COVER SHEET

for

AUDITED FINANCIAL STATEMENTS

SEC Registration Number

C	S	2	0	1	3	1	0	1	2	4

COMPANY NAME

REPOWER ENERGY DEVELOPMENT CORPORATION AND SUBSIDIARIES

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

3RD FLOOR JTKC CENTER, 2155 CHINO ROCES AVE., MAKATI CITY

Form Type	Department requiring the report	Secondary License Type, If Applicable
AACFS	CRMD	N/A

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number/s	Mobile Number
rolando.domingo@pureenergy.com.ph	(02) 8813-8892	0917-830-1613

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
6	June 30	December 31

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Susan Bertulfo-Carisma	susan.carisma@pureenergy.com.ph	(02) 8813-8892	0917 830 1613

CONTACT PERSON'S ADDRESS

3rd Floor JTKC Center, 2155 Chino Roces Ave., Makati City

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

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

REYES TACANDONG & CO.
FIRM PRINCIPLES. WISE SOLUTIONS.

BOA/PRC Accreditation No. 4782
August 16, 2021, valid until April 13, 2024
SEC Accreditation No. 4782 SEC Group A
Issued August 11, 2022
Valid for Financial Periods 2021 to 2025

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INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors
Repower Energy Development Corporation and Subsidiaries
3rd Floor JTKC Center
2155 Chino Roces Ave.
Makati City

Opinion

We have audited the consolidated financial statements of Repower Energy Development Corporation (the Parent Company) and Subsidiaries (the Group), which comprise the consolidated statements of financial position as at December 31, 2020 and 2019, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and notes to consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as at December 31, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRS).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSA). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to the audit of the consolidated financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Matter

The Parent Company prepared this set of consolidated financial statements in compliance with the Revised Securities Regulation Code (SRC) Rule 68 in relation to the Parent Company's planned application for listing its common shares in the Philippine Stock Exchange, as discussed in Note 2 to the consolidated financial statements.

Reyes Tacandong & Co. is a member of the RSM network. Each member of the RSM network is an independent accounting and consulting firm, and practices in its own right. The RSM network is not itself a separate legal entity of any description in any jurisdiction.

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

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

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

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audits. We remain solely responsible for our audit opinion.

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

REYES TACANDONG & CO.

CAROLINA P. ANGELES
Partner
CPA Certificate No. 86981
Tax Identification No. 205-067-976-000
BOA Accreditation No. 4782; Valid until April 13, 2024
SEC Accreditation No. 86981-SEC Group A
Issued March 24, 2020
Valid for Financial Periods 2019 to 2023
BIR Accreditation No. 08-005144-007-2022
Valid until October 16, 2025
PTR No. 8851708
Issued January 3, 2022, Makati City

December 7, 2022
Makati City, Metro Manila

REPOWER ENERGY DEVELOPMENT CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Note	December 31 **2020**	2019
ASSETS			
Current Assets			
Cash	6	**₱61,123,854**	₱118,279,958
Trade and other receivables	7	**91,364,969**	12,625,120
Due from related parties	17	**4,710,956**	25,370,234
Other current assets	8	**33,315,327**	34,074,856
Total Current Assets		**190,515,106**	190,350,168
Noncurrent Assets			
Investments in associates	9	**39,222,595**	40,455,474
Property, plant and equipment	10	**2,164,014,142**	1,749,356,242
Advances to contractors - net of current portion	11	**131,180,623**	107,345,234
Goodwill	4	**100,651,843**	100,651,843
Other noncurrent assets	8	**8,231,885**	10,537,863
Total Noncurrent Assets		**2,443,301,088**	2,008,346,656
		₱2,633,816,194	₱2,198,696,824
LIABILITIES AND EQUITY			
Current Liabilities			
Trade and other payables	12	**₱303,099,941**	₱159,331,445
Current portion of loans payable	13	**182,424,255**	141,694,354
Due to related parties	17	**195,515,681**	275,067,514
Subscription payable	9	**4,218,750**	4,218,750
Total Current Liabilities		**685,258,627**	580,312,063
Noncurrent Liabilities			
Loans payable - net of current portion	13	**1,008,666,553**	1,031,459,790
Retention payable - net of current portion	12	**65,998,089**	40,224,217
Net deferred tax liabilities	18	**3,683,846**	4,079,256
Deposit for stock subscription	17	**–**	123,445,826
Total Noncurrent Liabilities		**1,078,348,488**	1,199,209,089
Total Liabilities		**1,763,607,115**	1,779,521,152
Equity			
Capital stock		**150,000,000**	150,000,000
Additional paid-in capital		**200,000,000**	200,000,000
Deposit for future stock subscription	17	**424,901,466**	–
Deficit		**(103,701,973)**	(122,845,349)
Other equity reserve	4	**(8,820,817)**	(8,820,817)
		662,378,676	218,333,834
Non-controlling interest	5	**207,830,403**	200,841,838
Total Equity		**870,209,079**	419,175,672
		₱2,633,816,194	₱2,198,696,824

See accompanying Notes to Consolidated Financial Statements.

REPOWER ENERGY DEVELOPMENT CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Note	Years Ended December 31 **2020**	2019
REVENUES	19	**₱136,077,702**	₱45,026,613
COST OF SERVICES	14	**42,135,884**	19,880,484
GROSS INCOME		**93,941,818**	25,146,129
OPERATING EXPENSES	15	**(26,995,401)**	(32,367,873)
INTEREST EXPENSE	13	**(40,279,605)**	(15,134,597)
EQUITY SHARE IN NET LOSS OF ASSOCIATES	9	**(1,232,879)**	(1,106,698)
INTEREST INCOME	6	**184,298**	254,816
OTHER CHARGES - NET	16	**(7,976,900)**	(268,882)
INCOME (LOSS) BEFORE INCOME TAX		**17,641,331**	(23,477,105)
INCOME TAX EXPENSE (BENEFIT)	18		
Current		**–**	–
Deferred		**(395,410)**	89,546
		(395,410)	89,546
NET INCOME (LOSS)		**18,036,741**	(23,566,651)
OTHER COMPREHENSIVE INCOME		**–**	–
TOTAL COMPREHENSIVE INCOME (LOSS)		**₱18,036,741**	(₱23,566,651)
NET INCOME (LOSS) / TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:			
Equity holders of the Parent Company		**₱19,143,376**	(₱21,625,415)
Non-controlling interest	5	**(1,106,635)**	(1,941,236)
		₱18,036,741	(₱23,566,651)
BASIC/DILUTED EARNINGS (LOSS) PER SHARE	22	**₱0.1276**	(₱0.1442)

See accompanying Notes to Consolidated Financial Statements.

REPOWER ENERGY DEVELOPMENT CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Note	Years Ended December 31 **2020**	2019
CAPITAL STOCK - ₱1 par value			
Authorized, issued and outstanding - 150,000,000 shares		**₱150,000,000**	₱150,000,000
ADDITIONAL PAID-IN CAPITAL		**200,000,000**	200,000,000
DEPOSIT FOR FUTURE STOCK SUBSCRIPTION			
Balance at beginning of year		**–**	–
Receipt of deposit for stock subscription	17	**166,933,480**	–
Conversion of advances to deposit for stock subscription	17	**142,617,360**	–
Reclassification of deposit for stock subscription from noncurrent liabilities	17	**115,350,626**	–
Balance at end of year		**424,901,466**	–
DEFICIT			
Balance at beginning of year		**(122,845,349)**	(101,219,934)
Net income (loss) attributable to equity holders of the Parent Company		**19,143,376**	(21,625,415)
Balance at end of year		**(103,701,973)**	(122,845,349)
OTHER EQUITY RESERVE	4	**(8,820,817)**	(8,820,817)
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY		**662,378,676**	218,333,834
NON-CONTROLLING INTEREST			
Balance at beginning of year		**200,841,838**	176,978,175
Reclassification of deposit for stock subscription from noncurrent liabilities	17	**8,095,200**	–
Net loss attributable to non-controlling interest		**(1,106,635)**	(1,941,236)
Receipt of deposit for stock subscription of subsidiaries	17	**–**	11,904,899
Issuance of shares to non-controlling interests		**–**	12,632,398
Acquisition during the year	4	**–**	1,267,602
Balance at end of year		**207,830,403**	200,841,838
		₱870,209,079	₱419,175,672

See accompanying Notes to Consolidated Financial Statements.

REPOWER ENERGY DEVELOPMENT CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

		Years Ended December 31	
	Note	**2020**	2019
CASH FLOWS FROM OPERATING ACTIVITIES			
Income (loss) before income tax		**₱17,641,331**	(₱23,477,105)
Adjustments for:			
Interest expense	13	**40,279,605**	15,134,597
Depreciation	10	**33,696,323**	11,683,175
Write-off of property, plant and equipment	10	**7,598,394**	–
Equity share in net loss of associates	9	**1,232,879**	1,106,698
Unrealized foreign exchange loss (gain)		**378,506**	268,882
Interest income	6	**(184,298)**	(254,816)
Operating income before working capital changes		**100,642,740**	4,461,431
Decrease (increase) in:			
Trade and other receivables		**(78,739,849)**	(7,812,829)
Other current assets		**(152,930)**	(20,073,805)
Increase in trade and other payables		**114,701,980**	20,919,367
Net cash generated from (used for) operations		**136,451,941**	(2,505,836)
Interest received		**184,298**	254,816
Net cash provided by (used in) operating activities		**136,636,239**	(2,251,020)
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisitions of:			
Property, plant and equipment		**(307,670,366)**	(304,596,217)
Subsidiaries, net of payable and cash acquired	4	**–**	(155,305,993)
Proceeds from:			
Advances to related parties		**23,421,502**	101,922
Other noncurrent assets		**2,305,978**	–
Payments for advances to contractors	11	**(94,145,040)**	(1,212,815)
Additional advances to related parties	17	**(2,762,224)**	(23,009,628)
Additions to other noncurrent assets		**–**	(8,857,770)
Net cash used in investing activities		**(378,850,150)**	(492,880,501)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from:			
Advances from related parties		**73,499,192**	247,091,114
Loans payable	13	**47,103,400**	295,295,000
Increase in non-controlling interest		**–**	25,804,899
Payments of:			
Interest payable	13	**(60,162,766)**	(61,990,820)
Loans payable	13	**(30,476,602)**	(16,170,381)
Advances from related parties	13	**(10,433,665)**	(1,696,944)
Debt issue costs	13	**(1,026,726)**	(2,264,268)
Receipt of deposit for stock subscription:			
Receipt of deposit for stock subscription:	17	**166,933,480**	8,095,200
Net cash provided by financing activities		**185,436,313**	494,163,800

Forward

	Note	For the Years Ended December 31 **2020**	2019
EFFECTS OF FOREIGN EXCHANGE RATE CHANGES IN CASH		**(₱378,506)**	(₱268,882)
NET DECREASE IN CASH		**(57,156,104)**	(1,236,603)
CASH AT BEGINNING OF YEAR		**118,279,958**	119,429,529
CASH OF ACQUIRED SUBSIDIARY	4	**–**	87,032
CASH AT END OF YEAR		**₱61,123,854**	₱118,279,958
NONCASH FINANCIAL INFORMATION			
Conversion of advances from the Ultimate Parent Company to DFSS	17	**₱142,617,360**	₱115,350,626
Reclassification of DFSS from noncurrent liability to equity	17	**123,445,826**	–
Application of advances to contractors	11	**71,222,110**	61,470,704

See accompanying Notes to Consolidated Financial Statements.

1. General Information

Repower Energy Development Corporation (REDC or the Parent Company)

REDC was incorporated in the Philippines and registered with the Securities and Exchange Commission (SEC) on May 29, 2013. REDC was organized primarily to develop and generate renewable energy resources.

REDC is a wholly-owned subsidiary of Pure Energy Holdings Corporation (PEHC). PEHC is an investment holding company which engages primarily in renewable energy generation and water system management and distribution. PEHC is a 76%-owned subsidiary of DYT Equities Corporation (the Ultimate Parent Company). All the foregoing entities are incorporated in the Philippines.

The Parent Company's principal office address is located at 3rd Floor JTKC Center, 2155 Chino Roces Ave., Makati City.

Subsidiaries

The consolidated financial statements include the financial statements of the Parent Company and the following subsidiaries (collectively referred to as "the Group"). These are all engaged in the renewable energy generation and distribution:

	Effective Percentage of Ownership			
	2020		2019	
Name of Subsidiaries	**Direct**	**Indirect**	Direct	Indirect
Philippine Power and Development Company (PPDC)	**99%**	**–**	99%	–
Labayat 1 Hydropower Corporation (L1HC)	**60%**	**–**	60%	–
Pure Meridian Hydropower Corporation (PMHC)* and Subsidiaries:	**50%**	**–**	50%	–
PMHC Lalawinan Inc. (PLI)**	**–**	**50%**	–	50%
PMHC Pulanai Inc. (PPI)**	**–**	**50%**	–	50%
Maramag Hydropower Corporation (MHC)	**100%**	**–**	100%	–
Tibag Hydropower Corporation (THC)	**100%**	**–**	100%	–
Cabanglasan Hydropower Corporation (CHC)	**100%**	**–**	100%	–
Majayjay Hydropower Company, Inc. (MHCI)	**99%**	**–**	99%	–

**Indirect ownership of 50% plus one (1) share*
***Wholly-owned subsidiary of PMHC*

In 2021, the Parent Company sold its investment in MHC shares to a third party and recognized a gain on disposal of investment in MHC amounting to ₱6,194,598. MHC's operations were not considered a separate major line of business or geographical area of operations. Accordingly, the disposal of MHC was not presented as a discontinued operation.

In November 2022, the Parent Company assigned its investment in PMHC to Colossal Petroleum Corporation for ₱40,750,000. As at report date, the Group is in the process of quantifying the financial effects of the assignment.

As at December 31, 2020, the operating subsidiaries of the Parent Company are PPDC and MHCI.

Associates

The Group has the following associates:

Name of Associates	Nature of Business	Principal place of business	Effective Percentage of Ownership	
			2020	2019
Blue Energy Holdings and Management Corporation (BEHMC)	Holding and Investments	Unit 401 Greenhills Mansion 37 Annapolis St. San Juan City Metro Manila	**30%**	30%
Tubig Nabua Inc (TNI)*	Water Supply Management and Distributions	Nabua Water District, Lourdes Hospital Road, San Francisco (Pob.) Nabua, Camarines Sur	**30%**	–

**30%-owned by PPDC*

In 2022, the Group assigned its 30% ownership interest in TNI to Tubig Pilipinas Group, Inc. and recognized a gain on disposal of investment in associate amounting to ₱4,218,750 (see Note 9).

Approval of Consolidated Financial Statements

The consolidated financial statements of the Group as at and for the years ended December 31, 2020 and 2019 were approved and authorized for issue by the BOD on December 7, 2022.

2. Summary of Significant Accounting Policies

Basis of Preparation

The consolidated financial statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRS) issued by the Philippine Financial Reporting Standards Council (FRSC) and adopted by the SEC, including SEC pronouncements. This financial reporting framework includes PFRS, Philippine Accounting Standards (PAS) and Philippine Interpretations from International Financial Reporting Interpretations Committee (IFRIC).

The Group's consolidated financial statements were prepared in compliance with the Revised Securities and Regulations Code (SRC), in relation to the Group's planned application for listing its common shares in the Philippine Stock Exchange (PSE).

The accounting policies adopted were consistently applied in the preparation of the consolidated financial statements for the periods presented.

Measurement Bases

The consolidated financial statements are presented in Philippine Peso, the Group's functional currency. All values are stated in absolute amounts, unless otherwise indicated.

The consolidated financial statements of the Group have been prepared on a historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for an asset or consideration paid in exchange for the incurrence of a liability.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the transaction date. The Group uses market observable data to the extent possible when measuring the fair value of an asset or a liability. Fair values are categorized into different levels in a fair value hierarchy based on inputs used in the valuation techniques as follows:

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

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

- Level 3 − Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

If the inputs used to measure the fair value of an asset or a liability might be categorized in different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair values is included in Note 21 to the consolidated financial statements.

Adoption of Amended PFRS

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following amended PFRS which the Group adopted effective for annual periods beginning on or after January 1, 2020:

- Amendments to References to the Conceptual Framework in PFRS – The amendments include a new chapter on measurement; guidance on reporting financial performance; improved definitions and guidance-in particular the definition of a liability; and clarifications in important areas, such as the roles of stewardship, prudence and measurements uncertainty in financial reporting. The amendments should be applied retrospectively unless retrospective application would be impracticable or involve undue cost or effort.

- Amendments to PFRS 3 - *Definition of a Business* – This amendment provides a new definition of a "business" which emphasizes that the output of a business is to provide goods and services to customers, whereas the previous definition focused on returns in the form of dividends, lower costs or other economic benefits to investors and others.

  To be considered a business, 'an integrated set of activities and assets' must now include 'an input and a substantive process that together significantly contribute to the ability to create an output'. The distinction is important because an acquirer may recognize goodwill (or a bargain purchase) when acquiring a business but not a group of assets. An optional simplified assessment (the concentration test) has been introduced to help companies determine whether an acquisition is of a business or a group of assets.

- Amendments to PAS 1, *Presentation of Financial Statements* and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Material* – The amendments clarify the definition of "material" and how it should be applied by companies in making materiality judgments. The amendments ensure that the new definition is consistent across all PFRS standards. Based on the new definition, an information is "material" if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The adoption of the foregoing amended PFRS did not have any material effect on the consolidated financial statements of the Group. Additional disclosures were included in the consolidated financial statements, as applicable.

Amended PFRS Issued But Not Yet Effective

Relevant amended PFRS, which are not yet effective as at December 31, 2020 and have not been applied in preparing the consolidated financial statements, are summarized below.

Effective for annual periods beginning on or after January 1, 2022:

- Amendments to PFRS 3, *Reference to Conceptual Framework* – The amendments replace the reference of PFRS 3 from the 1989 Framework to the current 2018 Conceptual Framework. The amendment included an exception that specifies that, for some types of liabilities and contingent liabilities, an entity applying PFRS 3 should refer to PAS 37, *Provisions, Contingent Liabilities and Contingent Assets,* or IFRIC 21, *Levies,* instead of the Conceptual Framework. The requirement would ensure that the liabilities recognized in a business combination would remain the same as those recognized applying the current requirements in PFRS 3. The amendment also added an explicit statement that contingent assets acquired in a business combination should not be recognized by an acquirer. The amendments should be applied prospectively.

- Amendments to PAS 16, *Property, Plant and Equipment - Proceeds Before Intended Use* – The amendments prohibit deducting from the cost of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for its intended use. Instead, the proceeds and related costs from such items shall be recognized in profit or loss. The amendments must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when an entity first applies the amendment.

- Amendments to PAS 37, *Onerous Contracts - Cost of Fulfilling a Contract* – The amendments clarify that for the purpose of assessing whether a contract is onerous, the cost of fulfilling a contract comprises both the incremental costs of fulfilling that contract and an allocation of costs directly related to contract activities. The amendments apply to contracts existing at the date when the amendments are fist applied. At the date of initial application, the cumulative effect of applying the amendments is recognized as an opening balance adjustment to retained earnings or other components of equity. Accordingly, the comparatives are not restated. Earlier application is permitted.

- Annual Improvements to PFRS 2018 to 2020 Cycle:

    - Amendments to PFRS 9, *Financial Instruments - Fees in the '10 per cent' Test for Derecognition of Financial Liabilities* – The amendment clarifies which fees an entity includes when it applies the '10 per cent' test in assessing whether to derecognize a financial liability (i.e. whether the terms of a new or modified financial liability is substantially different from the terms of the original financial liability). These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or the lender on the other's behalf.

      The amendments apply to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendments. Earlier application is permitted.

    - Amendments to PFRS 16, *Leases - Lease Incentives* – The amendment removes from the Illustrative Example 13 the illustration of the reimbursement of leasehold improvements by the lessor. The objective of the amendment is to avoid any potential confusion regarding the treatment of lease incentives because of how the requirements for lease incentives are illustrated.

Effective for annual periods beginning on or after January 1, 2023 -

- Amendments to PAS 1, *Classification of Liabilities as Current or Non-current* – The amendments clarify the requirements for an entity to have the right to defer settlement of the liability for at least 12 months after the reporting period. The amendments also specify and clarify the following: (i) an entity's right to defer settlement must exist at the end of the reporting period, (ii) the classification is unaffected by management's intentions or expectations about whether the entity will exercise its right to defer settlement, (iii) how lending conditions affect classification, and (iv) requirements for classifying liabilities where an entity will or may settle by issuing its own equity instruments. The amendments must be applied retrospectively. Earlier application is permitted.

Deferred effectivity -

- Amendments to PFRS 10, *Consolidated Financial Statements,* and PAS 28 - *Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture* – The amendments address a conflicting provision under the two standards. It clarifies that a gain or loss shall be recognized fully when the transaction involves a business, and partially if it involves assets that do not constitute a business. The effective date of the amendments, initially set for annual periods beginning on or after January 1, 2016, was deferred indefinitely in December 2015 but earlier application is still permitted.

Under prevailing circumstances, the adoption of the foregoing amended PFRS is not expected to have any material effect on the consolidated financial statements of the Group. Additional disclosures will be included in the consolidated financial statements, as applicable.

Basis of Consolidation

Subsidiaries. Subsidiaries are entities controlled by the Parent Company. The consolidated financial statements include the accounts of the Parent Company and its subsidiaries. The Parent Company has control when it is exposed, or has a right, to variable returns from its investment with the investee and it has the ability to affect those returns through its powers over the investee.

Subsidiaries are consolidated from the date of acquisition or incorporation, being the date on which the Parent Company obtains control, and continue to be consolidated until the date such control ceases. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Changes in the controlling equity ownership (i.e., acquisition of non-controlling interest or partial disposal of interest over a subsidiary) that do not result in a loss of control are accounted for as equity transactions.

When the Parent Company has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

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

The Parent Company re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

The financial statements of the subsidiaries are prepared for the same reporting period as the Parent Company, using consistent accounting policies. All intra-group balances, transactions, unrealized gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Non-controlling interests represent the portion of net results and net assets not held by the Parent Company. They are presented in the consolidated statements of financial position within equity, apart from equity attributable to equity holders of the Parent Company and are separately disclosed in the consolidated statements of comprehensive income.

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

If the Parent Company loses control over a subsidiary, it:

- Derecognizes the assets and liabilities of the former subsidiary from the consolidated statements of financial position;
- Recognizes any investment retained in the former subsidiary when control is lost and subsequently accounts for it and for any amounts owed by or to the former subsidiary in accordance with relevant PFRSs. That retained interest is remeasured, and the remeasured value is regarded as the fair value on initial recognition of a financial asset in accordance with PFRS 9 or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture; and

- Recognizes the gain or loss associated with the loss of control attributable to the former controlling interest.

Business Combinations. Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are recognized as expense.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer is recognized at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of PFRS 9 is measured at fair value with changes in fair value recognized either in profit or loss or other comprehensive income. If the contingent consideration is not within the scope of PFRS 9, it is measured in accordance with the appropriate PFRS. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill. Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in profit or loss. If the initial accounting for business combination can be determined only provisionally by the end of the period by which the combination is effected because either the fair values to be assigned to the acquiree's identifiable assets, liabilities or contingent liabilities or the cost of the combination can be determined only provisionally, the Group accounts the combination using provisional values. Adjustments to these provisional values as a result of completing the initial accounting shall be made within 12 months from the acquisition date. The carrying amount of an identifiable asset, liability or contingent liability that is recognized as a result of completing the initial accounting shall be calculated as if its fair value at the acquisition date had been recognized from that date and goodwill or any gain recognized shall be adjusted from the acquisition date by an amount equal to the adjustment to the fair value at the acquisition date of the identifiable asset, liability or contingent liability being recognized or adjusted.

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

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Classification of Assets and Liabilities between Current and Noncurrent

The Group presents current and noncurrent assets, and current and noncurrent liabilities, as separate disclosure in the consolidated notes to financial statements.

Current Assets. The Group classifies an asset as current when:

a. it expects to realize the asset, or intends to sell or consume it, in its normal operating cycle;
b. it holds the asset primarily for the purpose of trading;
c. it expects to realize the asset within twelve months after the reporting period, or
d. the asset is cash or cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

Otherwise, the Group will classify all other assets as noncurrent.

Current Liabilities. The Group classifies a liability as current when:

a. it expects to settle the liability in its normal operating cycle;
b. it holds the liability primarily for the purpose of trading;
c. the liability is due to be settled within twelve months after the reporting period, or
d. it does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

Otherwise, the Group will classify all other liabilities as noncurrent.

Financial Assets and Liabilities

Date of Recognition. The Group recognizes a financial asset or a financial liability in the consolidated statements of financial position when it becomes a party to the contractual provisions of a financial instrument. In the case of a regular way purchase or sale of financial assets, recognition and derecognition, as applicable is done using trade date accounting.

Initial Recognition. Financial instruments are recognized initially at fair value, which is the fair value of the consideration given (in case of an asset) or received (in case of a liability). The initial measurement of financial instruments, except for those designated at fair value through profit and loss (FVPL), includes transaction cost.

"Day 1" Difference. Where the transaction in a non-active market is different from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Group recognizes the difference between the transaction price and fair value (a "Day 1" difference) in profit or loss. In cases where there is no observable data on inception, the Group deems the transactions price as the best estimate of fair value and recognizes "Day 1" difference in profit or loss when the inputs become observable or when the instrument is derecognized. For each transaction, the Group determines the appropriate method of recognizing the "Day 1" difference.

Classification of Financial Instruments. The Group classifies its financial assets at initial recognition under the following categories: (a) financial assets at FVPL, (b) financial assets at amortized cost and, (c) financial assets at fair value through other comprehensive income (FVOCI). Financial liabilities, on the other hand, are classified as either financial liabilities at FVPL or other financial liabilities at amortized cost. The classification of a financial instrument largely depends on the Group's business model.

As at December 31, 2020 and 2019, the Group has no financial assets and liabilities at FVPL and financial assets at FVOCI.

Financial Assets at Amortized Cost. A financial asset shall be measured at amortized cost if both of the following conditions are met:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, financial assets at amortized cost are subsequently measured at amortized cost using the effective interest method, less allowance for impairment, if any. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate.

Gains and losses are recognized in profit or loss when the financial assets are derecognized and through amortization process. Financial assets at amortized cost are included under current assets if realizability or collectability is within 12 months after the reporting period. Otherwise, these are classified as noncurrent assets.

Included in this category are cash, trade and other receivables (excluding receivables from employees), due from related parties, short-term investments and restricted cash and other deposits (presented under "Other assets" account).

Financial Liabilities at Amortized Cost. Financial liabilities are categorized as financial liabilities at amortized cost when the substance of the contractual arrangement results in the Group having an obligation either to deliver cash or another financial asset to the holder, or to settle the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of its own equity instruments.

These financial liabilities are initially recognized at fair value less any directly attributable transaction costs. After initial recognition, these financial liabilities are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the effective interest rate. Gains and losses are recognized in profit or loss when the liabilities are derecognized or impaired or through the amortization process.

This category includes trade and other payables (excluding statutory payables), loans payable, due to related parties and retention payable.

Reclassification
The Group reclassifies its financial assets when, and only when, it changes its business model for managing those financial assets. The reclassification is applied prospectively from the first day of the first reporting period following the change in the business model (reclassification date).

For a financial asset reclassified out of the financial assets at amortized cost category to financial assets at FVPL, any gain or loss arising from the difference between the previous amortized cost of the financial asset and fair value is recognized in profit or loss. Meanwhile, for a financial asset reclassified out of the financial assets at amortized cost category to financial assets at FVOCI, any gain or loss arising from a difference between the previous amortized cost of the financial asset and fair value is recognized in other comprehensive income (OCI).

In the case of a financial asset that does not have a fixed maturity, the gain or loss shall be recognized in profit or loss when the financial asset is sold or disposed. If the financial asset is subsequently impaired, any previous gain or loss that has been recognized in OCI is reclassified from equity to profit or loss.

Impairment of Financial Assets at Amortized Cost
The Group records an allowance for expected credit loss (ECL) on financial assets at amortized cost based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The difference is then discounted at an approximation to the asset's original effective interest rate.

The Group measures loss allowances at an amount equivalent to the 12-month ECL for financial assets on which credit risk has not increased significantly since initial recognition or that are determined to have low credit risk at reporting date. Otherwise, impairment loss will be based on lifetime ECL.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at reporting date with the risk of a default occurring on the financial instrument on the date of initial recognition and consider reasonable and supportable information, that is available without undue cost or effort. In addition, the Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

If, in a subsequent year, the amount of the estimated impairment loss decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is reduced by adjusting the allowance account. Any subsequent reversal of an impairment loss is recognized in profit or loss to the extent that the carrying amount of the asset does not exceed its amortized cost at reversal date.

Trade Receivables. The Group has applied the simplified approach in measuring the ECL on trade receivables. Simplified approach requires that ECL should always be based on the lifetime ECL. Therefore, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECL at each reporting date.

The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

Other Financial Assets Measured at Amortized Cost. For these financial assets, the Group applies the general approach in determining ECL. The Group recognizes an allowance based on either the 12-month ECL or lifetime ECL, depending on whether there has been a significant increase in credit risk since initial recognition.

A financial asset is written off when there is no reasonable expectation of recovering the financial asset in its entirety or a portion thereof. This is generally the case when the Group determines that the counterparty does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Derecognition of Financial Assets and Liabilities

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

- the right to receive cash flows from the asset has expired;

- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or

- the Group has transferred its right to receive cash flows from the asset and either: (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its right to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Financial Liabilities. A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in profit or loss.

Offsetting Financial Assets and Liabilities
Financial assets and liabilities are offset and the net amount is reported in the consolidated statements of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the consolidated statements of financial position.

Classification of Financial Instrument between Liability and Equity
A financial instrument is classified as liability if it provides for a contractual obligation to:

- Deliver cash or another financial asset to another entity;

- Exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Group; or

- Satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

If the Group does not have an unconditional right to avoid delivering cash or another financial asset to settle its contractual obligation, the obligation meets the definition of a financial liability.

Other Assets
Other assets include input value-added tax (VAT), prepayments, advances to suppliers and other current and noncurrent assets.

Input VAT. The net amount of VAT recoverable from the tax authority is included as part of "Other current assets" account in the consolidated statements of financial position.

Revenues, expenses and assets are recognized net of the amount of VAT except where VAT incurred on a purchase of assets or services is not recoverable from the tax authority.

Deferred Input VAT. In accordance with the Revenue Regulation (RR) No. 16-2005, input VAT on purchases or imports of the Group of capital goods (depreciable assets for income tax purposes) with an aggregate acquisition cost (exclusive of VAT) in each of the calendar months exceeding ₱1.0 million are claimed as credit against output VAT over 60 months or the estimated useful lives of capital goods, whichever is shorter.

Where the aggregate acquisition cost (exclusive of VAT) of the existing or finished depreciable capital goods purchased or imported during any calendar month does not exceed ₱1.0 million, the total input VAT will be allowable as credit against output VAT in the month of acquisition.

Deferred input VAT represents the unamortized amount of input VAT on capital goods and input VAT on the unpaid portion of availed services, including the use or lease of properties.

Deferred input VAT on capital goods is classified as current assets if it is expected to be claimed against output VAT no more than 12 months after the reporting date. Otherwise these are classified as noncurrent assets.

Prepayments. Prepayments are expenses paid in advance and recorded as assets before these are utilized. Prepayments are apportioned over the period covered by the payment and charged to profit or loss when incurred. Prepayments that are expected to be incurred no more than 12 months after the reporting date are classified as current assets. Otherwise these are classified as noncurrent assets.

Advances to Suppliers. Advances to suppliers represent advance payments on services to be incurred in connection with the Group's operations. These are capitalized in the consolidated statements of financial position, upon actual receipt of services, which is normally within 12 months or within the normal operating cycle which are presented as part of current assets in the consolidated statements of financial position.

Creditable Withholding Taxes (CWT). CWT represents the amount withheld by the Group's customers in relation to its income. CWT can be utilized as payment for income taxes provided that these are properly supported by certificates of creditable tax withheld at source.

Investments in Associates

The Group's investments in associates, where there is significant influence, are accounted for under the equity method. These also include investments where the Group holds 20% or more of the voting stocks but does not have control over the associate or where, even though the Group holds less than 20%, the Group has significant influence over operating and financial policies of the associate. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control of those policies.

Under the equity method, investments in associates are carried in the consolidated statements of financial position at cost plus post acquisition changes in the Group's share of net assets of the associates. Goodwill relating to an associate is included in the carrying amount of the investment and is neither amortized nor individually tested for impairment.

The consolidated statements of comprehensive income reflect the share of the results of operations of the associates. Where there has been a change recognized directly in the equity of the associates, the Group recognizes its share of any changes and discloses this, when applicable, in the consolidated statements of changes in equity. Unrealized gains and losses resulting from transactions between the Group and the associates are eliminated to the extent of the interest in the associates.

The share in net income or loss of the associates is shown as "Equity share in net income (loss) of associates" account in the consolidated statements of comprehensive income.

The financial statements of the associates are prepared for the same reporting period as the Group. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

Upon loss of significant influence over an associate, the Group measures and recognizes any retaining investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal is recognized in profit or loss.

Property, Plant and Equipment

Property, plant and equipment, except land and construction in progress, are carried at cost less accumulated depreciation and amortization and any impairment losses. Land and construction in progress are carried at cost less any impairment losses.

The initial cost of property, plant and equipment consists of its purchase price, including import duties, and other costs directly attributable to bring the asset to its working condition and location for its intended use. Cost also includes the cost of replacing parts when the asset recognition criteria are met and the present value of the estimated cost of dismantling and removing the asset and restoring the site where the asset is located. The cost of self-constructed assets includes the cost of materials and direct labor, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located and capitalized borrowing costs.

Expenditures incurred after the property, plant and equipment have been put into operation, such as repairs, maintenance and overhaul costs, are normally charged to current operations. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as additional costs of property, plant and equipment.

The cost of replacing a component of an item of property, plant and equipment is recognized if it is probable that the future economic benefits embodied within the component will flow to the Group, and its cost can be measured reliably. The carrying amount of the replaced component is derecognized.

Depreciation and amortization are calculated on the straight-line basis over the estimated useful lives of the property, plant and equipment follows:

	Number of Years
Buildings	15 to 25
Transportation equipment	5 to 15
Hydropower plants	25
Furniture, fixtures and office equipment	3 to 5

The estimated useful lives and depreciation and amortization method are reviewed periodically to ensure that the periods and method of depreciation are consistent with the expected pattern of economic benefits from items of property, plant and equipment.

When assets are retired or otherwise disposed of, the cost and the related accumulated depreciation and amortization and any impairment in value are removed from the accounts. Any resulting gain or loss is recognized to profit or loss.

Construction in progress represents properties under construction and is stated at cost, including cost of construction and other direct costs. Construction in progress is not depreciated until such time that the relevant assets are completed and ready for operational use.

Borrowing costs that are directly attributable to the construction of property, plant and equipment are capitalized during the construction period.

Advances to Contractors
Advances to contractors represent advance payments on services to be incurred in connection with the Group's on-going constructions. These are capitalized under "Construction in progress" account in the consolidated statements of financial position, upon actual receipt of services or supplies, which is normally within 12 months or within the normal operating cycle. These are considered as nonfinancial instruments as these will be applied against future billings from contractors normally within one year. Advances to contractors are classified as current or non-current based on the nature for which the advances were paid.

Impairment of Nonfinancial Assets
The carrying amounts of the Group's nonfinancial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash generating unit (CGU) is the smallest identifiable asset group that generates cash flows that are largely independent from other assets of the Group. Impairment losses are recognized in profit or loss in the period incurred.

The recoverable amount of a nonfinancial asset is the greater of its value in use or its fair value less costs to sell. Value in use is the present value of future cash flows expected to be derived from an asset while the fair value less cost to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable and willing parties less cost of disposal.

In assessing value in use, the estimated future cash flows are discounted to their present values using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized.

Subscription Payable
Subscription payable pertains to the amount still to be paid for the total subscribed shares.

Deposit for Stock Subscription
Deposit for stock subscription of subsidiaries represents the amount received by the Group which it records as such with a view of applying the same as payment for additional issuance of shares or increase in capital stock. The amount recorded in the consolidated statements of financial position is the share of the non-controlling interest since the amount received by the subsidiary from its Parent Company was eliminated during consolidation.

The deposit for stock subscription is recognized as equity if and only if, all of the following elements forth by the SEC are present as of end of the reporting period:

- The unissued authorized capital stock of the entity is insufficient to cover the amount of shares indicated in the contract;
- There is BOD's approval on the proposed increase in authorized capital stock (for which a deposit was received by the corporation);

- There is stockholders' approval of said proposed increase; and
- The application for the approval of the proposed increase has been presented or has been filed with the SEC.

If any or all of the foregoing elements are not present, the transaction should be recognized as a liability.

Capital Stock and Additional Paid-In Capital

Capital stock is measured at par value for all shares issued. Proceeds and/or fair value of considerations received in excess of par value, if any, are recognized as additional paid-in capital. Incremental costs incurred directly attributable to the issuance of new shares are recognized in equity as deduction from proceeds, net of tax. Unpaid subscriptions are recognized as a reduction of subscribed common shares.

Deficit

Deficit represents the cumulative balance of loss, net of prior period adjustments, if any.

Other Equity Reserve

Other equity reserve represents net excess of the consideration over the carrying amount of the non-controlling interest.

Earnings (Loss) Per Share

The Group presents basic and diluted earnings (loss) per share data for its common shares.

Basic earnings (loss) per share is calculated by dividing the net income (loss) attributable to common shareholders of the Parent Company by the weighted average number of common shares issued and outstanding during the year.

Diluted earnings per share amounts are computed in the same manner, adjusted for the dilutive effect of any potential common shares. There were no dilutive common shares as at December 31, 2020 and 2019.

Revenue Recognition

Revenue from contract with customers is recognized when the performance obligation in the contract has been satisfied, either at a point in time or over time. Revenue is recognized over time if one of the following criteria is met: (a) the customer simultaneously receives and consumes the benefits as the Group perform its obligations; (b) the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or (c) the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date. Otherwise, revenue is recognized at a point in time.

Variable Consideration. If the consideration in a contract includes a variable amount, the Group estimates the amount of consideration to which it will be entitled in exchange for transferring the goods or service to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognized will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

The Group also assesses its revenue arrangements to determine if it is acting as a principal or as an agent. The Group has assessed that it acts as a principal in all of its revenue sources.

The following specific recognition criteria must also be met before revenue is recognized:

Sale of Electricity. Revenue from sale of electricity is recognized based on the actual delivery of electricity, net of any adjustments.

Interest Income. Interest income is recognized as the interest accrues, taking into account the effective yield on the asset, net of final tax.

Other Income. Income from other sources is recognized when earned during the period.

Contract Assets

Contract assets are recognized when the Group has already rendered the services to the customer but where the Group is yet to bill them. Contract assets are subject to impairment assessment in accordance with impairment of financial assets at amortized cost.

Cost and Expense Recognition

Costs and expenses are recognized in profit or loss when a decrease in future economic benefit related to a decrease in an asset or an increase of a liability has arisen that can be measured reliably.

Cost of Services. Cost of services are recognized as expense when the related services are rendered.

Operating Expenses. Operating expenses constitute costs of administering the business. These are expensed as incurred.

Interest Expense. Interest expense is recognized in profit or loss using the effective interest method. Interest expense

Leases

A contract is, or contains, a lease when it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset for a period of time, the Group assesses whether, throughout the period of use, the Group has both of the following:

- The right to obtain substantially all of the economic benefits from use of the identified asset; and

- The right to direct the use of the identified asset.

If the Group has the right to control the use of an identified asset for only a portion of the term of the contract, the contract contains a lease for that portion of the term.

The Group also assesses whether a contract contains a lease for each potential separate lease component.

Group as Lessee

Short-term Leases and Leases of Low-value Assets. The Group applies the short-term lease recognition exemption to its short-term leases of office space and staff houses (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). Lease payments on short-term lease are recognized as expense on a straight-line basis over the lease term.

Employee Benefits

Short-term Benefits. The Group recognizes a liability net of amounts already paid and an expense for services rendered by employees during the accounting period. A liability is also recognized for the amount expected to be paid under short-term cash bonus or profit sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

Short-term employee benefit liabilities are measured on an undiscounted basis and are expensed as the related service is provided.

Borrowing Costs

Borrowing costs that is directly attributable to the acquisition, construction or production of a qualifying asset (i.e., an asset that takes a substantial period of time to get ready for its intended use or sale) are capitalized as part of the cost of such asset. The capitalization of interest expense commences when expenditures for the asset and interest are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalization ceases when all such activities are substantially complete.

Income Taxes

Current Tax. Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the tax authority. The tax rates and tax laws used to compute the amount are those that have been enacted or substantively enacted at the reporting date.

Deferred Tax. Deferred tax is provided on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences, carryforward benefits of unused tax credits from unused net operating loss carryover (NOLCO), and excess minimum corporate income tax (MCIT) over regular corporate income tax (RCIT) to the extent that it is probable that taxable income will be available against which the deductible temporary differences and carryforward benefits of unused tax credits and unused tax losses can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable income will allow the deferred tax assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are applicable to the year when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to offset current tax assets against current tax liabilities and deferred taxes relate to the same taxable entity and the same tax authority.

Foreign Currency-Denominated Transactions and Translation

Transactions denominated in foreign currencies are recorded using the exchange rate at the date of the transaction.

Outstanding monetary assets and liabilities denominated in foreign currencies are translated using the closing exchange rate at the reporting date. All differences are recognized in profit or loss.

Related Parties and Related Party Transactions

Related party transactions consist of transfers of resources, services or obligations between the Group and its related parties.

Parties are considered to be related if one party has the ability to directly or indirectly, control or exercise significant influence over the other party in making financial and operating decisions. These include: (a) individuals owning, directly or indirectly through one or more intermediaries, control or are controlled, or under common control with the Group; (b) associates; (c) individuals owning directly or indirectly, an interest in the voting power of the Group that give them significant influence over the Group and close members of the family of any such individual; and (d) members of the key management personnel of the Group.

In considering each possible related party relationship, attention is directly to the substance of the relationship and not merely on the legal form.

Segment Reporting

The Group's operating segments are organized and managed separately according to the nature of the services provided, with each segment representing a strategic business unit that offers different services to different markets. Financial information on operating segments is presented in Note 23 to the consolidated financial statements. The Chief Executive Officer (CEO), the chief operating decision maker, reviews management reports on a regular basis. The measurement policies the Group used for segment reporting under PFRS 8 are the same as those used in the consolidated financial statements. There have been no changes in the measurement methods used to determine reported segment profit or loss from prior periods.

For purposes of management reporting, the Group's operating segment is related to its renewable energy generation operations.

Provisions

Provisions are recognized when the Group has a present, legal or constructive obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as an interest expense.

Contingencies

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

Events After the Reporting Period

Any post-year-end event that provides additional information about the Group's consolidated financial position at the end of the reporting period (adjusting event) is reflected in the consolidated financial statements. Post-year-end events that are not adjusting events are disclosed in the notes to consolidated financial statements when material.

3. Significant Judgments, Accounting Estimates and Assumptions

The preparation of the Group's consolidated financial statements requires management to make judgments, accounting estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. The judgments, accounting estimates and assumptions used in the consolidated financial statements are based upon management's evaluation of relevant facts and circumstances as at the reporting date.

While the Group has assessed that the assumptions are reasonable and appropriate, significant differences in the actual experience or significant changes in the assumptions may materially affect the estimated amounts. Actual results could differ from such estimates.

The judgments, accounting estimates and underlying assumptions are reviewed on an on-going basis. Changes in accounting estimates are recognized in the period in which the estimate is revised if the change affects only that period or in the period of the change and future periods if the revision affects both current and future periods.

The following are the significant judgments, accounting estimates and assumptions made by the Group:

Assessing the Group's Ability to Continue as a Going Concern. Management has made an assessment of the Group's ability to continue as a going concern and is satisfied that the Parent Company and its subsidiaries have the resources to continue in business for foreseeable future. Accordingly, the Group continues to prepare its financial statements on a going concern basis.

Determining Control over an Investee Company. Control is presumed to exist when an investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Management has determined that by virtue of its majority ownership of voting rights in its subsidiaries as at December 31, 2020 and 2019, the Parent Company has the ability to exercise control over these investees.

Assessing Legal Contingencies. The Group is currently involved in certain legal proceedings and claims. The Group determined the probable costs for these legal proceedings and claims based upon an analysis of potential results. Management believes that these legal proceedings and claims will not have a material adverse effect on its consolidated financial statements and results of operations.

Determining Lease Commitments - Group as a Lessee. The Group has entered into various lease agreements for office space and staff houses. The Group has elected not to recognize ROU assets on the lease qualifying under the short-term recognition exemption. The Group recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Rent expense on the lease qualifying under the short-term recognition exemption amounted to ₱3,077,684 and ₱4,772,871 in 2020 and 2019, respectively (see Note 19).

Defining Default and Credit-Impaired Financial Assets. The Group defines a financial instrument as in default, which is fully aligned with the definition of credit- impaired, when it meets one or more of the following criteria:

a. Quantitative Criteria - the borrower is more than 30 days past due on its contractual payments, which is consistent with the Group's definition of default.
b. Qualitative Criteria - The borrower meets unlikeliness to pay criteria, which indicates the borrower is in significant financial difficulty. These are instances where:
    - The borrower is experiencing financial difficulty or is insolvent;
    - The borrower is in breach of financial covenants;
    - It is probable that the borrower will enter bankruptcy or other financial reorganization.

The definitions above have been applied to all financial instruments held by the Group consistently for internal credit risk management purposes. The default definition has been applied consistently, as well, to the determination of ECL.

Estimating ECL on Trade Receivables and Contract Assets. When the Group assessed that there is a significant change in the credit risk, the Group estimates ECL using a provision matrix. Depending on the diversity of its debtor's base, the Group uses its historical credit loss experience adjusted for forward-looking factors, as appropriate.

No provision for ECL was recognized in 2020 and 2019. The carrying amounts of trade and contract assets receivables amounted to ₱90,345,113 and ₱11,813,340 as at December 31, 2020 and 2019, respectively (see Note 7).

Assessing Impairment of Other Financial Assets at Amortized Cost. The Group determines the allowance for ECL based on the probability-weighted estimate of the present value of all cash shortfalls over the expected life of financial assets at amortized cost. ECL are provided for credit losses that result from possible default events within the next 12-months unless there has been a significant increase in credit risk since initial recognition in which case ECL are provided based on lifetime expected credit loss.

When determining if there has been a significant increase in credit risk, the Group considers reasonable and supportable information that is available without undue cost or effort and that is relevant for the particular financial instrument being assessed such as, but not limited to, the following factors:

- actual or expected external and internal credit rating downgrade;
- existing or forecasted adverse changes in business, financial or economic conditions; and
- actual or expected significant adverse changes in the operating results of the borrower.

The Group's financial assets at amortized cost are considered to have low credit risk, and therefore the loss allowance is determined as 12 months expected credit losses. The Group has assessed that the ECL for financial assets at amortized cost is not material because the transactions with respect to these financial assets were entered into by the Group only with reputable banks and counterparties with good credit standing and relatively low risk of defaults. Accordingly, no impairment loss was recognized in 2020 and 2019.

The carrying amounts of other financial assets at amortized cost as at December 31, 2020 and 2019 are as follows:

	Note	**2020**	2019
Cash	6	**₱61,123,854**	₱118,279,958
Due from related parties	17	**4,710,956**	25,370,234
Short-term investments	8	**10,702,006**	10,606,552
Restricted cash	8	**1,223,600**	–
Other deposit	8	**494,040**	494,040

Estimating the Useful Lives of Property, Plant and Equipment. The Group reviews annually the estimated useful lives of property, plant and equipment based on expected asset's utilization, market demands and future technological development consistent with the Group's pursuit of constant modernization of the equipment to ensure the availability, reliability and cost efficiency of the equipment. It is possible that the factors mentioned may change in the future, which could cause a change in estimated useful lives. A reduction in estimated useful lives could cause a significant increase in depreciation and amortization of property, plant and equipment.

There was no change in the estimated useful lives of property, plant and equipment in 2020 and 2019. The carrying amount of property, plant and equipment amounted to ₱2,164,014,142 and ₱1,749,356,242 as at December 31, 2020 and 2019, respectively (see Note 10).

Assessing the Impairment of Nonfinancial Assets. The Group assesses impairment on nonfinancial assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The factors that the Group considered important which could trigger an impairment review include the following:

- significant underperformance relative to expected historical or projected future operating results;

- significant changes in the manner of use of the acquired assets or the strategy for overall business; or

- significant negative industry or economic trends.

Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognized. Recoverable amounts are estimated for individual assets or, if it is not possible, for cash-generating unit to which the asset belongs. Based on management's assessment, the nonfinancial assets are not impaired. No impairment was recognized in 2020 and 2019.

The carrying amounts of nonfinancial assets of the Group are as follows:

	Note	**2020**	2019
Receivables from employees	7	**₱1,019,856**	₱811,780
Creditable withholding taxes		**270,227**	270,227
Investments in associates	9	**39,222,595**	40,455,474
Property, plant and equipment	10	**2,164,014,142**	1,749,356,242
Advances to contractors	11	**131,180,623**	108,257,693
Other assets*	8	**28,857,339**	32,329,441

**Excluding short-term investments, restricted cash and other deposit amounting to ₱12,419,646 and ₱11,100,592, respectively as at December 31, 2020 and 2019, respectively.*

Assessing the Impairment of Goodwill. The Group tests annually whether any impairment in goodwill should be recognized, in accordance with the related accounting policy. The recoverable amount of CGU has been determined based on value in use calculations which require the use of estimates.

Based on the impairment assessment, the recoverable amount of the CGU as at December 31, 2020 and 2019, calculated based on value in use is greater than the corresponding carrying value (including goodwill) of the CGU.

The carrying amount of goodwill amounted to ₱100,651,843 as at December 31, 2020 and 2019, (see Note 4).

Recognizing Deferred Tax Assets. The Group reviews the carrying amount of deferred tax assets at each reporting date and reduces deferred tax assets to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized.

The Group's unrecognized deferred tax assets amounted to ₱21,224,427 and ₱26,195,277 as at December 31, 2020 and 2019, respectively (see Note 18).

4. Business Combinations and Goodwill

Business Combinations

MHCI

On November 6, 2019, REDC acquired 99.08% ownership of MHCI for a total consideration of ₱223,430,138. Payable for the acquisition of MHCI shares amounted to ₱59,251,096 and ₱ 68,124,145 as at December 31, 2020 and 2019, respectively (see Note 12). The finalized fair values of the identifiable assets acquired and liabilities assumed from MHCI as at the date of acquisition were as follows:

Cash	₱87,032
Trade and other receivables	3,213,443
Property and equipment	326,496,079
Other assets	9,301,603
Total Assets	339,098,157
Trade and other payables	2,967,745
Loans payable	198,032,217
Total Liabilities	200,999,962
Net Assets	₱138,098,195

Goodwill arising from business combination was computed as follows:

Fair value of consideration transferred at acquisition date	₱223,430,138
Fair value of non-controlling interests in MHCI	1,267,602
	224,697,740
Less fair value of net assets	138,098,195
	₱86,599,545

The non-controlling interests in MHCI were based on the proportionate share of MHCI's identifiable net assets.

MHCI contributed revenues and net income amounting to ₱57,425,701 and ₱21,321,092, respectively in 2020.

From the date of acquisition, MHCI contributed ₱2,765,457 of revenue and ₱1,556,332 of net loss to the Group in 2019. If the business combination had taken place at the beginning of 2019, MHCI's contribution to the Group's revenue would have been ₱5,978,900 and MHCI's contribution to the Group's net loss would have been ₱169,487.

PPDC
On July 15, 2015, REDC acquired 45% ownership of PPDC for ₱18,074,440. The acquisition in which the Parent Company gained control resulted to a goodwill of ₱14,052,298.

In 2016, REDC increased its ownership interest to 99.4% by acquiring the common shares of PPDC for an aggregate of ₱40,962,120 resulting to a net excess of the consideration over the carrying amount of the non-controlling interest of ₱8,820,817. The net excess was recorded to "Other equity reserve" account in the consolidated statements of financial position.

Objective of Acquisitions
The acquisitions of PPDC and MHCI were executed to expand its hydroelectric power plant operations.

Goodwill
Goodwill amounted to ₱100,651,843 as at December 31, 2020 and 2019.

For purposes of impairment testing, the Group determined the recoverable amount of goodwill based on value in use. Value in use is based on discounted cash flow model using the subsidiaries' financial forecasts for the next five years.

Key assumptions used to which the recoverable amounts are most sensitive are revenue growth rates, estimated operational costs, weighted average long-term growth rates and discount rates. Revenue growth rates are based on expected operating results with reference to projected cash flows from stress testing. Operational costs are determined based on average fixed and variable costs adjusted for inflationary increases but not reflecting any future restructurings or cost saving measures.

The Group has assessed that there is no goodwill impairment based on a discounted cash flow model using projected budget for the next five years. The pre-tax weighted average cost of capital of the entities are as follows:

	2020	2019
PPDC	**15.81%**	8.72%
MHCI	**10.46%**	6.16%

The Parent Company assessed that goodwill from business combinations are not deductible for tax purposes.

5. Material Non-controlling Interests

The following table summarizes the subsidiaries with material effective percentage of ownership held by non-controlling interests.

	Principal Place of Business	**2020**	2019
PMHC*	Makati City, Metro Manila	**50%**	50%
PLI**	Real, Quezon	**50%**	50%
PPI**	Valencia, Bukidnon	**50%**	50%
L1HC	Real, Quezon	**40%**	40%

**50% minus one (1) share*
***wholly-owned subsidiaries of PMHC*

Non-controlling interests in the consolidated statements of financial position are presented below:

	2020	2019
PMHC	**₱130,390,485**	₱130,734,006
L1HC	**81,957,085**	74,530,249
PLI	**(2,066,890)**	(1,693,186)
Others	**(2,450,277)**	(2,729,231)
	₱207,830,403	₱200,841,838

The net income (loss) attributable to non-controlling interests in the consolidated statements of comprehensive income is presented below:

	2020	2019
L1HC	**(₱668,364)**	(₱583,938)
PLI	**(373,704)**	(397,969)
PMHC	**(343,521)**	(497,895)
PPI	**(59,431)**	(464,681)
Others	**338,385**	3,247
	(₱1,106,635)	(₱1,941,236)

The summarized financial information of the material partly-owned subsidiaries is presented below. This information is based on the amounts before intercompany eliminations.

	2020							
	Current Assets	**Noncurrent Assets**	**Current Liabilities**	**Noncurrent Liabilities**	**Equity**	**Revenue**	**Net Income (Loss)**	**Total Comprehensive Income (Loss)**
L1HC	**₱16,099,761**	**₱904,399,687**	**₱243,229,717**	**₱392,615,715**	**₱284,654,016**	**₱–**	**(₱1,670,911)**	**(₱1,670,911)**
PMHC	**76,851,768**	**186,905,559**	**2,432,115**	**–**	**261,325,212**	**–**	**(687,040)**	**(687,040)**
PLI	**30,686,415**	**381,041,852**	**22,901,534**	**297,302,270**	**91,524,463**	**–**	**(747,407)**	**(747,407)**
PPI	**97,227,080**	**9,441,793**	**25,313,179**	**–**	**81,355,694**	**–**	**(118,862)**	**(118,862)**

	2019							
	Current Assets	Noncurrent Assets	Current Liabilities	Noncurrent Liabilities	Equity	Revenue	Net Income (Loss)	Total Comprehensive Income (Loss)
L1HC	₱43,537,297	₱680,072,703	₱37,958,632	₱499,326,441	₱186,324,927	₱–	(₱1,459,849)	(₱1,459,849)
PMHC	87,286,746	178,435,352	3,709,846	–	262,012,252	–	(995,790)	(995,790)
PLI	57,175,412	305,845,280	12,556,284	266,692,538	83,771,870	–	(795,938)	(795,938)
PPI	102,696,322	9,441,793	30,663,559	–	81,474,556	–	(929,362)	(929,362)

6. Cash

This account consists of:

	2020	2019
Cash on hand	**₱102,772**	₱127,719
Cash in banks	**61,021,082**	118,152,239
	₱61,123,854	₱118,279,958

Cash in banks earn interest at prevailing bank deposit rates and are immediately available for use in the current operations.

Interest income recognized in profit or loss amounted to ₱184,298 and ₱254,816 in 2020 and 2019, respectively.

The Group has restricted cash amounting to ₱1,223,600 and nil as at December 31, 2020 and 2019, respectively (see Note 8).

7. Trade and Other Receivables

This account consists of:

	Note	**2020**	2019
Trade		**₱7,172,484**	₱10,048,934
Contract assets	19	**83,172,629**	1,764,406
Receivables from employees		**1,019,856**	811,780
		₱91,364,969	₱12,625,120

Trade receivables pertain to receivable from sale of electricity in the Wholesale Electricity Spot Market (WESM) under the Feed-in-Tariff (FIT) mechanism. These are noninterest-bearing and are generally collectible within 30 to 90 days. Contract assets pertain to unbilled FIT differential (see Note 19).

Receivables from employees are subject to liquidation. These are generally noninterest-bearing and have a term of one year or less.

The carrying amount of trade and other receivables pledged as collateral for loans payable amounted to ₱50,683,989 and ₱6,646,220 as at December 31, 2020 and 2019, respectively (see Note 13).

8. Other Assets

This account consists of:

	Note	**2020**	2019
Current			
Input VAT		**₱20,765,456**	₱16,905,801
Short-term investments		**10,702,006**	10,606,552
Creditable withholding tax		**270,227**	270,227
Prepayments		**115,547**	2,627,771
Advances to contractors	11	**–**	912,459
Advances to suppliers		**–**	1,139,028
Others		**1,462,091**	1,613,018
		33,315,327	34,074,856
Noncurrent			
Deferred input VAT		**6,514,245**	10,043,823
Restricted cash	6	**1,223,600**	–
Other deposit		**494,040**	494,040
		8,231,885	10,537,863
		₱41,547,212	₱44,612,719

Short-term investments are investments in time deposits which have a term of one (1) year and are intended to guarantee amortization of PLI's loan.

Restricted cash pertains to MHCI's hold-out agreement with a local bank to secure prompt payment of the loan used to partially finance the rehabilitation of the hydropower plants.

Advances to suppliers pertain to the down payments made for the acquisition of construction materials and supplies for the construction of the Group's projects.

9. Investments in Associates

This account consists of investments to the following:

	2020	2019
BEHMC	**₱34,898,746**	₱34,830,474
TNI	**4,323,849**	5,625,000
	₱39,222,595	₱40,455,474

Movements in this account are as follows:

	2020	2019
Acquisition Cost		
Balance at beginning of year	**₱44,025,000**	₱38,400,000
Additions	**–**	5,625,000
Balance at end of year	**44,025,000**	44,025,000
Accumulated Share in Net Loss of Associates		
Balance at beginning of year	**3,569,526**	2,462,828
Share in net loss during the year	**1,232,879**	1,106,698
Balance at end of year	**4,802,405**	3,569,526
Carrying Amount	**₱39,222,595**	₱40,455,474

On August 30, 2019, the Group subscribed to 5,625,000 shares of TNI for a consideration of ₱5,625,000. The Group has initially paid ₱1,406,250 of the total subscription. Subscription payable amounted to ₱4,218,750 as at December 31, 2020 and 2019.

In 2022, the Group assigned its 30% ownership interest in TNI to Tubig Pilipinas Group, Inc. and recognized a gain on disposal of investment in associate amounting to ₱4,218,750.

The financial information of the Group's associates is summarized below.

	2020		2019	
	BEHMC	**TNI**	BEHMC	TNI
Total current assets	**₱866,698**	**₱9,183,473**	₱2,159,986	₱5,756,331
Total noncurrent assets	**129,609,396**	**127,911,519**	119,186,835	7,885,103
Total current liabilities	**14,146,942**	**136,744,661**	3,115,467	8,953,934
Total equity	**116,329,152**	**350,331**	118,231,354	4,687,500
Total comprehensive income (loss)	**227,573**	**(4,337,169)**	(3,688,994)	–

10. Property, Plant and Equipment

Movements and balances of this account consist of:

	2020						
	Land	**Buildings**	**Furniture, Fixtures and Office Equipment**	**Transportation Equipment**	**Hydropower Plants**	**Construction in Progress**	**Total**
Cost							
Balance at beginning of year	**₱10,541,624**	**₱10,284,120**	**₱2,310,504**	**₱3,171,568**	**₱597,728,529**	**₱1,156,936,451**	**₱1,780,972,796**
Additions	**–**	**–**	**382,014**	**–**	**26,547,284**	**429,023,319**	**455,952,617**
Reclassification	**–**	**–**	**–**	**–**	**73,182,998**	**(73,182,998)**	**–**
Write-off	**–**	**–**	**–**	**–**	**–**	**(7,598,394)**	**(7,598,394)**
Balance at end of year	**10,541,624**	**10,284,120**	**2,692,518**	**3,171,568**	**697,458,811**	**1,505,178,378**	**2,229,327,019**
Accumulated Depreciation							
Balance at beginning of year	**–**	**–**	**729,500**	**1,164,596**	**29,722,458**	**–**	**31,616,554**
Depreciation	**–**	**419,760**	**426,844**	**429,611**	**32,420,108**	**–**	**33,696,323**
Balance at end of year	**–**	**419,760**	**1,156,344**	**1,594,207**	**62,142,566**	**–**	**65,312,877**
Carrying Amount	**₱10,541,624**	**₱9,864,360**	**₱1,536,174**	**₱1,577,361**	**₱635,316,245**	**₱1,505,178,378**	**₱2,164,014,142**

		2019						
	Note	Land	Buildings	Furniture, Fixtures and Office Equipment	Transportation Equipment	Hydropower Plants	Construction in Progress	Total
Cost								
Balance at beginning of year		₱8,016,744	₱–	₱1,555,285	₱2,663,200	₱267,325,455	₱729,120,482	₱1,008,681,166
Acquired through business combination	4	2,524,880	10,284,120	483,179	508,368	312,695,532	–	326,496,079
Additions		–	–	272,040	–	17,707,542	427,815,969	445,795,551
Balance at end of year		10,541,624	10,284,120	2,310,504	3,171,568	597,728,529	1,156,936,451	1,780,972,796
Accumulated Depreciation								
Balance at beginning of year		–	–	455,058	734,985	18,743,336	–	19,933,379
Depreciation		–	–	274,442	429,611	10,979,122	–	11,683,175
Balance at end of year		–	–	729,500	1,164,596	29,722,458	–	31,616,554
Carrying Amount		₱10,541,624	₱10,284,120	₱1,581,004	₱2,006,972	₱568,006,071	₱1,156,936,451	₱1,749,356,242

Property and Equipment as Loan Securities

Parcels of land, hydropower plants and construction in progress with carrying value aggregating ₱1,782,939,428 and ₱1,468,983,728 as at December 31, 2020 and 2019, respectively, were mortgaged as collateral for the Group's loans in favor of the creditor banks. A transportation equipment with carrying amount ₱965,893 and ₱1,223,464 as at December 31, 2020 and 2019, respectively, was mortgaged in favor of a creditor bank as collateral to finance its acquisition (see Note 13).

Capitalized borrowing costs amounted to ₱44,564,112 and ₱55,654,648 in 2020 and 2019, respectively (see Note 13). Capitalization rates used were 5.5% to 8.6% in 2020 and 2019.

Construction in Progress

Construction in progress pertains to the development costs of the Group's hydropower plants. As at December 31, 2020, the projects under construction are Upper Labayat, Pulanai, Piapi, Lalawinan and Tibag hydropower plants with total estimated costs to complete aggregating ₱6,769,540,638 and estimate completion dates between 2021 to 2026.

In September 2021, the Group completed its construction of Upper Labayat 3.0 MW Hydro Powerplant in Real, Quezon with a total cost of ₱887,868,627.

Completed Projects

In 2020, the Group completed the rehabilitation and other renovations of Calibato mini hydropower plant with total project cost of ₱69,969,263. Accordingly, this is reclassified to hydropower plant. Moreover, the Group started and completed its construction of pedestrian access road and sinkhole protection for hydropower plant amounting to ₱3,213,735 in 2020.

Application of Advances to Contractors

The Group applied advances to contractors to land and land improvements and construction in progress amounting to ₱71,222,110 and ₱61,470,704 in 2020 and 2019, respectively (see Note 11).

Depreciation and Amortization

Depreciation and amortization charged to operations are as follows:

	Note	**2020**	2019
Cost of services	14	**₱31,378,459**	₱10,963,064
Operating expenses	15	**2,317,864**	720,111
		₱33,696,323	₱11,683,175

Disposal and Write-off

In 2020, the Hydropower Service Contract (HSC) for the 6.20MW Katipunan Mini-Hydroelectric Power Project and the 4.50MW Sawaga Mini-Hydroelectric Power Project were relinquished. Construction in progress aggregating ₱7,598,394 related to the costs of these relinquished HSC were written-off (see Notes 16 and 19).

11. Advances to Contractors

Movements in this account are as follows:

	Note	2020	2019
Balance at beginning of year		**₱108,257,693**	₱168,515,582
Additions		**94,145,040**	1,212,815
Application	10	**(71,222,110)**	(61,470,704)
Balance at end of year		**131,180,623**	108,257,693
Less current portion	8	**–**	912,459
Noncurrent portion		**₱131,180,623**	₱107,345,234

This account consists of advance payments to contractors for the construction and development of the Group's hydropower plants. These are applied against progress billings based on the percentage of completion.

12. Trade and Other Payables

This account consists of:

	Note	2020	2019
Trade		**₱183,365,832**	₱24,258,988
Payable for the acquisition of MHCI shares	4	**59,251,096**	68,124,145
Interest payable	13	**31,224,638**	8,880,279
Current portion of retention payable		**25,772,304**	19,050,147
Accrued expenses		**2,988,037**	36,914,950
Statutory payables		**393,034**	1,997,936
Others		**105,000**	105,000
		₱303,099,941	₱159,331,445

Trade payables are noninterest-bearing and are generally settled in varying periods within one year depending on the arrangements with suppliers and contractors.

Retention payable represents the portion of the contract price that is withheld until the construction works are substantially complete. Retention payable presented in the consolidated statements of financial position are as follows:

	2020	2019
Current	**₱25,772,304**	₱19,050,147
Noncurrent	**65,998,089**	40,224,217
	₱91,770,393	₱59,274,364

Accrued expenses include accruals for professional fees, taxes and other employee benefits which are to be settled within one year.

13. **Loans Payable**

This account consists of loans from:

	2020	2019
Local creditor banks	**₱1,100,779,000**	₱1,082,796,853
Local contractor	**100,000,000**	100,000,000
Total	**1,200,779,000**	1,182,796,853
Unamortized debt issue cost	**(9,688,192)**	(9,642,709)
Carrying amount	**1,191,090,808**	1,173,154,144
Current portion	**182,424,255**	141,694,354
Noncurrent portion	**₱1,008,666,553**	₱1,031,459,790

Movements in this account are as follows:

	Note	2020	2019
Balance at beginning of year		**₱1,182,796,853**	₱704,284,668
Availments		**47,103,400**	295,295,000
Payments		**(30,476,602)**	(16,170,381)
Amortization of fair value adjustment from business combination		**1,355,349**	1,355,349
Acquired through business combination	4	**–**	198,032,217
Balance at end of year		**₱1,200,779,000**	₱1,182,796,853

The carrying amounts of loans payable per entity are as follows:

	2020	2019
Local creditor banks:		
L1HC	**₱378,131,097**	₱390,350,048
PLI	**282,690,169**	257,633,533
PPDC	**236,046,774**	226,264,174
MHCI	**193,550,575**	197,949,097
REDC	**672,193**	957,292
	1,091,090,808	1,073,154,144
Local contractor -		
REDC	**100,000,000**	100,000,000
	₱1,191,090,808	₱1,173,154,144

Local Creditor Banks

The Group entered into various loan contracts with local creditor banks to finance and reimburse the construction and rehabilitation of various projects, with interest rates ranging from 5.5% to 11% per annum, and with terms ranging from 5 to 15 years.

L1HC

L1HC's 15-year loan is a drawdown from the credit facility of L1HC on March 9, 2017 for ₱468,000,000 and is secured by a chattel mortgage, deed of assignment of receivables and deed of guarantee of stockholders. The outstanding loan related to the facility amounted to ₱378,131,097 and ₱390,350,048 as at December 31, 2020 and 2019, respectively.

The loan is payable in fifty-two (52) equal quarterly installments starting at the end of the ninth (9th) quarter from the date of initial drawdown.

The loan is secured by chattel mortgage over the hydropower plants with carrying amounts aggregating ₱834,619,553 and ₱637,849,006 as at December 31, 2020 and 2019, respectively, assignment of rights over the receivables and deed of guarantee from stockholders and is maturing on the second to third quarter of 2032.

PPDC
PPDC's 15-year loan is a drawdown from the credit facility of PPDC on July 14, 2017 for ₱238,700,000 and is secured by a real property mortgage, receivables from future operations and deed of guarantee of stockholders. The outstanding loan related to the facility amounted to ₱236,046,774 and ₱226,264,174 as at December 31, 2020 and 2019, respectively.

The carrying amount of trade and other receivables pledged as collateral for its loan payable amounted to ₱50,683,989 and ₱6,646,220 as at December 31, 2020 and 2019, respectively (see Note 7).

The carrying amounts of hydropower plants and parcels of land pledged as collateral amounted to ₱329,046,084 and ₱2,813,925, respectively, as at December 31, 2020, and ₱290,383,362 and ₱2,813,925, respectively, as at December 31, 2019 (see Note 10).

PLI
PLI's 15-year loan is a 15–year omnibus loan and security agreement with a local bank to partially finance the construction of the 3.0 MW Lalawinan MHP Project. The first drawdown was made on May 22, 2018. The outstanding loan related to the facility amounted to ₱282,690,169 and ₱257,633,533 as at December 31, 2020 and 2019, respectively.

The loan is secured by pledge of 100% of the PHMC's shares in PLI, assignment of project accounts, all project contracts and receivables, PMHC's support and chattel mortgage over the civil works and electro-mechanical equipment of the Project with carrying amounts aggregating ₱318,981,247 and ₱231,116,273 as at December 31, 2020 and 2019, respectively.

On August 16, 2021, the Omnibus Loan and Security Agreement was amended thereby extending the facility's availability period until July 15, 2023. The PLI also applied for the revision of principal repayment to commence at the 21st quarter from initial drawdown date or in August 2023. The PLI was notified by the bank on August 23, 2021 that it has approved the extension of the grace period to pay the loan principal in August 2023.

MHCI
On January 28, 2016, MHCI's 15-year loan is a drawdown from the credit facility with a local bank to partially finance the rehabilitation of the hydropower plants up to ₱246,463,000. The 15-year loan is payable in 40 quarterly instalments starting at the end of 21st quarter from the date of initial drawdown.

As mandated by Section 4 of Republic Act No. 11494 or the "Bayanihan to Recover as One Act", financial institutions are directed to implement 60-day grace period for the payment of all existing, current and outstanding loans falling due, or any part thereof, on or before December 31, 2020. As a result, MHCI was able to defer the payment of 13th quarter payment amounting to ₱6,078,801 which was due in November 2020. The amount was paid in January 2021.

MHCI has also an existing deed of assignment with hold-out with the local bank to secure the prompt payment of the loan. The restricted cash amounting to ₱1,223,600 as at December 31, 2020 is restricted for this purpose (see Note 8).

The total outstanding loans related to the facilities amounted to ₱193,550,575 and ₱197,949,097 as at December 31, 2020 and 2019, respectively.

As at December 31, 2020 and 2019, the loan is secured by real and chattel property mortgages aggregating ₱297,535,019 and ₱306,821,162, respectively, (see Note 10) assignment of receivables, assignment of debt servicing account and continuing suretyship of previous owners.

Financial Covenants
The loans include covenants to maintain certain debt-to-equity ratio, current ratio and debt service coverage ratio during the term of the loan. The Group is compliant with these requirements, except for MHCI and L1HC as at December 31, 2020. Pursuant to the loan agreement, the borrower shall be in default if, in the reasonable opinion of the creditor bank, the noncompliance is not remediable, after a written notice for such failure. As at report date, MHCI and L1HC has not received any letter of default from the local creditor bank.

Chattel Mortgages on Property Acquired
REDC acquired transportation equipment through availment of loans payable amounting to ₱1,442,400 in 2017. These loans are secured by chattel mortgage on transportation equipment with a carrying amount of ₱965,893 and ₱1,223,464 as at December 31, 2020 and 2019, respectively. The outstanding loan related to the facility amounted to ₱672,193 and ₱957,292 as at December 31, 2020 and 2019, respectively (see Note 10).

Local Contractor
REDC entered into a one-year unsecured loan agreement with a local contractor for L1HC's hydropower plant project in 2019. The unsecured loan amounted to ₱100,000,000 with annual interest rate of 6.0%. The loan was automatically renewed after the one-year term and was fully paid in April 2021.

Expected loan repayments
The expected loan repayments inclusive of interest over the remaining term of the loan as at December 31, 2020 are as follows:

Not later than one year	₱248,574,033
Later than one year but not later than five years	450,201,161
Later than five years	931,592,366
	₱1,630,367,560

Interest Expense and Capitalized Borrowing Costs
Interest expense charged to operations amounted to ₱40,279,605 and ₱15,134,597 in 2020 and 2019, respectively.

The Group capitalized borrowing cost amounting to ₱44,564,112 and ₱55,654,648 in 2020 and 2019, respectively (see Note 10).

Debt Issue Costs

Debt issue costs pertain to documentary stamp taxes and other transaction costs incurred in connection with the loans. Movements of unamortized debt issue costs are as follows:

	2020	2019
Balance at beginning of year	**₱9,642,709**	₱8,315,428
Incurred	**1,026,726**	2,264,268
Amortization:		
Interest expense	**(981,243)**	(430,565)
Capitalized borrowing cost	**–**	(506,422)
Balance at end of year	**₱9,688,192**	₱9,642,709

The changes in liabilities arising from financing activities as at December 31, 2020 and 2019 are as follows:

	2020					
	Loans Payable	Debt Issue Costs	Due to Related Parties	Interest payable	Deposits for Future Stock Subscription	Total
Balance at beginning of year	₱1,182,796,853	(₱9,642,709)	₱275,067,514	₱8,880,279	₱123,445,826	₱1,580,547,763
Changes from financing cash flows:						
Cash proceeds	47,103,400	–	73,499,192	–	166,933,480	287,536,072
Payments of:						
Interests	–	–	–	(60,162,766)	–	(60,162,766)
Loans	(30,476,602)	–	–	–	–	(30,476,602)
Advances from related parties	–		(10,433,665)	–	–	(10,433,665)
Debt issue costs	–	(1,026,726)	–	–	–	(1,026,726)
Noncash changes:						
Capitalization of borrowing costs	–	–	–	44,564,112	–	44,564,112
Accrual of interest	–	–	–	40,279,605	–	40,279,605
Reclassification and conversion to equity	–	–	–	–	(432,996,666)	(432,996,666)
Conversion of advances to DFSS	–	–	(142,617,360)	–	142,617,360	–
Amortization of debt issue cost	–	981,243	–	(981,243)	–	–
Amortization of fair value adjustment	1,355,349	–	–	(1,355,349)	–	–
Balance at end of year	₱1,200,779,000	(₱9,688,192)	₱195,515,681	₱31,224,638	₱–	₱1,417,831,127

	2019					
	Loans Payable	Debt Issue Costs	Due to Related Parties	Interest payable	Deposits for Future Stock Subscription	Total
Balance at beginning of year	₱704,284,668	(₱8,315,428)	₱143,617,720	₱2,374,190	₱–	₱841,961,150
Changes from financing cash flows:						
Cash proceeds	295,295,000	–	247,091,114	–	8,095,200	550,481,314
Payments of:						
Interests	–	–	–	(61,990,820)	–	(61,990,820)
Debt issue costs	–	(2,264,268)	–	–	–	(2,264,268)
Loans	(16,170,381)	–	–	–	–	(16,170,381)
Advances from related parties	–		(1,696,944)	–	–	(1,696,944)
Noncash changes:						
Acquired through business combination	198,032,217	–	–	–	–	198,032,217
Capitalization of borrowing costs	–	–	–	55,654,648	–	55,654,648
Accrual of interest	–	–	–	15,134,597	–	15,134,597
Additional investment to associate	–	–	1,406,250	–	–	1,406,250
Conversion of advances to DFSS	–	–	(115,350,626)	–	115,350,626	–
Amortization of fair value adjustment	1,355,349	–	–	(1,355,349)	–	–
Amortization of debt issue cost	–	936,987	–	(936,987)	–	–
Balance at end of year	₱1,182,796,853	(₱9,642,709)	₱275,067,514	₱8,880,279	₱123,445,826	₱1,580,547,763

14. Cost of Services

This account consists of:

	Note	2020	2019
Depreciation and amortization	10	**₱31,378,459**	₱10,963,064
Salaries and wages		**6,923,102**	5,124,203
Communication and utilities		**1,198,267**	562,134
Repairs and maintenance		**1,050,326**	1,285,572
Transportation and travel		**243,658**	438,802
Rental	19	**45,000**	45,000
Materials		**31,820**	214,535
Others		**1,265,252**	1,247,174
		₱42,135,884	₱19,880,484

15. Operating Expenses

This account consists of:

	Note	2020	2019
Salaries and wages		**₱6,501,859**	₱9,768,411
Taxes and licenses		**3,478,217**	1,901,975
Rental	19	**3,032,684**	4,727,871
Professional fee		**2,698,363**	2,695,031
Depreciation and amortization	10	**2,317,864**	720,111
Insurance		**2,361,742**	884,227
Communication and utilities		**1,852,519**	2,381,022
Representation and entertainment		**1,180,852**	4,000,050
Outside services		**606,351**	747,577
Fuel, oil and lubricants		**533,383**	2,128
Repairs and maintenance		**420,015**	227,180
Supplies		**368,479**	255,374
Transportation		**346,436**	896,149
Bank charges		**15,987**	8,265
Project development costs		**–**	649,236
Others		**1,280,650**	2,503,266
		₱26,995,401	₱32,367,873

Others pertain to penalties and other provisions.

16. **Other Income** - Net

This account consists of:

	Note	**2020**	2019
Write-off of property and equipment	10	**(₱7,598,394)**	₱–
Unrealized foreign exchange gain (loss)		**(378,506)**	(268,882)
		(₱7,976,900)	(₱268,882)

17. **Related Party Transactions**

The Group has transactions with its related parties in the ordinary course of business as follows:

	Amount of Transactions		Balance at End of Year	
	2020	2019	**2020**	2019
Due from Related Parties				
Ultimate Parent Company	**₱2,750,000**	₱18,000,000	**₱4,415,578**	₱19,665,578
Associates - BEHMC	**–**	–	**17,263**	17,263
Entities Under Common Control				
Pure Water Corporation (PWC)	**5,801**	–	**112,065**	106,264
Pure Geothermal Inc. (PGI)	**–**	1,772,746	**–**	2,054,992
Tubig Pilipinas Group Inc. (TPGI)	**–**	–	**–**	187,816
Others	**6,423**	486,882	**166,050**	588,321
Stockholders	**–**	2,750,000	**–**	2,750,000
			₱4,710,956	₱25,370,234
Due to Related Parties				
Ultimate Parent Company	**₱–**	₱97,478,041	**₱–**	₱142,617,360
Entities Under Common Control				
Solar Powered Agri-Rural Communities Corporation	**31,969,875**	24,182,129	**56,152,004**	24,182,129
Just Solar Corporation	**–**	–	**35,287,946**	35,333,834
PGI	**–**	2,845,583	**587,137**	2,845,583
TPGI	**84,490**	–	**84,490**	–
Others	**14,643,707**	13,468	**14,657,175**	13,468
Stockholders	**26,801,120**	–	**84,919,550**	64,972,101
Joint Venture Partner - Manila Electric Company (Meralco)	**–**	–	**2,421,129**	3,696,789
Associate - Tubig Nabua, Inc.	**–**	1,406,250	**1,406,250**	1,406,250
			₱195,515,681	₱275,067,514
Deposit for Stock Subscription				
Presented in Equity				
Ultimate Parent Company	**₱309,550,840**	₱–	**₱424,901,466**	₱–
Presented in Noncurrent Liabilities				
Ultimate Parent Company	**–**	115,350,626	**–**	115,350,626
Volga Power Corporation (VPC)	**–**	8,095,200	**–**	8,095,200
			–	123,445,826
Presented in Non–controlling interest under Equity				
VPC	**8,095,200**	11,904,899	**8,095,200**	24,400,004
Meralco	**–**	–	**94,183,790**	94,183,790
			102,278,990	118,583,794
			₱527,180,456	₱242,029,620

Due from Related Parties
These are noninterest-bearing working capital advances, unsecured and are due and demandable. No impairment loss was recognized in 2020 and 2019.

Due to Related Parties
These are noninterest-bearing working capital advances, unsecured and are payable in cash and upon demand.

Deposit for Stock Subscription of Subsidiaries

REDC

On November 6, 2019, the Parent Company's BOD and stockholders approved the increase in authorized capital stock from ₱150,000,000 divided into 150,000,000 shares at ₱1 par value per share to ₱750,000,000 divided into 750,000,000 shares at ₱1 par value per share. On July 14, 2020, the Parent Company filed its application for the increase in authorized capital stock with the SEC, which was approved on January 31, 2022.

On December 20, 2019, the Parent Company's BOD and stockholders approved the conversion of advances to deposit for stock subscription amounting to ₱115,350,626 to be issued out of the ₱600,000,000 increase in authorized capital stock.

In 2020, the Parent Company made additional deposit of ₱166,933,480 and converted the advances amounting to ₱142,617,360 to DFSS. In 2022, REDC applied the deposit for future stock subscription amounting to ₱424,901,466 against the issuance of 300,000,000 shares at ₱1 par value share resulting into additional paid-in capital amounting to ₱124,901,466.

L1HC

In 2017, L1HC received advances from VPC for the subscription of additional shares amounting to ₱1,295,119 which was presented under noncurrent liabilities as at December 31, 2017. In 2018, this was reclassified to equity. In 2018, the BOD and stockholders have of L1HC approved the conversion of advances to deposit for stock subscription. Additional deposit received in 2018 amounting to ₱11,200,000 from VPC is to be issued out of the remaining increase in subscribed shares.

In 2019, L1HC received additional deposit for stock subscription from VPC amounting to ₱20,000,000. On July 30, 2020 upon approval by the SEC of L1HC's application to increase its authorized capital stock, ₱11,904,899 was issued out of the unsubscribed shares from the increase in authorized capital stock. In addition, the remaining balance of the deposit for future stock subscription amounting to ₱8,095,200 was presented as part of equity.

PMHC

In 2017, the BOD and stockholders of PMHC approved the additional subscription of Meralco from the unissued portion of the authorized capital through cash amounting ₱94,183,790. The deposit for future stock subscription from Meralco was derecognized in 2022 upon deconsolidation of PMHC.

Compensation of Key Management Personnel

Compensation of key management personnel of the Group consists of short-term benefits amounting to ₱1,995,500 in 2020 and 2019.

18. Income Taxes

The components of income tax expense (benefit) are as follows:

	2020	2019
Current	**₱–**	₱–
Deferred	**(395,410)**	89,546
	(₱395,410)	₱89,546

There is no current provision for income tax in 2020 and 2019 due to the Group's net loss position.

The details of the Group's deferred tax liabilities are as follows:

	2020	2019
Difference between the fair value and carrying amount of property, plant and equipment	**₱1,524,957**	₱1,837,452
Unamortized debt issue cost	**2,213,509**	2,182,873
Unrealized foreign exchange gain (loss)	**(54,620)**	58,931
	₱3,683,846	₱4,079,256

Details of deferred tax assets of the Group that were not recognized are as follows:

	2020	2019
NOLCO	**₱21,118,737**	₱26,089,587
Excess MCIT over RCIT	**105,690**	105,690
	₱21,224,427	₱26,195,277

Management assessed that the Group may not generate sufficient future taxable income against which the deferred tax assets may be utilized.

Details of NOLCO are as follows:

Year Incurred	Balance at Beginning of Year	Incurred	Applied	Expired	Balance at End of Year	Expiration Year
2020	₱–	₱21,425,370	₱–	₱–	₱21,425,370	2025
2019	23,732,347	–	–	–	23,732,347	2022
2018	25,238,072	–	–	–	25,238,072	2021
2017	37,994,873	–	–	37,994,873	–	2020
	₱86,965,292	₱21,425,370	₱–	₱37,994,873	₱70,395,789	

NOLCO acquired from business acquisition amounted to nil and ₱141,239 in 2020 and 2019, respectively.

On September 30, 2020, the Bureau of Internal Revenue (BIR) issued the RR No. 25-2020 to implement Section 4 (bbbb) of Republic Act No. 11494, otherwise known as "Bayanihan to Recover as One Act". This RR provides that net operating loss of the business or enterprise for taxable years 2020 and 2021 to be carried over as a deduction from gross income for the next five (5) consecutive taxable years immediately following the year of such loss.

The MCIT amounting to ₱105,690 which was incurred in 2018, will expire in 2021.

The reconciliation of income tax computed at the statutory tax rate to income tax expense as shown in the consolidated statements of comprehensive income is summarized as follows:

	2020	2019
Income tax computed at statutory tax rate	**₱5,292,399**	(₱7,043,132)
Change in unrecognized deferred tax asset	**(4,970,850)**	1,036,313
Add (deduct) tax effects of:		
Income subject to income tax holiday (ITH)	**(17,312,320)**	(960,603)
Expired NOLCO	**11,398,462**	5,918,392
Nondeductible expenses	**4,882,327**	883,012
Equity share in net loss of associates	**369,863**	332,009
Interest income subjected to final tax	**(55,291)**	(76,445)
	(₱395,410)	₱89,546

Income Tax Holiday

MHCI, PPDC and PLI are entitled to the following incentives under *Republic Act No. 9513*, *Renewable Energy Act of 2008* upon approval of BOI:

- Exempt from the payment of income taxes levied by the National Government for the first seven (7) years of commercial operations and 10% corporate income tax after the income tax holiday;
- Exempt from payment of tariff duties on the importation of renewable machinery, equipment and materials;
- Special realty tax of 1.5% on equipment and machinery;
- Zero value-added tax rate on the sale of renewable energy sources;
- Zero value-added tax rate on the purchases of goods, properties and services directly related to the development of hydropower plant facilities; and
- Tax exemption on the sale of carbon credits.

Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act

On March 26, 2021, the CREATE was approved and signed into law by the country's President. Under the CREATE, the RCIT of domestic corporations was revised from 30% to 25% or 20% depending on the amount of total assets or total amount of taxable income. In addition, the MCIT was changed from 2% to 1% of gross income for a period of three (3) years. The changes in the income tax rates became effective beginning July 1, 2020. Since the Group is entitled to income tax holiday and is in a tax loss position, the change in income tax rate to the Group's consolidated financial statements does not have significant financial impact as at December 31, 2020.

The income tax rates used in preparing the financial statements as at and for the year ended December 31, 2020 are 30% and 2% for RCIT and MCIT, respectively. Since all other entities are in a taxable loss position, the change in income tax rates to the consolidated financial statements of the Group had the CREATE been substantively enacted does not have any financial impact as at December 31, 2020.

19. Significant Commitments

Group as a Lessee

The Group has certain leases for the head office and staff houses with lease term of 12 months or less. The Group applies the "short-term lease" recognition exemption for these leases.

Rental expense incurred are as follows:

	Note	**2020**	2019
Cost of services	14	**₱45,000**	₱45,000
Operating expenses	15	**3,032,684**	4,727,871
		₱3,077,684	₱4,772,871

The minimum lease payments due within one year under the non-cancellable operating lease agreement amounted to ₱2,998,134 as at December 31, 2020.

Renewable Energy Distribution

HSC

The Government, through the Department of Energy (DOE), awarded HSCs to the Group for the exclusive right to explore, develop and utilize hydropower resources within specified contract areas. As at December 31, 2020, the Group has the following HSCs:

- Palakpakin Hydroelectric Power Plant
- Balugbog Hydroelectric Power Plant
- Calibato Hydroelectric Power Plant
- Majayjay Hydroelectric Power Project
- Labayat River (Upper Cascade) Hydroelectric Power Project
- Lalawinan Hydroelectric Power Project
- Tibag Hydroelectric Power Project
- Pulanai River Hydroelectric Power Project
- Piapi River Hydroelectric Power Project

The contract period is for twenty-five (25) years which is divided into two (2) stages: the pre-development stage and the development or commercial stage.

The pre-development stage refers to preliminary assessment and feasibility study activities. The development or commercial stage commences from the confirmation of commerciality by the DOE and refers to the construction and installation of facilities up to the operation phase.

The HSC also provides that REDC may assign or transfer part or all of its rights and/or obligations under the HSC to its affiliate upon compliance of the following provisions:

- REDC shall submit to DOE copies of the written agreement on the corresponding part of its rights and/or obligations to be assigned; and
- REDC shall guarantee in writing to DOE its performance of the assigned obligations.

In 2016, REDC entered into an agreement with L1HC for the transfer of 3.0 MW Upper Labayat MHP on which the DOE has approved on August 16, 2017.

REDC assigned to CHC and MHC its rights to HSC No. 2014-02-396-A for the 10.6MW Pulanai River Hydroelectric Power Project and HSC No. 2015-04-567 10MW Pulangui IV Hydroelectric Power Project, respectively. The HSCs grant CHC and MHC an exclusive right to explore, develop and utilize the hydropower resources at the Pulanai River, Valencia, Bukidnon and Pulangui River, Maramag, Bukidnon, respectively. CHC and MHC received from the DOE the certificate of registration for the HSC on March 6, 2020 and December 16, 2020, respectively.

In 2020, REDC relinquished its rights with respect to the HSC No. 2014-02-397 for the Katipunan Mini-Hydroelectric Power Project and HSC No. 2014-02-398 for the Sawaga Mini-Hydroelectric Power Project located in Bukidnon. The corresponding Katipunan and Sawaga HSCs were surrendered to the DOE on October 1, 2020 and February 16, 2020, respectively (see Note 10).

Geothermal Service Contract (GSC)
On November 10, 2016, the government, through the DOE, granted REDC GSC No. 2016-06-055 for the conduct of geothermal operations of PGI in Southern Leyte. The contract period is twenty-five (25) years divided into two (2) stages: the pre-development stage, and the development or commercial stage.

The pre-development stage is a non-extensible period of five (5) years from the effective date and refers to preliminary assessment and feasibility study activities. The development or commercial stage commences from the confirmation of commerciality by the DOE and refers to the construction and installation of facilities up to the operation phase.

In 2017, REDC assigned the GSC to PGI. The assignment was approved by the DOE on December 17, 2019.

Power Supply Agreement (PSA) between PPDC and Meralco
On May 20, 2014, PPDC entered into a PSA with Meralco to provide bulk energy from its hydropower plants for a period of five (5) years. The PSA states that Meralco will pay an amount per kilowatt-hour (kWh) of bulk energy provided, plus any governmental charges as necessary.

On May 22, 2019, the parties agreed to extend the PSA until October 25, 2019.

On October 26, 2019, the parties agreed to extend the PSA until May 15, 2020.

Revenue derived from the PSA amounted to ₱14,749,373 and ₱42,261,156 in 2020 and 2019, respectively.

Provisional Authority to Operate (PAO) Feed-in-Tariff (FIT) Eligible Power Plant

MHCI
In October 2019, the Department of Energy issued a Certificate of Endorsement (COE) under the FIT system which entitled MHCI to FIT rate commencing on the date of commercial operations. In October 2020, the Energy Regulations Commission (ERC) issued PAO authorizing MHCI to participate in the FIT system for a period of one (1) year from October 14, 2020 to October 13, 2021 contingent on the validity of the permits and licenses issued by other government agencies, and pending compliance with the submission of the Business/Mayor's Permit and the amended Wholesale Electricity Spot Market (WESM) Registration.

On December 3, 2020, MHCI submitted to the ERC the Business/Mayor's Permit and the Notice of Approval for the Amended WESM Registration. On July 7, 2021, the ERC issued the Certificate of Compliance in favor of MHCI's hydroelectric power plant FIT eligibility valid from October 14, 2019 to October 13, 2024.

Revenue from FIT amounted to ₱34,792,793 and ₱1,764,405 in 2020 and 2019, respectively.

PPDC
In September 2019, the DOE issued COE under the FIT system for Palakpakin and Balugbog hydropower plants, which entitled the PPDC to the FIT rate from 2018 to 2038. On May 2020, the DOE issued the COE under the FIT system for the Calibato hydropower plant, which entitled PPDC to the FIT rate commencing from 2020 to 2040.

On December 2, 2020, PPDC received a PAO-FIT from Energy Regulatory Commission (ERC or the Commission) for Palakpakin, Calibato and Balugbog hydropower plants. The PAO was issued in favor of PPDC's hydropower plants FIT eligibility valid from December 2, 2020 to December 1, 2021 contingent on the validity of permits and licenses issued by other government agencies.

As at report date, PPDC has completed all the requirements set forth in the PAO except for the public offering requirement.

Revenue from FIT in 2020 and 2019 amounted to ₱46,615,430 and nil, respectively.

Renewable Energy Payment Agreement (REPA) with the National Transmission Corporation (Transco)
The Group entered into a REPA with the Transco to set out the rights and obligations relating to the payment of the Actual FIT Revenue to the Group for the electricity generated by the FIT eligible power plants. Under the REPA, Transco, as the FIT Administrator, shall administer the implementation of the FIT System, manage the FIT-All Fund from which renewable energy developers shall be paid, and perform the function of settlement agent for the payment of Actual FIT Revenue to the eligible renewable energy power plants.

In accordance with the agreement, Transco shall pay the actual FIT revenue for all metered generation for a period of 20 years from commercial operations. Any FIT differential, prior to the effectivity of the REPA, shall be billed and collected from Transco over a period, equivalent to the number of months lapsed between the start of commercial operations until the effective date of the REPA. The unbilled FIT differential is recorded under "Contract assets" account.

The Group's contract assets are as follows (see Note 7):

	2020	2019
MHCI	**₱36,557,199**	₱1,764,406
PPDC	**46,615,430**	–
	₱83,172,629	₱1,764,406

Market Participation Agreement (MPA) with Independent Electricity Market Operator of the Philippines (IEMOP)
The Group entered into an MPA to be a WESM Participant with IEMOP as its Market Operator to sell bulk energy generated from its hydropower plants subject to WESM rules and manuals.

Revenue derived from the MPA amounted to ₱39,920,106 and ₱1,001,052 in 2020 and 2019, respectively.

Legal Proceedings
The Group is involved in certain legal proceedings. Management believes that the ultimate liability, if any, with respect to such disputes will not materially affect the financial position of the Group.

20. Financial Risk Management Objectives and Policies and Capital Management

The Group's principal financial instruments consist mainly of financial assets and financial liabilities directly related to operations specifically cash, trade and other receivables (excluding receivable from employees), due from related parties, short-term investments, restricted cash, other deposits, trade and other payables (excluding statutory payables), loans payable, due to related parties and retention payable.

Financial Risk Management Objectives and Policies
The main risks arising from the Group's financial instruments are credit risk, liquidity risk, and interest rate risk. The BOD reviews and agrees on policies for managing each of these risks.

Credit Risk
Credit risk is the risk that counterparty may fail to discharge an obligation to the Group. The Group is exposed to this risk for various financial instruments, for example by granting loans and receivables to customers including related parties, placing deposits with banks and investing in short-term placements.

The Group continuously monitors defaults of customers and other counterparties, identified either individually or by group, and incorporate this information into its credit risk controls. The Group's policy is to deal only with creditworthy counterparties.

Generally, trade and other receivables are written off when there is no reasonable expectation of recovery. Indicators of this include the failure of the debtor to engage in repayment plan, no active enforcement activity and a failure to make contractual payment for a period greater than one (1) year.

The carrying amount of financial assets recorded in the consolidated financial statements, which is net of impairment losses, representing the Group's maximum exposure to credit risk without taking into account the value of any collateral obtained is summarized below:

	2020	2019
Cash in banks	**₱61,021,082**	₱118,152,239
Trade and other receivables*	**90,345,113**	11,813,340
Due from related parties	**4,710,956**	25,370,234
Short-term investments	**10,702,006**	10,606,552
Restricted cash	**1,223,600**	–
Other deposits	**494,040**	494,040
	₱168,496,797	₱166,436,405

**Excluding receivables from employees amounting to ₱1,019,856 and ₱811,780 as at December 31, 2020 and 2019, respectively.*

The table below shows the credit quality and aging analysis of the Group's financial assets:

	December 31, 2020					
			Past Due But Not Impaired			
	High Grade	**Standard Grade**	**1 - 60 Days**	**61 - 90 Days**	**More than 90 Days**	**Total**
Lifetime ECL:						
Trade receivables	**₱–**	**₱6,976,156**	**₱34,765**	**₱13,209**	**₱148,354**	**₱7,172,484**
Contract assets	**–**	**83,172,629**	**–**	**–**	**–**	**83,172,629**
	–	**90,148,785**	**34,765**	**13,209**	**148,354**	**90,345,113**
12-month ECL:						
Cash in banks	**61,021,082**	**–**	**–**	**–**	**–**	**61,021,082**
Due from related parties	**–**	**4,710,956**	**–**	**–**	**–**	**4,710,956**
Short-term investments	**10,702,006**	**–**	**–**	**–**	**–**	**10,702,006**
Restricted cash	**1,223,600**	**–**	**–**	**–**	**–**	**1,223,600**
Other deposits	**–**	**494,040**	**–**	**–**	**–**	**494,040**
	72,946,688	**5,204,996**	**–**	**–**	**–**	**78,151,684**
	₱72,946,688	**₱95,353,781**	**₱34,765**	**₱13,209**	**₱148,354**	**₱168,496,797**

	December 31, 2019					
			Past Due But Not Impaired			
	High Grade	Standard Grade	1 - 60 Days	61 - 90 Days	More than 90 Days	Total
Lifetime ECL -						
Trade receivables	₱–	₱9,852,606	₱34,765	₱13,209	₱148,354	₱10,048,934
Contract assets	–	1,764,406	–	–	–	1,764,406
	–	11,617,012	34,765	13,209	148,354	11,813,340
12-month ECL:						
Cash in banks	118,152,239	–	–	–	–	118,152,239
Due from related parties	–	25,370,234	–	–	–	25,370,234
Short-term investments	10,606,552	–	–	–	–	10,606,552
Other deposits	–	494,040	–	–	–	494,040
	128,758,791	25,864,274	–	–	–	154,623,065
	₱128,758,791	₱37,481,286	₱34,765	₱13,209	₱148,354	₱166,436,405

The Group's financial assets are categorized based on the Group's collection experience with the counterparties as follows:

a. High Grade – settlements are obtained from counterparty following the terms of the contracts without much collection effort.

b. Standard Grade – some reminder follow-ups are performed to obtain settlement from the counterparty.

c. Past Due – items with history of frequent defaults.

Cash in Banks, Short-term Investment, Restricted Cash and Other Deposits. The credit risk for cash in banks, short-term investment, restricted cash and other deposits is considered negligible because the counterparties are reputable banks with high quality external credit ratings. Thus, the impairment loss is limited to 12-month ECL.

Due from Related Parties. The exposure on due from related parties, which are measured and classified as financial assets at amortized cost, are assumed to have low credit risk because the related parties have sufficient cash and other liquid assets to repay the loan immediately. Thus, the impairment loss is limited to 12-month ECL.

Liquidity Risk

Liquidity risk arises from the Group's inability to raise sufficient funds at the least possible cost to meet its financial commitments. The Group's objectives in liquidity management are: (a) to ensure that adequate funds are available to meet expiring obligations; (b) to meet the commitments as they arise without incurring unnecessary costs; and (c) to be able to access additional funding when needed at the least possible cost.

The table below summarizes the maturity profile of the financial liabilities of the Group based on remaining contractual undiscounted cash flows as at December 31, 2020 and 2019:

	2020					
	Due and Demandable	**Less than 1 year**	**>1-2 years**	**>2-3 years**	**Over 3 years**	**Total**
Trade and other payables*	**₱–**	**₱276,934,600**	**₱–**	**₱–**	**₱–**	**₱276,934,600**
Loans payable**	**–**	**257,974,657**	**133,499,649**	**559,312,228**	**812,642,304**	**1,763,428,838**
Subscription payable	**–**	**–**	**–**	**–**	**4,218,750**	**4,218,750**
Retention payable	**23,357,666**	**2,414,638**	**–**	**–**	**65,998,089**	**91,770,393**
Due to related parties	**195,515,681**	**–**	**–**	**–**	**–**	**195,515,681**
	₱218,873,347	**₱537,323,895**	**₱133,499,649**	**₱559,312,228**	**₱882,859,143**	**₱2,331,868,262**

**Excluding statutory liabilities amounting to ₱393,034 as at December 31, 2020.*
***Includes future interest payments*

	2019					
	Due and Demandable	Less than 1 year	>1-2 years	>2-3 years	Over 3 years	Total
Trade and other payables*	₱–	₱103,366,398	₱–	₱–	₱–	₱103,366,398
Loans payable**	–	202,663,908	128,113,038	513,793,861	819,337,220	1,663,908,027
Subscription payable	–	–	–	–	4,218,750	4,218,750
Retention payable	9,926,142	9,124,005	40,224,217	–	–	59,274,364
Due to related parties	275,067,514	–	–	–	–	275,067,514
	₱284,993,656	₱315,154,311	₱168,337,255	₱513,793,861	₱823,555,970	₱2,105,835,053

**Excluding statutory liabilities amounting to ₱1,997,936 as at December 31, 2019.*
***Includes future interest payments*

The Group monitors its risk to a shortage of funds through analyzing the maturity of its financial investments and financial assets and cash flows from operations. The Group monitors its cash position by a system of cash forecasting. All expected collections, check disbursements and other payments are determined on a daily basis to arrive at the projected cash position to cover its obligations.

Interest Rate Risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. The Group's market risk policy requires it to manage interest rate risk by maintaining appropriate mix of fixed and variable rate instruments. The policy also requires it to manage the maturities of interest-bearing financial assets and liabilities. Any gap between the maturities of fixed and variable rate instruments is effectively managed by the Group.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates with other variables held constant of the Group's income before income tax:

	2020	2019
Increase (decrease) in basis points:		
+50	**(₱5,955,454)**	(₱5,865,771)
-50	**5,955,454**	5,865,771

Capital Management

The primary objective of the Group's capital management is to ensure that it maintains strong and healthy financial position to support its current business operations and drive its expansion and growth in the future.

The Group regularly monitors its capital position and assesses business conditions to ensure early detection and determination of risks and its consequent adverse impact. The Group adopts measures, as deemed necessary and appropriate, to mitigate risks.

In determining reasonable leverage, the Group evaluates its cost of capital and manages its level of debt to maintain an optional cost of capital based in current conditions. The Group considers its equity as capital amounting to ₱870,209,079 and ₱419,175,672 as at December 31, 2020 and 2019, respectively.

The Group is required to maintain debt-to-equity ratios in accordance with its loan agreements (see Note 13).

21. Fair Value Measurement

Management has determined that the carrying amounts of cash, trade and other receivables (excluding receivables from employees), due from related parties, short-term investments, restricted cash, other deposits, trade and other payables (excluding statutory payables), due to related parties and current portion of retention payable approximate their fair values because of their short-term maturities.

Retention Payable. The fair value of retention payable was not determined using observable market data because the management believes that the difference between fair value and carrying amount is not significant.

Loans Payable. The fair value is the present value of all future cash flows discounted using applicable rates for similar types of loans. The fair value of the loans payable is classified under level 2 (significant observable inputs) of the fair value hierarchy.

The discount rates used are 3.11% to 7.0% in 2020 and 2019.

The carrying amounts and estimated fair values of the Group's financial assets and financial liabilities are presented below:

	2020		2019	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
Financial Assets				
Cash	**₱61,123,854**	**₱61,123,854**	₱118,279,958	₱118,279,958
Trade and other receivables*	**90,345,113**	**90,345,113**	11,813,340	11,813,340
Due from related parties	**4,710,956**	**4,710,956**	25,370,234	25,370,234
Short-term investments	**10,702,006**	**10,702,006**	10,606,552	10,606,552
Restricted cash	**1,223,600**	**1,223,600**	–	–
Other deposits	**494,040**	**494,040**	494,040	494,040
	₱168,599,569	**₱168,599,569**	₱166,564,124	₱166,564,124
Financial Liabilities				
Trade and other payables**	**₱276,934,600**	**₱276,934,600**	₱103,366,398	₱103,366,398
Loans payable	**1,191,090,808**	**1,224,396,007**	1,173,154,144	1,207,914,311
Subscription payable	**4,218,750**	**4,218,750**	4,218,750	4,218,750
Due to related parties	**195,515,681**	**195,515,681**	275,067,514	275,067,514
Retention payable	**91,770,393**	**91,770,393**	59,274,364	59,274,364
	₱1,759,530,232	**₱1,792,835,431**	₱1,615,081,170	₱1,649,841,337

**Excluding receivables from employees amounting to ₱1,019,856 and ₱811,780 as at December 31, 2020 and 2019, respectively.*
***Excludes statutory payables amounting to ₱393,034 and ₱1,997,936 as at December 31, 2020 and 2019, respectively.*

22. Earnings (Loss) Per Share

The following table presents information necessary to calculate earnings (loss) per share:

	2020	2019
Net income (loss) attributable to the equity holders of the Parent Company	**₱19,143,376**	(₱21,625,415)
Average number of common shares	**150,000,000**	150,000,000
	₱0.1276	(₱0.1442)

Earnings (loss) per share is calculated using the net income (loss) divided by the weighted average number of common shares. The Group has assessed that there were no dilutive common shares as at December 31, 2020 and 2019.

23. Segment Reporting

For management reporting purposes, the Group is organized based on its activities and has one operating segment which is the renewable energy generation segment. This segment undertakes the generation of electricity through hydroelectric power plants which are within the Group's country of domicile.

REYES TACANDONG & CO.
FIRM PRINCIPLES. WISE SOLUTIONS.

BOA/PRC Accreditation No. 4782
August 16, 2021, valid until April 13, 2024
SEC Accreditation No. 4782 SEC Group A
Issued August 11, 2022
Valid for Financial Periods 2021 to 2025

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REPORT OF INDEPENDENT AUDITORS
TO ACCOMPANY CONSOLIDATED FINANCIAL STATEMENTS FOR FILING WITH THE SECURITIES AND EXCHANGE COMMISSION

The Stockholders and the Board of Directors
Repower Energy Development Corporation and Subsidiaries
3rd Floor JTKC Center
2155 Chino Roces Ave.
Makati City

We have audited the accompanying consolidated financial statements of Repower Energy Development Corporation (the Parent Company) and Subsidiaries as at and for the years ended December 31, 2020 and 2019, on which we have rendered our report dated December 7, 2022.

In compliance with the Revised Securities Regulation Code Rule 68, we are stating that the Parent Company has one (1) stockholder owning one hundred (100) or more shares.

REYES TACANDONG & CO.

CAROLINA P. ANGELES
Partner
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Tax Identification No. 205-067-976-000
BOA Accreditation No. 4782; Valid until April 13, 2024
SEC Accreditation No. 86981-SEC Group A
Issued March 24, 2020
Valid for Financial Periods 2019 to 2023
BIR Accreditation No. 08-005144-007-2022
Valid until October 16, 2025
PTR No. 8851708
Issued January 3, 2022, Makati City

December 7, 2022
Makati City, Metro Manila

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