHI in which SPPPHI may lend to SPNEC an amount up to the net proceeds of the SPA 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 TNI of the proceeds of this loan.

On June 2023, SPNEC entered into an IAA with SPPPHI whereby SPPPHI shall extend a loan to SPNEC wherein the latter shall exclusively use the proceeds of the loan for on-lending to TNI. Per IAA, SPNEC shall not directly or indirectly use the proceeds of the Loan for any other purpose without SPPPHI’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 TNI whereby SPNEC shall extend a loan to TNI wherein the latter shall exclusively use the proceeds to acquire the Project Land, as defined in the IAA. Per IAA, TNI 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.

For the nine month-period ended September 30, 2023, SPNEC has received advances from SPPPHI which was then subsequently advanced to TNI amounting to ₱300.0 million.

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 9).

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 9).

d. 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 SPNEC's Phase 1 Project. Manpower services recognized for the nine-month periods ended September 30, 2023 and 2022, amounted to ₱44.2 million and nil, respectively, which was capitalized as part of construction in progress (see Note 8).

Operation and Maintenance Agreement between SP Tarlac and SMSC

On May 27, 2019, SP Tarlac entered into Operation and Maintenance Agreement with SMSC for operating, maintaining and managing the solar power plant for a term of 20 years, commencing on July 25, 2019. The annual fee is at ₱21.5 million with an escalation rate of 2% on the second year of contract and every other year thereafter. For the nine-month periods ended September 30, 2023 and 2022, SP Tarlac recognized professional fees amounting to ₱8.7 million and nil, respectively, which is presented as part of "Cost of sales and services" in the unaudited interim condensed consolidated statements of comprehensive income (see Note 15).

Property Maintenance and Management Agreement between SPRC and SMSC

On January 2, 2019 and July 1, 2019, SPRC entered into two property maintenance and management agreement with SMSC to maintain and manage the solar power plants for a period of twenty years and two (2) years, respectively. SPRC 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 nine-month periods ended September 30, 2023 and 2022, SPRC recognized personnel costs which is presented as part of "Cost of sales and services" in the unaudited interim condensed consolidated statements of comprehensive income amounting to ₱1.0 million and nil, respectively (see Note 15).

14. Equity

Capital Stock and Additional Paid-in Capital

The details of the Parent Company's capital stock as of September 30, 2023 and December 31, 2022 are as follows:

	September 30, 2023 (Unaudited)		December 31, 2022 (Audited)	
	Shares	Amount	Shares	Amount
Common shares – ₱0.1 par value per share				
Balances at beginning of period	10,000,000,000	₱1,000,000,000	10,000,000,000	₱1,000,000,000
Increase in authorized capital stock	40,000,000,000	4,000,000,000	–	–
Balances at end of period	50,000,000,000	₱5,000,000,000	10,000,000,000	₱1,000,000,000
Issued and outstanding:				
Balances at beginning of period	10,000,000,000	₱1,000,000,000	8,124,350,005	₱812,435,001
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	₱3,437,305,000	10,000,000,000	₱1,000,000,000

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.

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 September 30, 2023 and December 31, 2022, subscription receivable resulting from those that subscribed on installment payment amounted to ₱1.3 million and ₱651.1 million, respectively. As of November 14, 2023, 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.

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.

On June 1, 2023, the SEC approved the Parent Company's application for increase in authorized capital stock.

Investment by MPIC

On March 27, 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) or 16% equity stake, for a total consideration of ₱2,000.0 million.

On May 5, 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 ₱12,500.0 million (Primary Option) and up to 7,400.0 million secondary shares for up to ₱9,250.0 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 ₱23,750.0 million for 19,000.0 million shares and becoming the largest shareholder with approximately 42.82% ownership in SPNEC.

Subscription Agreement with SPPPHI

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

Capital Infusion

In 2023, SPNEC received cash infusion from SPPPHI amounting to ₱776.9 million as additional paid-in capital to SPPPHI's existing subscription in SPNEC. This was recognized as additional paid-in capital under equity.

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").

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.

15. Costs and Expenses

Cost of Sales and Services

	Unaudited	
	Nine Month-Period Ended	
	September 30	
	2023	2022
Depreciation and amortization (Note 8)	P96,191,508	P—
Insurance	17,114,021	—
Manpower services (Note 13)	15,309,429	—
Security services	7,215,550	—
IEMOP charges	6,866,426	—
Rental	3,839,974	—
Inventories issued (Note 5)	2,902,329	—
Professional fees	859,230	—
Others	10,244,691	—
	P160,543,158	P—

Others include salaries and wages, supplies and freight.

General and Administrative Expenses

	Unaudited	
	Nine Month-Period Ended	
	September 30	
	2023	2022
Taxes and licenses	P25,639,579	P12,190,292
Management fee (Note 13)	22,425,000	18,500,000
Professional fees	11,728,677	7,261,650
Bid-related cost	5,699,507	550,000
Depreciation and amortization (Note 8)	4,052,604	1,353,460
Filing fees	—	4,341,061
Others	27,260,359	6,171,142
	P96,805,726	P50,367,605

Others include government shares, supplies, utilities, trust fees and other administrative expenses.

16. Leases

- a. 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 year rent-free period plus a 25-year term. Further, the lease is subject for renewal of 5 years upon mutual agreement by parties. The land lease agreement has an annual rent of ₱45,000 per hectare, net of tax, and is subject to an increase of 5% in rental payments after every five years.
- b. 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 land area 179.6 hectares in Peñaranda, Nueva Ecija, which was accepted and assumed by the Parent Company. The annual rent increased from ₱50,000 per hectare per year, net of tax, to ₱55,000 per hectare per year, net of tax, which shall be subject to an escalation of 10.0% every five years from the start date. Further, as agreed by the parties, the lease of the updated total land area of 169.9 hectares commenced in March 2021.
- c. In May 2021, the 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 year rent-free period plus a 25-year term. Further, the lease is subject for renewal of 5 years upon mutual agreement by the parties. The land lease agreement has an annual rent of ₱55,000 per hectare, net of tax, and is subject to an increase of 8% in rental payments after every three years.
- d. Additions through business combinations 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 12).
- e. Lease liabilities as of September 30, 2023 and December 31, 2022 are as follows:

	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Balances at beginning of period	₱303,138,420	₱293,878,848
Effect of business combination (Note 2)	98,120,014	—
Interest expense charged to expense	9,439,743	4,532,695
Interest expense capitalized to CIP*	7,384,329	4,726,877
Payments	(18,096,655)	—
Total lease liabilities	399,985,851	303,138,420
Current portion of lease liabilities	(10,205,326)	(4,538,676)
Noncurrent portion of lease liabilities	₱389,780,525	₱298,599,744

*Incurred during the construction period (see Note 1)

- f. The following are the amounts recognized for the nine month-periods ended September 30, 2023 and 2022 in the unaudited interim condensed consolidated statements of comprehensive income:

	Unaudited	
	Nine Month-Period Ended	
	September 30	
	2023	2022
Interest expense	P9,439,743	P—
Amortization of ROU assets	8,099,376	—
Total amount recognized in the unaudited interim condensed consolidated statements of comprehensive income	P17,539,119	P—

- g. As of September 30, 2023 and December 31, 2022, cash bond deposit amounting to P0.55 million, pertain to cash bond deposits paid to Department of Agrarian Reform (DAR) for the conversion of leased land from agricultural to industrial land.
- h. As of October 25, 2023, the Parent Company has received the DAR order for the conversion of the 352.42 hectares of leased lands, of which 169.9 hectares are with DAR Certificate of Finality of Conversion.

17. 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, subscription receivables, short-term deposits, performance bond cash bond deposit, long-term receivables and due from related parties, trade and other payables (excluding statutory liabilities), lease liabilities, loans payable and due to related parties. 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.

The Group's exposure to credit risk is currently limited to the aggregate carrying values of cash and cash equivalents (excluding cash on hand), trade receivables, subscription receivables, short-term deposits, performance bond cash bond deposit, long-term receivables and due from related parties amounting to P2,036.2 million and P1,525.2 as of September 30, 2023 and December 31, 2022, respectively. Such exposure arises from a possible default of the bank and of the debtor.

With respect to the credit risk arising from other financial assets of the Group, which comprise cash and cash equivalents (excluding cash on hand), trade receivables, subscription receivables, short-term deposits, performance bond cash bond deposit, long-term receivables 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.

The Group does not hold collateral for its financial assets as security.

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 September 30, 2023 and December 31, 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, subscription receivable, short-term deposits, performance bond cash bond deposit, long-term receivables 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 September 30, 2023 and December 31, 2022, the aging analysis per class of financial assets that were past due is as follows:

September 30, 2023 (Unaudited)

	Neither past due nor impaired	Past due but not impaired			Impaired	Total
		Less than 30 days	31 to 60 days	More than 60 days		
<i>(In Thousand Pesos)</i>						
Cash and cash equivalents*	P183,572	P–	P–	P–	P–	P183,572
Trade receivables	266,052	–	–	–	49,932	315,984
Subscription receivable	1,319	–	–	–	–	1,319
Short term investments	607,936	–	–	–	–	607,936
Cash bond deposit	37,841	–	–	–	–	37,841
Due from related parties	608,017	–	–	–	–	608,017
Long-term receivables	331,487	–	–	–	–	331,487
	P2,036,223	P–	P–	P–	P49,932	P2,086,155

*Excludes cash on hand

December 31, 2022 (Audited)

	Neither past due nor impaired	Past due but not impaired			Impaired	Total
		Less than 30 days	31 to 60 days	More than 60 days		
<i>(In Thousand Pesos)</i>						
Cash and cash equivalents*	₱37,132	₱—	₱—	₱—	₱—	₱37,132
Subscription receivable	651,116	—	—	—	—	651,116
Cash bond deposit	15,552	—	—	—	—	15,552
Due from related parties	821,388	—	—	—	—	821,388
	₱1,525,188	₱—	₱—	₱—	₱—	₱1,525,188

*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 show the maturity profile as of September 30, 2023 and December 31, 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:

	September 30, 2023 (Unaudited)				
	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*	P183,572	P–	P–	P–	P183,572
Trade receivables	261,863	–	–	–	261,863
Subscription receivable	–	1,319	–	–	1,319
Short-term deposits	607,936	–	–	–	607,936
Due from related parties	608,017	–	–	–	608,017
Long-term receivables	–	–	78,841	226,634	305,475
	P1,665,576	P1,319	P78,841	P226,634	P1,972,370
Financial liabilities at amortized cost:					
Trade and other payables**	P–	P30,366	P–	P–	P30,366
Due to related parties	477,283	–	–	–	477,283
Lease liabilities***	–	300,385	1,569,876	1,714,717	3,584,978
Loans payable***	–	609,228	1,172,039	3,010,405	4,791,672
	P477,283	P939,979	P2,741,915	P4,725,122	P8,884,299

*Excludes cash on hand

**Excludes statutory liabilities

***Includes future interest payments

	December 31, 2022 (Audited)				
	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
Subscription receivable	–	651,116	–	–	651,116
Due from related parties	821,388	–	–	–	821,388
	P858,520	P651,116	P–	P–	P1,509,636
Financial liabilities at amortized cost:					
Trade and other payables**	P–	P17,875	P–	P–	P17,875
Due to related parties	22,770	–	–	–	22,770
Lease liabilities***	4,539	4,539	101,981	567,270	678,329
	P27,309	P22,414	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, Subscription receivable, Due from related parties, Short-term investments, Long-term receivables, Performance bond, Cash bond deposit, Trade and other payables (excluding statutory liabilities) and Due to related parties
The carrying amounts of these financial instruments approximate their fair values due to their short-term maturities.

Long-term Receivables

The fair value of long-term receivables was computed by discounting the expected cash flows using the applicable rates of 5.58% as of September 30, 2023, respectively. As of September 30, 2023, the fair value and carrying value of the long-term receivables amounted to P300.0 million and P331.5 million, respectively.

Long-term Loan

The fair value of loans payable 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 ranges from 6.50% in 2022. The fair value of the long-term loan amounted to P3.4 billion as of September 30, 2023.

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 7.89% and 8.59% as at September 30, 2023 and December 31, 2022, respectively. The fair value of the lease liabilities amounted to P300.0 million and P233.1 million as of September 30, 2023 and December 31, 2022, respectively, while the carrying value of the lease liabilities amounted to P400.0 million and P303.1 million as of September 30, 2023 and December 31, 2022, respectively.

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

No changes were made in the objectives, policies or processes for the nine month-periods ended September 30, 2023 and 2022.

The Group considers the following as its core capital:

	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Capital stock	P3,437,305,000	P1,000,000,000
Additional paid-in capital	5,713,202,754	4,938,722,430
Equity reserve	508,005,980	—
Revaluation surplus	3,769,389,583	—
Deficit	(286,608,443)	(126,125,941)
	P13,141,294,874	P5,812,596,489

The Parent Company and its subsidiaries, except for SPCC and SP Tarlac, are not subject to any externally imposed capital requirement. SPCC and SP Tarlac were able to meet their capital management objectives as of September 30, 2023.

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

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

	Unaudited Nine Month-Period Ended September 30	
	2023	2022
(a) Net loss attributable to equity holders of the Company	P106,984,399	P49,683,212
(b) Weighted average number of common shares outstanding	20,832,466,667	8,332,755,560
Basic/diluted loss per share (a/b)	P0.0051	P0.0060

The Parent Company does not have any dilutive potential common shares for the nine-month periods ended September 30, 2023 and 2022.

19. **Contracts and Commitments**

SPNEC

Renewable Power Supply Agreement with Angeles Electric Corporation (“AEC”)

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

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

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

On January 23, 2023, the Parent Company and AEC jointly filed the PSA with the ERC. As of November 14, 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 unaudited interim condensed consolidated statements of financial position (see Note 6).

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 September 30, 2023 and December 31, 2022, prepaid premiums amounted to ₱2.3 million and ₱2.8 million, respectively, presented as part of "Other current assets" in the unaudited interim condensed consolidated statements of financial position (see Note 4).

Memorandum of Agreements ("MOA") between SPPPHI and Prime Infrastructure, Inc. ("Prime")

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

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

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

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

SPCC

Connection Agreement

In 2015, the Connection Agreement was entered between SPCRPI, an affiliate of SPCC, 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 SPCC 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

The Transmission Service Agreement dated May 24, 2016 was entered between SPCRPI and NGCP, who took over transmission business of TransCo, wherein the former is engaged in the business of power generation and the latter is authorized to act as the transmission service provider on the 69 kilovolt (kV) line of NGCP along the Calatagan, Batangas area. SPCRPI assigned to SPCC all of its rights and obligations under this agreement through a deed of assignment executed on February 3, 2017. A copy the Transmission Service Agreement was sent to the NGCP on the same day.

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 SPCC all of its rights and obligations under this agreement through a deed of assignment executed on February 3, 2017. A copy of the Metering Service Agreement was sent to the NGCP on the same day.

The Connection Agreement, Transmission Agreement, and Metering Service Agreement of SPCC 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 Renewable Energy 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 SPCC to a base FIT rate of ₱8.69 per kWh for 20 years.

All eligible renewable energy (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. SPCC 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, SPCC received a letter from 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 SPCC'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 November 14, 2023, ERC is still in the process of evaluating the requirements for the renewal submitted by SPCC.

On May 26, 2020, the ERC approved Resolution No. 06, Series of 2020 which approved and 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 SPCC 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 September 30, 2023, the long-term receivable from TransCo amounted to ₱331.5 million (see Note 10). The current portion of the long-term receivables amounted to ₱48.5 million is presented as part of "Trade receivables" in the unaudited interim condensed consolidated statements of financial position as of September 30, 2023 (see Note 4).

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.

REPA

On March 17, 2016, SPCC and TransCo, designated as the FIT-All Fund Administrator, entered into a REPA. The REPA-0037 dated March 17, 2016 for the 63.359 MWp 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 SPCC from March 11, 2016 to March 10, 2036, the period of SPCC'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, SPCC registered with Philippines Electricity Market System (PEMC) as Direct WESM Member and Trading Participant-Generator Category.

Energy Regulations No. 1-94

On March 10, 2016, SPCC 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 MWp 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, SPCC should set aside one centavo per kilowatt hour (₱0.01/kWh) of the total electricity sales as financial benefit to its host community.

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 ha. 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 twenty-five (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 was able to issue its Declaration of Commerciality stating the commercial viability of the Project and was confirmed and approved by the DOE through issuing its Confirmation of Commerciality on December 6, 2017.

PSA between SP Tarlac and MERALCO

75 MW to 85MW PSA

On August 25, 2017, SP Tarlac entered into a Power Supply Agreement (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 ₱2.9999 per kWh subject to 2% annual escalation. SP Tarlac received the provisional and final approval 75 MW to 85MW PSA from the ERC on February 20, 2018 and March 4, 2019, respectively (see Note 20). In accordance with 75MW to 85 MW PSA, the commencement is nine month 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 Project (Tarlac 1A) is on September 26, 2020.

In accordance with the provision of the 75 MW to 85MW 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 Project (Tarlac 1A).

As of September 30, 2023, the current portion of the replacement energy cost payable presented as others in the "Trade and other payables" amounted to ₱11.0 million. As of September 30, 2023, the

noncurrent replacement energy cost payable presented as “Other noncurrent liabilities” amounted to ₱99.0 million.

Connection Agreement

In 2017, SP Tarlac entered into Connection Agreement with National Grid Corporation of the Philippines (NGCP) where the former’s solar power plant’s generation facility shall connect to NGCP’s transmission system.

Transmission Service Agreement

The Transmission Service Agreement dated November 26, 2018 was entered between SP Tarlac and NGCP, who took over transmission business of National Transmission Corporation (TransCo). NGCP is the authorized transmission service provider.

Metering Service Agreement

On March 26, 2019, SP Tarlac entered into Metering Service Agreement with NGCP wherein the latter is authorized to act as the metering service provider of the Concepcion 1 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 on March 26, 2019 and will expire on 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. 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 Tarlac should set aside one centavo per kilo watt hour (₱0.01/kWh) of the total electricity sales as financial benefit to its host community. For the nine-month period ended September 30, 2023, benefits to host communities amounted to ₱0.6 million which is presented under “General and administrative expenses” in the unaudited interim condensed consolidated statements of income (see Note 15).

SPRC

Engineering, Procurement and Construction (EPC) Agreements

Robinsons Land Corporation (RLC)

On October 23, 2018, SPRC entered into five (5) EPC agreements with RLC for the design, engineering, procurement of components for, and construction of PS for the project sites. As of June 30, 2023, SPRC has completed the construction of four (4) projects, wherein three (3) are already energized and one is waiting for management’s acceptance. The remaining ongoing project is estimated to be completed in 2023. As of September 30, 2023, the remaining receivables amounted to ₱22.6 million (see Note 4).

Power Purchase Agreements (PPA)

For the nine-month period ended September 30, 2023, SPRC recognized revenue from sale of electricity amounting to ₱5.3 million. As of September 30, 2023, the outstanding receivable from sale of electricity amounted to ₱7.6 million (see Note 4).

Solar Energy Operating Contract (SEOC)

On December 14, 2022, the DOE awarded SPRC with SEOC No. 2022-11-644, for the exclusive right to explore, develop and operate its 2.04MW DMPI Bugo Solar Power Project. The SEOC has a contract period of 25 years and will expire on 2047.

20. Operating Segment Information

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. For purposes of management reporting, SPNEC Group's operating businesses are organized and managed separately on a per company basis, with each company representing a strategic business segment.

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 unaudited interim condensed consolidated statements of income. Segment expenses pertain to the costs and expenses presented in the unaudited interim condensed 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:

For the Nine Month-Period Ended September 30, 2023 (Unaudited)						
	SPNEC	SPCC	SP Tarlac	SPRC	Others	Eliminating entries* Total
Segment revenue	P-	P168,004,075	P158,392,607	P8,197,649	P-	(P928,162) P333,666,169
Segment expenses	(53,448,251)	(32,651,091)	(44,611,527)	(16,870,075)	(9,523,828)	- (157,104,772)
Segment results	(53,448,251)	135,352,984	113,781,080	(8,672,426)	(9,523,828)	(928,162) 176,561,397
Interest income	701,339	13,911,707	3,936,930	346,556	10,643	- 18,907,175
Interest expense	(7,657,181)	(27,353,202)	(59,390,363)	-	-	- (94,400,746)
Depreciation and amortization	(3,907,429)	(28,761,321)	(67,265,775)	(309,587)	-	- (100,244,112)
Other income (expense)	142,994	16,708	4,691,998	17,714,612	1,300,575	- 23,866,887
Net income (loss)	(64,168,528)	93,166,876	(4,246,130)	9,079,155	(8,212,610)	(928,162) 24,690,601

*Pertains to intercompany transactions that were eliminated upon consolidation.

For the Nine Month-Period Ended September 30, 2022 (Unaudited)	
SPNEC	
Segment revenue	P-
Segment expenses	(49,014,144)
Segment results	(49,014,144)
Interest income	566,194
Depreciation and amortization	(1,353,460)
Other income (expense)	118,196
Income (loss) before income tax	(49,683,213)
Benefit from (provision for) income tax	9,234,371

	For the Nine Month-Period Ended September 30, 2022 (Unaudited)
Net income (loss)	(P40,448,843)

	September 30, 2023 (Unaudited)						
	SPNEC	SPCC	SP Tarlac	SPRC	Others	Eliminating entries*	Total
Current assets	P2,609,697,111	P708,459,435	P421,618,813	P277,823,369	P131,488,653	(P2,328,021,356)	P1,821,066,025
Noncurrent assets	6,932,684,475	5,653,218,190	6,764,633,561	101,975,848	4,295,899,632	(2,905,038,163)	20,843,373,543
Total	P9,542,381,586	P6,361,677,625	P7,186,252,374	P379,799,217	P4,427,388,285	(P5,233,059,519)	P22,664,439,568
Current liabilities	P333,705,779	P286,387,376	P553,478,337	P338,879,491	P2,228,034,513	(P2,328,021,356)	P1,412,464,140
Noncurrent liabilities	298,289,458	1,485,569,421	2,281,782,012	—	514,085,018	—	4,579,725,909
Total	P631,995,237	P1,771,956,797	P2,835,260,349	P338,879,491	P2,742,119,531	(P2,328,021,356)	P5,992,190,049

*Pertains to intercompany transactions that were eliminated upon consolidation.

	December 31, 2022 (Audited)			
	SPNEC	TNI	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.

21. Events After the Financial Reporting Date

Results of the October 11, 2023 Meeting of the Board of Directors

At its October 11, 2023 meeting, the Board of Directors of SPNEC approved the following:

- Amendment of its Articles of Incorporation to increase its authorized capital stock from 50 billion common shares to 75 billion shares and 25 billion preferred shares
- Setting of a Special Stockholders' Meeting for December 4, 2023 with Record Date of November 14, 2023
- Authorization to execute an agreement for an investor to subscribe to shares in SPNEC to support the above-mentioned increase in Authorized Capital Stock.
- Conduct of a Follow-On Offering with an aim to support the expansion of SPNEC's project portfolio and increase the public ownership of its shares.

MGen Renewable Energy Inc. ("MGreen") signs agreement with SPNEC

On October 12 2023, MGreen, the renewable energy development arm of Meralco Powergen Corporation ("MGen") announced that it has agreed with SPNEC and SPPPHI, to invest P15.9 billion to subscribe to 15.7 billion common shares and 19.4 billion redeemable preferred voting shares in SPNEC. MGen is a wholly-owned subsidiary of the Manila Electric Company ("Meralco"), the country's largest private sector electric distribution utility company.

The 15.7 billion common shares would have a total subscription price of P15.7 billion and represent 31.35% of the issued and outstanding common shares of SPNEC (which, together with the SPNEC's existing 34.37 billion common shares, would total 50.07 billion common shares). The 19.40 billion redeemable preferred voting shares would have a total subscription price of

₱194.04 million and will not have the ability to earn economic returns or dividends. Upon closing, the 15.7 billion common shares and 19.4 billion redeemable preferred voting shares will make MGreen the controlling shareholder of SPNEC with a total voting interest of 50.5%.

The issuance of these shares would come from an increase in authorized capital stock and fund the construction and expansion of SPNEC's solar projects, including a planned 3.5 GW of solar and 4 GWh of battery storage.

22. Other Matters

Seasonality of Operations

Operations of solar power plants are generally affected by seasonality. Solar power plants are expected to generate their highest output during summer months.

Repurchases, and Repayments of Debt and Equity Securities

There are no repurchases and repayments of debt and equity securities during the current period.

Changes in Estimates and Amounts Reported in Prior Financial Years

The key assumptions concerning the future and other key sources of estimation uncertainty used in preparation of the unaudited interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's unaudited interim condensed consolidated financial statements as of September 30, 2023.

Changes in Contingent Liabilities or Contingent Assets Since the Last Annual Reporting Date

There are no material changes in the contingent liabilities or contingent assets since the last annual reporting date.

Changes in the Composition of the Group During the Interim Period

For the nine-month period ended September 30, 2023, there were changes in the composition of the Group due to SPNEC's acquisition of SPPPHI's rights, titles, and interests in and to the Solar Philippines Assets. Changes in the Group's structure is discussed under Note 2 of the unaudited interim condensed consolidated financial statements.

MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The summary of financial information is based on the Unaudited Interim Condensed Consolidated Financial Statement as of 30 September 2023 (with Comparative Audited Figures as of 31 December 2022) and for the Nine-Month Periods Ended 30 September 2023 and 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.

Acquisition of Solar Philippines Assets

On February 24, 2022, the BOD of the SP New Energy Corporation (“SPNEC” or “the Parent Company”) approved the acquisition of 100% of the outstanding shares of Solar Philippines Power Project Holdings Inc. (“SPPPHI”) and affiliates in various entities (“Solar Philippines Assets”) through an asset-for-share swap.

On May 15, 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 rights, titles, and interests in and to the Solar Philippines Assets, using the proceeds of SPPPHI’s subscription of 24.37 billion SPNEC common shares, premised on the 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 June 9, 2023, SPNEC entered into another DOAS with SPPPHI for SPNEC to purchase SPPPHI’s rights, titles, and interests in and to the following Solar Philippines Assets 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 June 29, 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 aforementioned acquisitions resulted in 100% interest in the Solar Philippines Assets, except for SPCC, LRSC, TSPI, and SPCLC in which SPNEC acquired 55.35%, 60%, 49%, and 1% interests, respectively, and excluding preferred shares in SPTC.

As of September 30, 2023, the Parent Company, Terra Nueva Inc. (“TNI”), and Solar Philippines Assets are referred to herein as the “Group”.

**Material Changes to the Consolidated Statements of Financial Position as of September 30, 2023,
compared to the Consolidated Statements of Financial Position as of December 31, 2022**

Horizontal and Vertical Analysis of Financial Position September 30, 2023 vs December 31, 2022						
Amounts in ₱0.00	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)	Horizontal Analysis		Vertical Analysis	
			Increase/(Decrease)		September 2023	December 2022
			Amount	Percentage		
Assets						
Cash	183,861,965	37,232,084	146,629,881	393.83%	0.81%	0.60%
Accounts Receivable	266,051,626	-	266,051,626	100.00%	1.17%	0.00%
Subscription receivable	1,319,056	651,115,661	(649,796,605)	-99.80%	0.01%	10.50%
Inventories	24,362,729	-	24,362,729	100.00%	0.11%	0.00%
Due from related parties	608,016,638	821,388,320	(213,371,682)	-25.98%	2.68%	13.24%
Other current assets	737,454,011	18,638,843	718,815,168	3856.54%	3.25%	0.30%
TOTAL CURRENT ASSETS	1,821,066,025	1,528,374,908	292,691,117	19.15%	8.03%	24.64%
Property, plant and equipment						
At cost	10,142,155,535	1,671,233,624	8,470,921,911	506.87%	44.75%	26.94%
At fair value	6,148,976,200	-	6,148,976,200	100.00%	27.13%	0.00%
Investment Property	-	312,626,010	(312,626,010)	-100.00%	0.00%	5.04%
Deposits for land acquisition	3,680,182,787	2,026,892,396	1,653,290,391	81.57%	16.24%	32.67%
Deferred Tax Asset	11,308,804	10,201,126	1,107,678	10.86%	0.05%	0.16%
Other noncurrent assets	860,750,217	654,395,146	206,355,071	31.53%	3.80%	10.55%
TOTAL NONCURRENT ASSETS	20,843,373,543	4,675,348,302	16,168,025,241	345.81%	91.97%	75.36%
TOTAL ASSETS	22,664,439,568	6,203,723,210	16,460,716,358	265.34%	100.00%	100.00%
Liabilities and Equity						
Accounts payable and accrued expenses	301,377,334	65,218,072	236,159,262	362.11%	1.33%	1.05%
Due to related parties	731,322,916	22,770,229	708,552,687	3111.75%	3.23%	0.37%
Current portion of notes payable	366,689,302	-	366,689,302	100.00%	1.62%	0.00%
Current portion of lease liabilities	10,205,326	4,538,676	5,666,650	124.85%	0.05%	0.07%
Other current liabilities	2,869,262	-	2,869,262	100.00%	0.01%	0.00%
TOTAL CURRENT LIABILITIES	1,412,464,140	92,526,977	1,319,937,163	1426.54%	6.23%	1.49%
Lease liabilities - net of current portion	389,780,525	298,599,744	91,180,781	30.54%	1.72%	4.81%
Notes payable - net of current portion	2,837,118,234	-	2,837,118,234	100.00%	12.52%	0.00%
Deferred Tax Liabilities	1,254,058,222	-	1,254,058,222	100.00%	5.53%	0.00%
Other noncurrent liabilities	98,768,928	-	98,768,928	100.00%	0.44%	0.00%
TOTAL NONCURRENT LIABILITIES	4,579,725,909	298,599,744	4,281,126,165	1433.73%	20.21%	4.81%
TOTAL LIABILITIES	5,992,190,049	391,126,721	5,601,063,328	1432.03%	26.44%	6.30%
Capital Stock	3,437,305,000	1,000,000,000	2,437,305,000	243.73%	15.17%	16.12%
Additional Paid-in Capital	5,713,202,754	4,938,722,430	774,480,324	15.68%	25.21%	79.61%
Equity reserve	508,005,980	-	508,005,980	100.00%	2.24%	0.00%
Revaluation Surplus	3,768,653,131	-	3,768,653,131	100.00%	16.63%	0.00%

Horizontal and Vertical Analysis of Financial Position September 30, 2023 vs December 31, 2022						
Amounts in ₱0.00	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)	Horizontal Analysis		Vertical Analysis	
			Increase/(Decrease)		September 2023	December 2022
			Amount	Percentage		
Deficit	(286,608,443)	(126,125,941)	(160,482,502)	127.24%	-1.26%	-2.03%
	13,140,558,422	5,812,596,489	7,327,961,933	126.07%	57.98%	93.70%
Non-Controlling Interest	3,531,691,097	-	3,531,691,097	100.00%	15.58%	0.00%
TOTAL EQUITY	16,672,249,519	5,812,596,489	10,859,653,030	186.83%	73.56%	93.70%
TOTAL LIABILITIES AND EQUITY	22,664,439,568	6,203,723,210	16,460,716,358	265.34%	100.00%	100.00%

Cash

As of September 30, 2023, the Parent Company collected its subscription receivables amounting to ₱649.8 million which were used for the payment of construction-related expenses for ₱398.6 million, and deposits for land acquisition amounting to ₱318.3 million. The Parent Company also received an advance from a related party amounting to ₱300.0 million which was subsequently advanced to TNI for the acquisition of land.

On May 10, 2023, SPNEC received ₱2,437.3 million from SPPPHI for the subscription of 24,373.05 million common shares at ₱0.10 par value. Further, in 2023 SPNEC has accepted cash infusion from SPPPHI amounting to ₱776.9 million as additional paid-in capital to SPPPHI's existing subscription in SPNEC. The proceeds were used for the purchase of Solar Philippines Assets.

During the period, the Parent Company's subsidiaries including SPCC, SPTC and SPRC received payments from customers amounting to ₱819.9 million. SPCC and SPTC made loan payments amounting to ₱144.8 and ₱166.2 million on January and April 2023, respectively, SPCC paid dividends to its shareholders amounting to ₱61.6 million, while SPTC and SPRC incurred construction-related expenses amounting to ₱142.6 million.

Trade Receivables

Trade receivable arises from the revenue from the sale of electricity, 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 September 30, 2023, pertains to receivable by SPCC from National Transmission Corporation ("Transco") amounting to ₱156.7 million, receivable by SPTC from Meralco amounting to ₱67.1 million and the balance are from the Group's transactions from its Power Purchase Agreement (PPA) and Engineering, Procurement, Construction (EPC) services.

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.

As of September 30, 2023, the Parent Company made collections for subscription receivable amounting to ₱649.8 million.

Inventories

This account pertains to the inventory on hand of SPRC to be used for the construction of its contracted Projects.

Due from Related Parties

As of September 30, 2023, the Parent Company received ₱319.5 million as a return of advances to a related party. The subsidiaries' advances to related parties amounting to ₱104.0 million were also added to this account.

Other Current Assets

This account mainly consists of short-term investments amounting to ₱607.9 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 to service the principal and/or interest payments due on the loans. This also includes prepayments such as insurance, taxes, rent, and trust fees of ₱15.1 million, cash bond deposits of ₱20.3 million, advance payment to suppliers of ₱30.9 million, performance bond of ₱17.6 million, VAT Receivable of SPTC of ₱14.6 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 ₱7,203.2 million as of September 30, 2023, and Construction in Progress (CIP) of SPTC for its 15MW Solar Power Plant, SPRC, and LRSC for its PPA Projects, totaling to ₱698.1 million. During the period, the Group has incurred a total amount of ₱541.2 million which was capitalized to CIP for various projects of the Group mainly related to SPNEC, SPTC, and SPRC. Further, SPCC purchased an additional 150 units of string inverters capitalized in May 2023 amounting to ₱42.3 million.

The Parent Company's Right of Use Assets ("ROU Assets") of the Parent Company remains the same with a total of 347.42 hectares of land. Added to this account are the ROU Assets of SPTC comprising of comprising 102.49 hectares of land with a net book value as of September 30, 2023 of ₱210.4 million.

As of September 30, 2023, the Group's total land lease area under lease of the Group including the Parent, SPTC and SPTBC is at 1,008.8 hectares.

At Fair Value

This pertains to the land currently owned by the Group including SPCC and SPTC which was reported at their fair market value as of September 30, 2023.

As of September 30, 2023, the Group has a total area of 452.14 hectares of land.

Deposits for Land Acquisition (DLA)

For the nine-month period ended September 30, 2023, the Group made deposits for land acquisition including land-related costs to various landowners amounting to ₱1,219.1 million. The total amount of ₱434.2 million paid by SPTC and SPCC was added to this account.

Other Noncurrent Assets

This account mainly consists of advance payment of the purchase of the stockholder's shares in SPCC amounting to ₱242.7 million, long-term receivable by SPCC from Transco related to the FIT adjustments amounting to ₱331.5 million and input VAT of ₱185.2 million of the Group.

Trade and Other Payables

Accounts payable are non-interest bearing and are normally settled within one year. Withholding tax payable pertains to withholding taxes on professional fees and various payments to contractors for services rendered. Accrued expenses consist mainly of accrual for benefits to host communities, light and water, professional fees, and differential cost of replacement energy charged by MERALCO to SP Tarlac.

This account includes third-party payables for the purchase of goods and services by the Group totaling ₱30.4 million, accrued interests for the loan facilities of SPTC and SPCC amounting to ₱88.4 million, related party payables amounting to ₱106.2 million as a result of business combination, accrued expenses totaling ₱38.5 million by the Group.

Due to Related Parties

As of September 30, 2023, the Parent Company received ₱300.0 million as an advance from SPPPHI, which was subsequently advanced to TNI, exclusively to be used in acquisition of project land. Also as a result of the consolidation of Solar Philippines Assets, the amount of ₱408.9 million was also added to this account.

Lease Liabilities

As of September 30, 2023 the Group's total land lease area under lease of the Group including the Parent, SPTC, and SPTBC is at 1,008.8 hectares. The outstanding lease liabilities of the Parent and SPTC are ₱302.8 million and ₱97.2 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 September 30, 2023 totaling ₱3,203.0 million.

SPCC

Omnibus Loan and Security Agreement ("OLSA") (₱3,400.0 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. Principal repayment period shall be semi-annual from October 3, 2018 up to April 3, 2029.

The OLSA is secured by the following:

1. Solar power plant presented as part of "Property, plant and equipment" with a carrying value of ₱2,579.7 million as of September 30, 2023;
2. Project Lands at revalued amount of ₱2,315.9 million as of September 30, 2023; and
3. SPCC's capital stock comprising of common stock and preferred stock amounting to ₱1,099.5 million and ₱305.9 million, respectively.

As of September 30, 2023 the loan has an outstanding balance of ₱1,308.0 million.

SPTC

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.

The proceeds of the loan amounting P2,002.5 million and P222.5 million were received on July 3, 2019 and July 25, 2019, respectively. Principal repayment period shall be semi-annual beginning on January 3, 2021 up to July 25, 2031.

The OLSA is secured by the following:

1. Solar power plant with a net book value of P4,555.7 million.
2. Tarlac 1A Project with a net book value of revalued land amounted to P1,459.7 million.
3. Leased Tarlac 1A Project land of 61.48 ha.
4. Stockholder of the SPPPHI's 172.2 ha of land of which 87.5 ha are covered by a memorandum of agreement for the transfer of the land to SPCC.
5. SP Tarlac's common stocks.

As of September 30, 2023, the loan has an outstanding balance of P1,935.8 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 P98.8 million. The current portion of this replacement energy amounting to P11.0 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 P0.10 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 (P1,000,000,000.00) 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 Parent Company's application for an increase of its authorized capital stock.

As of September 30, 2023, with the abovementioned transaction 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.

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 452.14 hectares as of September 30, 2023, which was recorded at fair value.

As of September 30, 2023, the fair value increment amounting to ₱1,542.3 million, net of deferred income tax, is recognized in other comprehensive income, and accumulated in equity under "Revaluation surplus" account amounting to ₱3,768.7 million, net of deferred income tax.

Deficit

The Group has earned a net income of ₱24.7 million and ₱54.2 million in stock issuance costs for the nine-month period ending September 30, 2023.

Material Changes to the Consolidated Statements of Comprehensive Income for the Nine (9) - months ended September 30, 2023, compared to the Statements of Comprehensive Income for the Nine (9) -months ended September 30, 2022.

As of September 30, 2023, the Parent Company has subsidiaries that are in commercial operations.

Horizontal and Vertical Analysis of Comprehensive Income September 30, 2023 vs September 30, 2022						
Amounts in ₱0.00	September 30, 2023 (Unaudited)	September 30, 2022 (Unaudited)	Horizontal Analysis		Vertical Analysis	
			Increase/(Decrease)		September 2023	September 2022
			Amount	Percentage		
Revenue	333,666,169	-	333,666,169	100.00%	21.29%	0.00%
Cost of Sales	(160,543,158)	-	(160,543,158)	100.00%	-10.25%	0.00%
GROSS PROFIT	173,123,011	-	173,123,011	100.00%	11.05%	0.00%
General and Administrative Expenses	(96,805,726)	(50,367,450)	(46,438,276)	92.20%	-6.18%	124.52%
Other Income (Expense)	23,866,887	118,196	23,748,691	20092.64%	1.52%	-0.29%
Finance Costs	(94,400,746)	(153)	(94,400,593)	61691669.70%	-6.02%	0.00%
Interest Income	18,907,175	566,194	18,340,981	3239.35%	1.21%	-1.40%
LOSS BEFORE TAX	24,690,601	(49,683,213)	74,373,814	-149.70%	1.58%	122.83%
Benefit from deferred tax	-	9,234,371	(9,234,371)	-100.00%	0.00%	-22.83%
NET LOSS AFTER TAX	24,690,601	(40,448,842)	65,139,443	-161.04%	1.58%	100.00%
Other Comprehensive Income	1,542,255,053	-	1,542,255,053	100.00%	98.42%	0.00%
TOTAL COMPREHENSIVE INCOME (LOSS)	1,566,945,654	(40,448,842)	1,607,394,497	-3973.89%	100.00%	100.00%

Revenue

From the date of the acquisition of Solar Philippines Assets and up to September 30, 2023, the Group has recorded a total of ₱333.7 million revenue, mainly contributed by SPCC, SPRC and SPTC from the sale of electricity.

Cost of Sales

Horizontal and Vertical Analysis of Comprehensive Income September 30, 2023 vs September 30, 2022						
Amounts in ₱0.00	September 30, 2023 (Unaudited)	September 30, 2022 (Unaudited)	Horizontal Analysis		Vertical Analysis	
			Increase/(Decrease)		September 2023	September 2022
			Amount	Percentage		
Depreciation and amortization	96,191,508	-	96,191,508	100.00%	6.14%	0.00%
Insurance	17,114,021	-	17,114,021	100.00%	1.09%	0.00%
Manpower services	15,309,429	-	15,309,429	100.00%	0.98%	0.00%
Security services	7,215,550	-	7,215,550	100.00%	0.46%	0.00%
IEMOP Charges	6,866,426	-	6,866,426	100.00%	0.44%	0.00%
Rental	3,839,974	-	3,839,974	100.00%	0.25%	0.00%
Inventories issued	2,902,329	-	2,902,329	100.00%	0.19%	0.00%
Professional fees	859,230	-	859,230	100.00%	0.05%	0.00%
Others	10,244,691	-	10,244,691	100.00%	0.65%	0.00%
Cost of Sales	160,543,158	-	160,543,158	100.00%	10.25%	0.00%

Costs of sale of electricity include expenses incurred by those directly attributable to the generation of revenues from solar energy. This account mainly comprised of depreciation of the solar power plant and amortization of ROU Assets which accounted for 60% of the total Cost of Sales. Other components are plant operations, plant maintenance, power plant preventive maintenance schedule, salaries and wages, utilities, and others.

General and Administrative Expenses

Horizontal and Vertical Analysis of Comprehensive Income September 30, 2023 vs September 30, 2022						
Amounts in ₱0.00	September 30, 2023 (Unaudited)	September 30, 2022 (Unaudited)	Horizontal Analysis		Vertical Analysis	
			Increase/(Decrease)		September 2023	September 2022
			Amount	Percentage		
Taxes and licenses	25,639,579	12,190,292	13,449,287	110.33%	1.64%	-30.14%
Management Fee	22,425,000	18,500,000	3,925,000	21.22%	1.43%	-45.74%
Professional fees	11,728,677	7,261,650	4,467,027	61.52%	0.75%	-17.95%
Depreciation and amortization	4,052,604	1,353,460	2,699,144	199.43%	0.26%	-3.35%
Bid related cost	5,699,507	550,000	5,149,507	936.27%	0.36%	-1.36%
Filing Fees	-	4,341,061	(4,341,061)	-100.00%	0.00%	-10.73%
Others	27,260,359	6,170,987	21,089,372	341.75%	1.74%	-15.26%
General and Administrative Expenses	96,805,726	50,367,450	46,438,276	92.20%	6.18%	-124.52%

Taxes and Licenses

For the nine-month period ended September 30, 2023, the Group paid land-related expenses such as real property taxes, CTC of titles, documentary stamp tax and tax clearance amounting to ₱18.2 million. In addition, the Group paid ₱4.5 million documentary stamp tax related to the advances from related party.

Management Fee

For the nine-month periods ended September 30, 2023, and 2022, the management fees recorded amounted to ₱22.4 million and ₱18.5 million, respectively.

Professional Fees

These are audit fees, appraisal fees on properties of the Group, directors' fees, legal, and other consultancy services incurred by the Group.

Depreciation and Amortization

For the nine-month period ended September 30, 2023, the Group recognized amortization of ROU assets amounting to ₱3.9 million and the balance for the depreciation of other fixed assets.

Bid Related Costs

This account pertains to the amortization of performance bond fees for Sta. Rosa Nueva Ecija 2 Solar Power Project of SPNEC.

Finance Costs

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

Other Income (Expense)

In 2023, SPRC entered into a deed of absolute sale with IBC International Builders Corporation for the sale of SPRC's power plant with a book value amounting to ₱16.3 million for a consideration amounting to ₱33.9 million. SPRC recognized gain on sale amounting to ₱17.6 million.

Net Loss

For the nine-month period ended September 30, 2023, the Group has earned ₱24.7 million.

Other Comprehensive Income

For the nine-month period ended September 30, 2023, the fair value increment amounting to ₱1,542.2 million, net of deferred income tax, pertains to the land of TNI.

Key Performance Indicators

Ratio	Formula	September 2023	December 2022
Current ratio	Dividing total current assets over total current liabilities	1.29	16.52
Acid test ratio	Dividing total current assets less inventory over total current liabilities	1.27	16.52
Solvency ratio	Dividing net income excluding depreciation and non-cash provisions over total debt obligations	0.02	N/A
Debt-to-equity ratio	Dividing total liabilities over stockholders' equity	0.36	0.07
Asset-to-equity ratio	Dividing total assets over total stockholders' equity	1.36	1.07
Interest rate coverage ratio	Dividing earnings before interest and taxes of one period over interest expense of the same period	1.06	N/A
Net debt-to-equity Ratio	Dividing total interest-bearing debts less cash and cash equivalents over total stockholders' equity	0.18	N/A
Return on equity (%)	Dividing the net income (annual basis) by total stockholders' equity (average)	0.15%	N/A
Return on assets (%)	Dividing the net income (annual basis) by the total assets (average)	0.11%	N/A