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)
55	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
Rolando P. Domingo	rolando.domingo@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 14, 2024, valid until June 6, 2026
SEC Registration No. PP201007009

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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, 2023 and 2022, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years ended December 31, 2023, 2022 and 2021, and notes to consolidated financial statements, including a summary of material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as at December 31, 2023 and 2022, and its financial performance and its cash flows for the years ended December 31, 2023, 2022 and 2021 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.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements as at and for the year ended December 31, 2023. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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.

Assessing the Recoverability of Goodwill

The Group is required to assess at each reporting date the recoverability of goodwill. As at December 31, 2023, the carrying amount of goodwill amounted to ₱136.0 million. This matter is considered significant to our audit because the assessment of the recoverability of goodwill involves the exercise of significant management judgments and estimates, which are subject to a high level of estimation uncertainty.

Our audit procedures include, among others, reviewing management's assessment of the recoverable amount of goodwill. We evaluated the appropriateness of the assumptions used by the Group in the impairment assessment, in particular those involving the forecasted cash flows from existing hydropower service contracts, discount rate, and other areas to which the outcome of the impairment test is most sensitive. We also reviewed the adequacy of the Group's related disclosures in Note 2, *Summary of Material Accounting Policy Information*, Note 3, *Significant Judgments, Accounting Estimates and Assumptions* and Note 4, *Goodwill*, to the consolidated financial statements.

Accounting of Proceeds from the Initial Public Offering (IPO)

As discussed in Note 1 to the financial statements, the shares of stock of the Parent Company was listed with the Philippine Stock Exchange (PSE) through an initial public offering in July 2023. The proceeds from the IPO amounted to ₱949.5 million, net of transaction costs incidental to the IPO amounting to ₱50.5 million. The accounting for the IPO proceeds and its use is considered as a key audit matter because the amount of proceeds from the IPO is substantial in relation to the financial statements. Moreover, the Parent Company is required to adhere to the approved use of proceeds.

We performed audit procedures to validate the receipt and recording of the proceeds from the IPO. We obtained confirmation from the escrow agent for the unspent proceeds, and checked the nature and validated the underlying documents of the actual disbursements of the proceeds in 2023. We also verified if the disbursements are in line with the approved purpose and use of the proceeds. We also checked the adequacy of the disclosures in the financial statements of the IPO-related transactions in Note 7, *Funds Held in Escrow*, and Note 16, *Equity*, to the consolidated financial statements.

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2023, but does not include the consolidated financial statements and our auditors' report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2023 are expected to be made available to us after the date of this auditors' report.

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

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

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.

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

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

The engagement partner on the audit resulting in this independent auditors' report is Arthur Vinson U. Ong.

REYES TACANDONG & CO.

ARTHUR VINSON U. ONG
Partner
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Tax Identification No. 253-222-555-000
BOA Accreditation No. 4782/P-018; Valid until June 6, 2026
BIR Accreditation No. 08-005144-015-2023
Valid until June 4, 2026
PTR No. 10072419
Issued January 2, 2024, Makati City

April 18, 2024
Makati City, Metro Manila

REPOWER ENERGY DEVELOPMENT CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Note	December 31 2023	2022
ASSETS			
Current Assets			
Cash	6	**₱44,888,443**	₱82,663,712
Funds held in escrow	7	**526,537,923**	–
Trade and other receivables	8	**132,814,321**	129,679,951
Due from related parties	20	**132,849,778**	51,700,660
Other current assets	9	**139,741,747**	118,217,590
Total Current Assets		**976,832,212**	382,261,913
Noncurrent Assets			
Investments in an associate	10	**40,365,139**	43,977,533
Property, plant and equipment	11	**3,976,619,647**	3,040,461,429
Advances to contractors and suppliers - net of current portion	12	**267,167,509**	37,884,825
Goodwill	4	**135,950,686**	135,950,686
Other noncurrent assets	9	**17,330,755**	9,321,668
Total Noncurrent Assets		**4,437,433,736**	3,267,596,141
		₱5,414,265,948	₱3,649,858,054
LIABILITIES AND EQUITY			
Current Liabilities			
Current portion of loans payable	14	**₱114,880,390**	₱122,956,289
Trade and other payables	13	**620,793,590**	429,253,287
Due to related parties	20	**778,434,703**	759,080,119
Income tax payable		**–**	3,246,880
Total Current Liabilities		**1,514,108,683**	1,314,536,575
Noncurrent Liabilities			
Loans payable - net of current portion	14	**1,668,725,400**	1,319,729,600
Contract liability	23	**26,113,488**	–
Retention payable - net of current portion	13	**80,466,710**	49,914,209
Retirement liability	15	**5,088,972**	–
Net deferred tax liabilities	22	**2,200,040**	4,117,059
Total Noncurrent Liabilities		**1,782,594,610**	1,373,760,868
Total Liabilities		**3,296,703,293**	2,688,297,443
Equity			
Capital stock	16	**650,000,002**	450,000,000
Additional paid-in capital	16	**1,095,920,304**	324,901,466
Retained earnings		**278,571,843**	114,727,620
Other equity reserve	4	**(39,802,416)**	(39,802,416)
Other comprehensive income		**579,425**	–
		1,985,269,158	849,826,670
Non-controlling interests	5	**132,293,497**	111,733,941
Total Equity		**2,117,562,655**	961,560,611
		₱5,414,265,948	₱3,649,858,054

See accompanying Notes to Consolidated Financial Statements.

REPOWER ENERGY DEVELOPMENT CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

		For the Years Ended December 31		
	Note	**2023**	2022	2021
REVENUE	23			
Sale of electricity		**₱467,810,661**	₱382,042,042	₱233,281,590
Feed-in-tariff (FIT) rate differential		**(11,171,852)**	–	–
		456,638,809	382,042,042	233,281,590
COST OF SALE OF ELECTRICITY	17	**131,829,830**	104,870,426	65,745,842
GROSS INCOME		**324,808,979**	277,171,616	167,535,748
OPERATING EXPENSES	18	**(93,094,648)**	(53,426,762)	(38,512,579)
INTEREST EXPENSE	14	**(70,683,528)**	(64,810,725)	(46,627,218)
EQUITY SHARE IN NET LOSS OF ASSOCIATES	10	**(3,612,394)**	(1,851,794)	(10,184,468)
OTHER INCOME - Net	19	**12,849,902**	2,728,941	7,205,601
INCOME BEFORE INCOME TAX FROM CONTINUING OPERATIONS		**170,268,311**	159,811,276	79,417,084
INCOME TAX EXPENSE (BENEFIT)	22			
Current		**–**	3,246,880	–
Deferred		**(1,917,018)**	504,650	(71,436)
		(1,917,018)	3,751,530	(71,436)
NET INCOME FROM CONTINUING OPERATIONS		**172,185,329**	156,059,746	79,488,520
NET INCOME (LOSS) FROM DISCONTINUED OPERATIONS	21	**–**	11,939,731	(24,208,760)
NET INCOME		**172,185,329**	167,999,477	55,279,760
OTHER COMPREHENSIVE INCOME				
Not to be reclassified to profit or loss in subsequent periods				
Remeasurement gain on retirement liability	15	**600,997**	–	–
TOTAL COMPREHENSIVE INCOME		**₱172,786,326**	₱167,999,477	₱55,279,760

		For the Years Ended December 31		
	Note	**2023**	2022	2021
NET INCOME (LOSS) ATTRIBUTABLE TO:				
Equity holders of the Parent Company		**₱165,119,223**	₱151,140,344	₱67,289,249
Non-controlling interest	5	**7,066,106**	16,859,133	(12,009,489)
		₱172,185,329	₱167,999,477	₱55,279,760
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:				
Equity holders of the Parent Company		**₱165,698,648**	₱151,140,344	₱67,289,249
Non-controlling interest	5	**7,087,678**	16,859,133	(12,009,489)
		₱172,786,326	₱167,999,477	₱55,279,760
BASIC/DILUTED EARNINGS PER SHARE FROM CONTINUING OPERATIONS	26	₱0.32	₱0.30	₱0.53
BASIC/DILUTED EARNINGS PER SHARE	26	₱0.32	₱0.36	₱0.45

See accompanying Notes to Consolidated Financial Statements.

REPOWER ENERGY DEVELOPMENT CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

		For the Years Ended December 31		
	Note	**2023**	2022	2021
CAPITAL STOCK - ₱1 par value	16			
Balance at beginning of year		**₱450,000,000**	₱150,000,000	₱150,000,000
Issuances of shares		**200,000,002**	300,000,000	–
Balance at end year		**650,000,002**	450,000,000	150,000,000
ADDITIONAL PAID-IN CAPITAL				
Balance at beginning of year		**324,901,466**	200,000,000	200,000,000
Additions	16	**800,000,000**	124,901,466	–
Stock issuance costs	16	**(28,981,162)**	–	–
Balance at end of year		**1,095,920,304**	324,901,466	200,000,000
RETAINED EARNINGS (DEFICIT)				
Balance at beginning of year		**114,727,620**	(36,412,724)	(103,701,973)
Net income attributable to equity holders of the Parent Company		**165,119,223**	151,140,344	67,289,249
Stock issuance costs		**(1,275,000)**	–	–
Balance at end of year		**278,571,843**	114,727,620	(36,412,724)
DEPOSIT FOR FUTURE STOCK SUBSCRIPTION	20			
Balance at beginning of year		**–**	424,901,466	424,901,466
Application of deposit		**–**	(424,901,466)	–
Balance at end of year		**–**	–	424,901,466
OTHER EQUITY RESERVE	4			
Balance at beginning of year		**(39,802,416)**	(8,820,817)	(8,820,817)
Additions		**–**	(30,981,599)	–
Balance at end of year		**(39,802,416)**	(39,802,416)	(8,820,817)
OTHER COMPREHENSIVE INCOME				
Remeasurement gain on retirement liability and balance at end of year		**579,425**	–	–
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY		**1,985,269,158**	849,826,670	729,667,925
NON-CONTROLLING INTERESTS	5			
Balance at beginning of year		**111,733,941**	196,406,485	207,830,403
Additions		**22,471,878**	–	585,571
Share in dividends declared by a subsidiary		**(9,000,000)**	–	–
Net income (loss)		**7,066,106**	16,859,133	(12,009,489)
Share in other comprehensive income		**21,572**	–	–
Acquisition of remaining NCI of a subsidiary		**–**	(97,403)	–
Deconsolidation of Pure Meridian Holdings Corporations (PMHC) and its subsidiaries		**–**	(101,434,274)	–
Balance at end of year		**132,293,497**	111,733,941	196,406,485
		₱2,117,562,655	₱961,560,611	₱926,074,410

See accompanying Notes to Consolidated Financial Statements.

REPOWER ENERGY DEVELOPMENT CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

		For the Years Ended December 31		
	Note	**2023**	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income tax from continuing operations		**₱170,268,311**	₱159,811,276	₱79,417,084
Net income (loss) from discontinued operations	21	**–**	11,939,731	(24,208,760)
Income before income tax		**170,268,311**	171,751,007	55,208,324
Adjustments for:				
Depreciation and amortization	11	**82,440,907**	73,428,549	41,981,072
Interest expense	14	**70,683,528**	86,689,447	67,947,393
Gain on insurance proceeds	11	**(4,739,996)**	–	–
Retirement benefits	15	**5,689,969**	–	–
Equity share in net loss of associates	10	**3,612,394**	1,851,794	10,184,468
Provision for impairment of input value-added tax (VAT)	9	**1,241,757**	–	–
Write-off of input VAT	9	**1,709,636**	1,518,416	–
Interest income	6	**(178,093)**	(37,522)	(136,024)
Gain from deconsolidation of PMHC and Subsidiaries	21	**–**	(34,276,628)	–
Gain on disposal of a subsidiary and an associate	10	**–**	(4,218,750)	(6,194,598)
Unrealized foreign exchange loss		**–**	1,580	–
Operating income before working capital changes		**330,728,413**	296,707,893	168,990,635
Decrease (increase) in:				
Funds held in escrow		**(526,537,923)**	–	–
Trade and other receivables		**(3,134,370)**	34,393,659	(72,772,173)
Other current assets		**1,470,233**	(19,570,496)	(838,477)
Increase in trade and other payables		**188,368,105**	84,028,477	68,709,431
Net cash generated from (used for) operations		**(9,105,542)**	395,559,533	164,089,416
Proceeds from insurance claim	11	**4,739,996**	–	–
Interest received		**178,093**	37,522	136,024
Net cash provided by (used in) operating activities		**(4,187,453)**	395,597,055	164,225,440
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisitions of:				
Property, plant and equipment - net of retention	11	**(910,331,191)**	(714,701,470)	(477,085,315)
Non-controlling interest	4	**–**	(18,134,558)	–
Investment in an associate	10	**–**	(16,791,200)	–
Subsidiary	4	**–**	–	(37,055,556)
Advances to contractors	12	**(313,634,956)**	(8,000,000)	(121,874,704)
Payments for additional other noncurrent assets		**(8,009,087)**	–	(1,332,820)
Proceeds from disposal of:				
Subsidiaries, net of cash of disposed subsidiary	21	**–**	37,701,059	38,000,000
Property, plant and equipment	11	**–**	448,986	–
Other noncurrent assets		**–**	243,037	–
Advances made to related parties		**(81,204,980)**	(2,862,064)	(16,102,057)
Collection of due from related parties		**40,283,246**	4,690,136	4,426,124
Net cash used in investing activities		**(₱1,272,896,968)**	(₱717,406,074)	(₱611,024,328)

(Forward)

	Note	For the Years Ended December 31 **2023**	2022	2021
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from:				
Issuances of capital stock	16	**₱1,000,000,002**	₱–	₱–
Availment of loans payable	14	**466,000,000**	352,493,751	525,320,000
Advances received from related parties	14,20	**347,863,425**	201,869,783	292,758,424
Increase in non-controlling interest		**–**	–	585,571
Payments of:				
Due to related parties	14	**(328,508,841)**	(24,757,014)	(83,433,563)
Loans payable	14	**(122,956,290)**	(55,814,440)	(184,151,131)
Interest payable	14	**(88,382,447)**	(102,336,482)	(125,654,059)
Stock issuance costs	16	**(28,981,162)**	–	
Debt issue costs	14	**(5,725,535)**	(1,969,095)	(4,762,400)
Net cash provided by financing activities		**1,239,309,152**	369,486,503	420,662,842
EFFECTS OF FOREIGN EXCHANGE RATE CHANGES IN CASH		**–**	(1,580)	–
NET INCREASE (DECREASE) IN CASH		**(37,775,269)**	47,675,904	(26,136,046)
CASH AT BEGINNING OF YEAR		**82,663,712**	34,987,808	61,123,854
CASH AT END OF YEAR		**₱44,888,443**	₱82,663,712	₱34,987,808
NONCASH FINANCIAL INFORMATION				
Application of advances to contractors to property, plant and equipment	12	**₱58,406,489**	₱94,601,209	₱–
Issuances of shares through application of deposit for future stock subscription (DFSS)	20	**–**	424,901,466	–
Transfer of loan to a related party	14	**–**	100,000,000	–
Assignment of investment in associate to a related party	10	**–**	4,218,750	–

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 and was listed at the Philippine Stock Exchange (PSE) on July 24, 2023. REDC and its subsidiaries collectively referred to as "the Group", are organized primarily to develop and generate renewable energy resources.

REDC is a 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 registered office address of REDC is located at 3rd Floor JTKC Center, 2155 Chino Roces Ave., Makati City.

Subsidiaries

The consolidated financial statements include the financial statements of the Group, which are all engaged in the renewable energy generation and distribution:

	Effective Percentage of Ownership					
	2023		2022		2021	
Name of Subsidiaries	**Direct**	**Indirect**	Direct	Indirect	Direct	Indirect
Philippine Power and Development Company (PPDC)	99%	–	99%	–	99%	–
Majayjay Hydropower Company, Inc. (MHCI)	99%	–	99%	–	99%	–
Labayat 1 Hydropower Corporation (L1HC)	82%	–	60%	–	60%	–
Tibag Hydropower Corporation (THC)	100%	–	100%	–	100%	–
Cabanglasan Hydropower Corporation (CHC)	100%	–	100%	–	100%	–
Bicol Hydropower Corporation (BHC)	100%	–	100%	–	75%	–
Piapi Hydropower Corporation (PHC)	60%	–	60%	–	–	–
Baguio Asin Hydropower Corporation (BAHC)	100%	–	–	–	–	–
Pure Meridian Hydropower Corporation (PMHC)* and Subsidiaries:	–	–	–	–	50%	–
PMHC Lalawinan Inc. (PLI)**	–	–	–	–	–	50%
PMHC Pulanai Inc. (PPI)**	–	–	–	–	–	50%

**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 (see Note 19). 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.

On November 4, 2022, the Parent Company assigned its investment in PMHC to a related party for ₱40,750,000 (see Note 21). PMHC's operations were considered a separate major line of business or geographical area of operations. Accordingly, the disposal of PMHC was presented as a discontinued operation.

As at December 31, 2023, the operating subsidiaries of the Parent Company are PPDC, MHCI, L1HC, THC and BHC. As at December 31, 2023 CHC, PHC and BAHC are at its pre-operating stages.

Associates

The Group has the following associates:

			Effective Percentage of Ownership		
Name of Associates	Nature of Business	Principal Place of Business	**2023**	2022	2021
Blue Energy Holdings and Management Corporation (BEHMC)	Holding and Investments	Unit 308 Greenhills Mansion 37 Annapolis St., Greenhills San Juan City	30%	30%	30%
BEHMC Lower Labayat Hydropower Corp. (BLLHC)*	Power Generation Through Renewable Energy	Unit 308 Greenhills Mansion 37 Annapolis St., Greenhills San Juan City	30%	30%	30%
BEHMC Upper Tignoan Hydropower Corp. (BUTHC)*	Power Generation Through Renewable Energy	Unit 308 Greenhills Mansion 37 Annapolis St., Greenhills San Juan City	30%	30%	30%
Tubig Nabua Inc. (TNI)**	Water Supply Management and Distribution	Nabua Water District, Lourdes Hospital Road, San Francisco (POB.) Nabua, Camarines Sur	–	–	30%

**100%-owned by BEHMC*
***30%-owned by PPDC*

In 2022, the Group assigned its 30% ownership interest in TNI to a related party and recognized a gain on disposal of investment in associate amounting to ₱4,218,750 (see Notes 10 and 19).

Approval of Consolidated Financial Statements

The consolidated financial statements of the Group as at December 31, 2023 and 2022 and for the years ended December 31, 2023, 2022 and 2021 were approved and authorized for issue by the BOD on April 18, 2024.

2. Summary of Material Accounting Policy Information

Basis of Preparation and Statement of Compliance

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

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 except for retirement liability which is recorded at the aggregate of the present value of the retirement liability. 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.

Further information about the assumptions made in measuring fair values is included in Note 25 to the consolidated financial statements.

Adoption of Amendments to PFRS
The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following amended PFRS effective beginning January 1, 2023:

- Amendments to PAS 1, *Presentation of Financial Statements,* and PFRS Practice Statement 2, *Making Materiality Judgments - Disclosure Initiative - Accounting Policies* – The amendments require an entity to disclose its material accounting policies, instead of its significant accounting policies and provide guidance on how an entity applies the concept of materiality in making decisions about accounting policy disclosures. In assessing the materiality of accounting policy information, entities need to consider both the size of the transactions, other events or conditions and its nature. The amendments clarify (1) that accounting policy information may be material because of its nature, even if the related amounts are immaterial, (2) that accounting policy information is material if users of an entity's financial statements would need it to understand other material information in the financial statements, and (3) if an entity discloses immaterial accounting policy information, such information should not obscure material accounting policy information. In addition, PFRS Practice Statement 2 is amended by adding guidance and examples to explain and demonstrate the application of the 'four-step materiality process' to accounting policy information.

- Amendments to PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Accounting Estimates* – The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies, and the correction of errors. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty". An entity develops an accounting estimate if an accounting policy requires an item in the financial statements to be measured in a way that involves measurement uncertainty. The amendments clarify that a change in accounting estimate that results from new information or new developments is not a correction of an error, and that the effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors. A change in an accounting estimate may affect only the profit or loss in the current period, or the profit or loss of both the current and future periods.

- Amendments to PAS 12, *Income Taxes - Deferred Tax Related Assets and Liabilities from a Single Transaction* – The amendments require companies to recognize deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences.

- Amendments to PAS 1, *Classification of Liabilities as Current or Noncurrent* – 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 adoption of the amended PFRS did not materially affect the consolidated financial statements of the Group. Additional disclosures were included in the consolidated financial statements, as applicable.

Amendments to PFRS Issued But Not Yet Effective or Adopted
Relevant amendments to PFRS, which are not yet effective as at December 31, 2023 and have not been applied in preparing the consolidated financial statements, are summarized below.

Effective for annual periods beginning on or after January 1, 2024:

- Amendments to PAS 1, *Noncurrent Liabilities with Covenants* – The amendments clarified that covenants to be complied with after the reporting date do not affect the classification of debt as current or noncurrent at the reporting date. Instead, the amendments require the entity to disclose information about these covenants in the notes to the financial statements. The amendments must be applied retrospectively. Earlier application is permitted. If applied in earlier period, the Company shall also apply Amendments to PAS 1 - *Classification of Liabilities as Current or Noncurrent* for that period.

- Amendments to PAS 7, *Statement of Cash Flows* and PFRS 7, *Financial Instrument: Disclosures - Supplier Finance Arrangements* – The amendments introduced new disclosure requirements to enable users of the financial statements assess the effects of supplier finance arrangements on the liabilities, cash flows and exposure to liquidity risk. The amendments also provide transitional relief on certain aspects, particularly on the disclosures of comparative information. 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 amendments to PFRS is not expected to have any material effect on the consolidated financial statements of the Company. Additional disclosures will be included in the consolidated financial statements, as applicable.

Basis of Consolidation

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 entities controlled by the Parent Company. 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 PFRS. 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.

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, 2023 and 2022, 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, and refundable deposit, restricted cash, fund held in escrow and receivables from contractors (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).

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 30 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 Company only has few customers which can be graded individually. The ECL is based on the 12-month ECL, which pertains to the portion of lifetime ECL that result from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since initial recognition, the allowance will be based on the lifetime ECL.

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 has 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 receivables from contractors (a financial asset), advances to contractors and suppliers, advances to employees, input VAT for refund, input value-added tax (VAT), creditable withholding tax (CWT), prepayments, deferred input VAT, restricted cash (a financial asset) and refundable deposit (a financial asset).

Advances to Contractors. Advances to contractors pertain to the advance payments for the rehabilitation and development of the Group's hydropower plants. These are applied on every payment of progress billing depending on the percentage of completion.

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.

Advances to Employees. Advances to employees pertain to cash advanced to be used in the Group's operations. These advances are subject to liquidation. Advances to officers and employees expected to be liquidated for no more than 12 months after the financial reporting period are classified as other current assets.

Input VAT for Refund. Input VAT for refund pertains to previously declared input VAT incurred from purchase of assets or services that are claimed for refund from the tax authority.

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.

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.

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.

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

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 20% or less, 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
Hydropower plants	25
Buildings	15 to 25
Furniture, fixtures and office equipment	3 to 5
Transportation equipment	5 to 15

The estimated useful lives and depreciation and amortization method are reviewed periodically to ensure that the periods and method of depreciation and amortization 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.

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 and amortization, had no impairment loss been recognized.

Capital Stock and Additional Paid-In Capital

Capital stock is measured at par value for all shares issued. Excess of proceeds and/or fair value of considerations received over the par value of shares issued, if any, is 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.

Retained Earnings (Deficit)

Retained earnings (deficit) represents the cumulative results of operations, net of prior period adjustments, if any.

Deposit for Future Stock Subscription

Deposit for future stock subscription 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 future 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.

Other Equity Reserve
Other equity reserve represents net excess of the consideration given up over the carrying amount of the non-controlling interest acquired.

Other Comprehensive Income
Other component of equity pertains to income that is not to be recognized in profit or loss for the year. Other comprehensive income pertains to remeasurement gain on retirement liability.

Earnings Per Share
The Group presents basic and diluted earnings per share data for its common shares.

Basic earnings per share is calculated by dividing the net income 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, 2023, 2022 and 2021.

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.

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.

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 and when the associated uncertainty with the variable consideration is subsequently resolved. Revenue from FIT rate differential is recognized based on the difference between the market rate and the estimated FIT rate applicable to the plant.

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 Balances

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.

Contract Liabilities. Contract liabilities are recognized if a payment is due to a customer resulting in excess collections over the approved feed-in-tariff (FIT) rate.

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 Sale of Electricity. Cost of sale of electricity 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.

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 head 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.

Retirement Benefits. The Group has an unfunded, noncontributory defined benefit plan covering all qualified employees. The retirement benefits cost is determined using the projected unit credit method which reflects services rendered by employees to the date of valuation and incorporates assumptions concerning employees' projected salaries.

The Company recognizes service costs, comprising of current service costs, and interest expense in profit or loss. Interest is calculated by applying the discount rate to the retirement liability.

Remeasurement gains and losses are recognized immediately in OCI in the period in which they arise. Remeasurement gains and losses are not reclassified to profit or loss in subsequent periods.

The retirement liability is the aggregate of the present value of the retirement liability to each qualified employee. The present value of the retirement liability is determined by discounting the estimated future cash outflows using interest rate on government bonds that have terms to maturity approximating the terms of the related retirement liability.

Actuarial valuations are made with sufficient regularity so that the amounts recognized in the financial statements do not differ materially from the amounts that would be determined at the reporting date.

Borrowing Costs

Borrowing costs is recognized in profit or loss using the effective interest method. Borrowing costs that are 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) 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.

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 25 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.

Discontinued Operations

A discontinued operation is a component of the consolidated entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single coordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately on the consolidated statements of comprehensive income.

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 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 the Group's consolidated financial statements and results of operations.

Determining Lease Commitments - Group as a Lessee. The Group has entered into various lease agreements for head 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 are disclosed in Note 21.

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 the ECL on Trade Receivables and Contract Assets. The Company's trade receivables and contract assets are subject to the ECL model.

The Company applies the simplified approach in measuring ECL for trade receivables and contract assets since its customers can be graded as low risk. At the end of the reporting year, a loss allowance is recognized at an amount equal to lifetime since there has not been a significant increase in credit risk since initial recognition.

There is no allowance for ECL as at December 31, 2023 and 2022. The carrying amounts of trade receivables and contract assets are disclosed in Note 8.

Assessing the 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 2023, 2022 and 2021.

The carrying amounts of other financial assets at amortized cost are disclosed in Notes 7, 9 and 20.

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 2023, 2022 and 2021. The carrying amount of property, plant and equipment are disclosed in Note 11.

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. No impairment indicators were identified in 2023, 2022 and 2021 and thus, no impairment was recognized.

The carrying amounts of the significant nonfinancial assets of the Group are disclosed in Notes 9, 10, 11 and 12.

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, 2023 and 2022, calculated based on value in use is greater than the corresponding carrying values (including goodwill) of the CGU. The carrying amount of goodwill are disclosed in Note 4.

Estimating Retirement Benefits. The determination of the obligation and cost for provision for retirement benefits is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions, which include among others, discount rates and expected rates of salary increase, are indicated in Note 15 to the financial statements. Actual results that differ from the assumptions are accumulated and are recognized in other comprehensive income.

While the Company believes that the assumptions are reasonable and appropriate, significant differences in the actual experience or significant changes in the assumptions may materially affect the retirement benefit liability.

The carrying amount of retirement liability is disclosed in Note 15 to the financial statements.

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 and recognized deferred tax assets are disclosed in Note 22.

4. Business Combinations and Goodwill

Business Combinations

BHC

On July 27, 2021, the Parent Company acquired 75% ownership interest in BHC for ₱37,055,556.

The finalized fair values of the identifiable assets acquired and liabilities assumed as at the date of the acquisition were as follows:

Assets acquired:	
Other receivables	₱25,000
Property, plant and equipment	2,390,735
Other assets	1,749
	2,417,484
Liabilities assumed -	
Trade and other payables	75,200
Net Assets	₱2,342,284

Goodwill was recognized as follows:

Fair value of consideration transferred at acquisition date	₱37,055,556
Fair value of non-controlling interests in BHC	585,571
	37,641,127
Less fair value of net assets	2,342,284
	₱35,298,843

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

From the date of acquisition, BHC contributed nil to revenue and ₱187,346 of net loss to the Group in 2021. If the combination had taken place at the beginning of 2021, BHC's contribution to the Group's revenue would have been nil and BHC's contribution to the Group's net income would have been ₱1,952,669.

MHCI
On November 6, 2019, the Parent Company acquired 99.08% ownership of MHCI resulting to goodwill amounting to ₱86,599,545. Payable attributable to acquisition of a subsidiary amounted to ₱59,251,096 as at December 31, 2023 and 2022 (see Note 13).

PPDC
On July 15, 2015, the Parent Company acquired 45% ownership of PPDC resulting to a goodwill of ₱14,052,298.

Other Equity Reserve

PPDC
In 2016, the Parent Company increased its ownership interest to 99.4% by acquiring the common shares of PPDC 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.

BHC
In 2022, the Parent Company increased its ownership interest in BHC to 100% by acquiring the remaining common shares held by non-controlling shareholders. The excess of the consideration over the carrying amount of the non-controlling interest amounting to ₱30,981,599 was recorded under "Other equity reserve" account in the consolidated statements of financial position.

Objective of Acquisitions
The acquisitions of BHC, PPDC and MHCI were executed to expand its hydroelectric power plant operations. The goodwill recognized for the acquisitions are attributable to the expected synergies from combining the operations of the subsidiaries and the technical expertise of the Parent Company.

Goodwill
Goodwill from the acquisition of the subsidiaries are as follows:

	2023	2022
MHCI	**₱86,599,545**	₱86,599,545
BHC	**35,298,843**	35,298,843
PPDC	**14,052,298**	14,052,298
	₱135,950,686	₱135,950,686

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 ranges from 5.75% to 8.46%.

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	**2023**	2022
L1HC	Real, Quezon	**18%**	40%
PHC	Makati City, Metro Manila	**40%**	–

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

	2023	2022	2021
L1HC	**₱124,117,583**	₱108,369,707	₱81,205,315
PHC	**3,868,922**	–	–
PMHC	**–**	–	129,991,353
PLI	**–**	–	(13,713,458)
Others	**4,306,992**	3,364,234	(1,076,725)
	₱132,293,497	₱111,733,941	₱196,406,485

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

	2023	2022	2021
L1HC	**₱6,256,568**	₱27,164,410	(₱751,770)
PLI	**–**	–	(11,646,568)
PMHC	**–**	(11,168,448)	(399,132)
Others	**809,538**	863,171	787,981
	₱7,066,106	₱16,859,133	(₱12,009,489)

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

	2023	2022	2021
L1HC	**₱6,276,002**	₱27,164,410	(₱751,770)
PLI	**–**	–	(11,646,568)
PMHC	**–**	(11,168,448)	(399,132)
Others	**811,676**	863,171	787,981
	₱7,087,678	₱16,859,133	(₱12,009,489)

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

	2023							
	Current Assets	**Noncurrent Assets**	**Current Liabilities**	**Noncurrent Liabilities**	**Equity**	**Revenue**	**Net Income (Loss)**	**Total Comprehensive Income (Loss)**
L1HC	**₱24,009,960**	**₱1,044,912,171**	**₱39,943,124**	**₱410,574,018**	**₱618,404,989**	**₱116,873,270**	**₱25,680,073**	**₱25,680,073**
PHC	**20,442,472**	**56,758,482**	**20,153,648**	**–**	**57,047,306**	**–**	**(327,694)**	**(327,694)**

	2022							
	Current Assets	Noncurrent Assets	Current Liabilities	Noncurrent Liabilities	Equity	Revenue	Net Income	Total Comprehensive Income
L1HC	₱126,207,111	₱929,734,005	₱345,182,430	₱360,073,070	₱350,685,616	₱156,336,606	₱67,911,025	₱67,911,025

6. Cash

This account consists of:

	2023	2022
Cash on hand	**₱6,678,900**	₱333,857
Cash in banks	**38,209,543**	82,329,855
	₱44,888,443	₱82,663,712

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 are as follows:

	Note	**2023**	2022	2021
Continuing operations	19	**₱178,093**	₱37,522	₱123,885
Discontinued operations	21	–	–	12,139
		₱178,093	₱37,522	₱136,024

7. Funds Held in Escrow

The Parent Company appointed a universal bank as the custodian bank (the Custodian Bank) to manage and administer the proceeds of the IPO.

The IPO proceeds are kept separate and distinct from all other funds in custody of the Custodian Bank. The Custodian Bank maintains independent books of records of all the transactions of the escrow account and shall release the proceeds to the Parent Company, subject to the issuance of a letter of instructions, and a written certification under oath, signed by the Chief Financial Officer of the Parent Company, stating the purpose of which the Parent Company shall use the funds, and such purpose is exclusively in accordance with the approved use of proceeds.

The escrow deposit maintained under escrow account with the Custodian Bank amounted to ₱526,537,923 as at December 31, 2023. Net withdrawals from fund held in escrow amounted to ₱423,100,000 in 2023.

Interest income earned amounted to ₱137,924 in 2023.

8. Trade and Other Receivables

This account consists of:

	Note	**2023**	2022
Trade		**₱76,491,779**	₱74,115,524
Current portion of contracts assets	23	**55,012,741**	54,440,516
Others		**1,309,801**	1,123,911
		₱132,814,321	₱129,679,951

Trade receivables pertain to receivable from the sale of electricity under the Feed-in-Tariff (FIT) mechanism and in the Wholesale Electricity Spot Market (WESM) through Independent Electricity Market Operator of the Philippines (IEMOP). These are noninterest-bearing and are generally collectible within 30 to 90 days.

Contract assets pertain to unbilled FIT differential (see Note 23). Contract assets presented in the consolidated statements of financial position are as follows:

	Note	**2023**	2022
Current		**₱55,012,741**	₱54,440,516
Noncurrent	9	**9,733,811**	–
		₱64,746,552	₱54,440,516

The carrying amount of trade and other receivables pledged as collateral for its loan payable amounted to ₱75,653,110 and ₱70,471,182 as at December 31, 2023 and 2022, respectively (see Note 14).

9. **Other Assets**

This account consists of:

	Note	2023	2022
Other Current Assets			
Receivables from contractors		**₱65,941,707**	₱65,941,707
Advances to contractors and suppliers	12	**26,015,783**	70,000
Advances to employees		**13,448,220**	6,176,425
Input VAT for refund		**17,471,534**	19,213,438
Input VAT		**6,954,333**	19,610,165
Creditable withholding tax		**3,857,351**	2,529,043
Prepayments		**2,868,341**	2,579,883
Restricted cash		**1,838,341**	120,000
Current portion of deferred input VAT		**243,038**	324,051
Others		**2,344,856**	1,652,878
		140,983,504	118,217,590
Allowance for impairment of input VAT		**1,241,757**	–
		₱139,741,747	₱118,217,590
Other Noncurrent Assets			
Contract asset - net of current portion	8	**₱9,733,811**	₱–
Restricted cash - net of current portion	14	**7,102,904**	8,584,590
Refundable deposit		**494,040**	494,040
Deferred input VAT - net of current portion		**–**	243,038
		₱17,330,755	₱9,321,668

Receivables from contractors pertain to unapplied advances which will be refunded to the Group.

Advances to employees represent cash advances and other loans granted to the Group's employees which are noninterest-bearing in nature and are subject to liquidation.

In 2023 and 2022, the Group wrote off input VAT amounting to ₱1,709,636 and ₱1,518,416, respectively (see Note 19). In addition, in 2023, the Group recognized provision for impairment of input VAT amounting to ₱1,241,757 (see Note 19).

Restricted cash pertains to cash set aside for payment of financial benefits and energy resources to its host communities pursuant to Energy Regulations (ER) No. 1-94 (see Note 23) and hold-out agreement with a local bank to secure prompt payment of the loan used to partially finance the rehabilitation of the hydropower plants (see Note 14).

10. **Investments in Associates**

Movements in this account are as follows:

	2023	2022
Acquisition Cost		
Balance at beginning of year	**₱15,000,000**	₱20,625,000
Disposal	**–**	(5,625,000)
Balance at end of year	**15,000,000**	15,000,000
Advances For Future Stock Subscriptions		
Balance at beginning of year	**40,191,200**	23,400,000
Additions	**–**	16,791,200
Balance at end of year	**40,191,200**	40,191,200
Accumulated Equity Share in Net Loss of Associates		
Balance at beginning of year	**(11,213,667)**	(14,986,873)
Equity share in net loss	**(3,612,394)**	(1,851,794)
Disposal	**–**	5,625,000
Balance at end of year	**(14,826,061)**	(11,213,667)
Carrying Amount	**₱40,365,139**	₱43,977,533

In 2022, the Group assigned its 30% ownership interest in TNI to a related party and recognized a gain on disposal of investment in associate amounting to ₱4,218,750 (see Notes 1 and 19).

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

	2023	2022
Total current assets	**₱28,228,688**	₱54,715,703
Total noncurrent assets	**715,274,160**	520,117,462
Total current liabilities	**392,235,169**	333,679,241
Total noncurrent liabilities	**350,687,883**	228,532,814
Total equity	**579,796**	12,621,110
Total comprehensive loss	**12,041,314**	6,172,646

The reconciliation of the net assets and the carrying amount of investment in an associate follows:

	2023	2022
Equity at end of year	**₱579,796**	₱12,621,110
Percentage of ownership	**30%**	30%
	173,939	3,786,333
Advances for future stock subscriptions	**40,191,200**	40,191,200
Carrying amount of investment	**₱40,365,139**	₱43,977,533

11. Property, Plant and Equipment

Movements and balances of this account consist of:

	2023						
	Hydropower Plants	Construction in Progress	Land	Buildings	Furniture, Fixtures and Office Equipment	Transportation Equipment	Total
Cost							
Balance at beginning of year	**₱1,881,823,635**	**₱1,307,486,317**	**₱13,869,359**	**₱10,284,120**	**₱4,312,802**	**₱3,269,950**	**₱3,221,046,183**
Additions	**77,329,396**	**938,000,493**	**–**	**1,408,949**	**1,860,287**	**–**	**1,018,599,125**
Reclassification	**1,231,494,145**	**(1,244,334,145)**	**–**	**12,840,000**	**–**	**–**	**–**
Balance at end of year	**3,190,647,176**	**1,001,152,665**	**13,869,359**	**24,533,069**	**6,173,089**	**3,269,950**	**4,239,645,308**
Accumulated Depreciation and Amortization							
Balance at beginning of year	**175,056,276**	**–**	**–**	**1,259,280**	**2,053,658**	**2,215,540**	**180,584,754**
Depreciation and amortization	**80,012,810**	**–**	**–**	**1,203,792**	**946,495**	**277,810**	**82,440,907**
Balance at end of year	**255,069,086**	**–**	**–**	**2,463,072**	**3,000,153**	**2,493,350**	**263,025,661**
Carrying Amount	**₱2,935,578,090**	**₱1,001,152,665**	**₱13,869,359**	**₱22,069,997**	**₱3,172,936**	**₱776,600**	**₱3,976,619,647**

		2022						
	Note	Hydropower Plants	Construction in Progress	Land	Buildings	Furniture, Fixtures and Office Equipment	Transportation Equipment	Total
Cost								
Balance at beginning of year		₱1,586,183,496	₱1,146,285,222	₱11,055,434	₱10,284,120	₱2,950,408	₱3,243,568	₱2,760,002,248
Additions		–	804,009,688	2,813,925	–	1,511,360	26,382	808,361,355
Reclassification		296,089,125	(296,089,125)	–	–	–	–	–
Deconsolidation of PMHC and Subsidiaries	21	–	(346,719,468)	–	–	(148,966)	–	(346,868,434)
Disposal		(448,986)	–	–	–	–	–	(448,986)
Balance at end of year		1,881,823,635	1,307,486,317	13,869,359	10,284,120	4,312,802	3,269,950	3,221,046,183
Accumulated Depreciation and Amortization								
Balance at beginning of year		102,916,835	–	–	839,520	1,601,407	1,936,187	107,293,949
Depreciation and amortization		72,139,441	–	–	419,760	589,995	279,353	73,428,549
Deconsolidation of PMHC and Subsidiaries	21	–	–	–	–	(137,744)	–	(137,744)
Balance at end of year		175,056,276	–	–	1,259,280	2,053,658	2,215,540	180,584,754
Carrying Amount		₱1,706,767,359	₱1,307,486,317	₱13,869,359	₱9,024,840	₱2,259,144	₱1,054,410	₱3,040,461,429

Property, Plant and Equipment as Loan Securities

Parcels of land, hydropower plants and construction in progress with a carrying value aggregating ₱3,645,006,776 and ₱2,588,917,043 as at December 31, 2023 and 2022, respectively, were mortgaged as collateral for the Group's loans (see Note 14).

Construction in Progress

Construction in progress pertains to the development costs of the Group's hydropower plant. As at December 31, 2023, the projects under construction are as follows:

	Pulanai Hydropower Plant	Piapi Hydropower Plant
Estimated cost to complete	₱3,500,000,000	₱1,300,000,000
Estimated completion date	2026	2027

Completed Projects

In 2023 and 2022, the Group completed its construction of hydropower plants and building for a total cost aggregating ₱1,244,334,145 and ₱296,089,125, respectively. The related construction costs were reclassified to the property, plant and equipment category.

Application of Advances to Contractors

The Group applied advances to contractors to construction in progress amounting to ₱58,406,489 and ₱94,601,209 in 2023 and 2022, respectively (see Note 12).

Depreciation and Amortization

Depreciation and amortization charged to operations are as follows:

	Note	**2023**	2022	2021
Cost of sale of electricity	17	**₱78,816,554**	₱68,859,428	₱39,652,590
Operating expenses	18	**3,624,353**	4,541,811	2,291,240
Discontinued operations		**–**	27,310	37,242
		₱82,440,907	₱73,428,549	₱41,981,072

Capitalized borrowing costs amounted to ₱25,151,272, ₱35,237,885 and ₱47,814,019 in 2023, 2022 and 2021, respectively (see Note 14). Capitalization rates used were 5.6% to 8.9%, 5.6% to 5.7% and 5.5% to 8.5% in 2023, 2022 and 2021, respectively. The capitalized borrowing costs were not treated as deductible expense in the year the interests were incurred.

In 2023, the Company received an insurance claim amounting to ₱4,739,996 to cover the property damages caused by a typhoon in 2019. The gain on proceeds from insurance claim is presented as part of "Other income (charges)" account in the consolidated statements of comprehensive income (see Note 19).

12. Advances to Contractors and Suppliers

Movements in this account are as follows:

	Note	2023	2022
Balance at beginning of year		**₱37,954,825**	₱253,055,327
Additions		**313,704,956**	8,000,000
Application	11	**(58,406,489)**	(94,601,209)
Advances written-off		**(70,000)**	–
Reclassification to other current assets	8	**–**	(65,941,707)
Deconsolidation of PMHC and subsidiaries		**–**	(62,557,586)
Balance at end of year		**293,183,292**	37,954,825
Current portion	8	**26,015,783**	70,000
Noncurrent portion		**₱267,167,509**	₱37,884,825

This account consists of advance payments to contractors and suppliers for the construction and development of the Group's hydropower plants and water facilities. These are applied against progress billings based on the percentage of completion. The remaining contractual commitments to the contractors aggregated to ₱4,800,000,000 as at December 31, 2023.

13. Trade and Other Payables

This account consists of:

	Note	2023	2022
Trade		**₱278,502,639**	₱233,078,102
Accrued expenses		**154,173,755**	3,279,702
Current portion of retention payable		**93,218,636**	99,060,964
Payable for the acquisition of MHCI shares	4	**59,251,096**	59,251,096
Interest payable		**22,283,895**	18,433,268
Statutory payables		**710,698**	14,932,795
Others		**12,652,871**	1,217,360
		₱620,793,590	₱429,253,287

Trade payables consist of payables to contractors and suppliers which 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:

	2023	2022
Current	**₱93,218,636**	₱99,060,964
Noncurrent	**80,466,710**	49,914,209
	₱173,685,346	₱148,975,173

Accrued expenses include accruals for professional fees, taxes and other employee benefits which are generally paid within the subsequent year.

14. **Loans Payable**

This account consists of loans from:

	2023	2022
Local creditor banks	**₱1,800,736,937**	₱1,416,337,878
Individual	**–**	40,000,000
	1,800,736,937	1,456,337,878
Unamortized debt issue cost	**(17,131,147)**	(13,651,989)
Carrying amount	**1,783,605,790**	1,442,685,889
Current portion	**114,880,390**	122,956,289
Noncurrent portion	**₱1,668,725,400**	₱1,319,729,600

Movements in this account are as follows:

	Note	2023	2022
Balance at beginning of year		**₱1,442,685,889**	₱1,530,673,830
Availments		**466,000,000**	352,493,751
Payments		**(122,956,290)**	(155,814,440)
Debt issue cost incurred		**(5,725,535)**	(1,969,095)
Debt issue cost amortization		**2,246,377**	946,494
Deconsolidation of PMHC and Subsidiaries	21	**–**	(285,000,000)
Amortization of fair value adjustment from business combination		**1,355,349**	1,355,349
Balance at end of year		**₱1,783,605,790**	₱1,442,685,889

Local Creditor Banks

The Group entered into various loan contracts with local creditor banks to finance and reimburse the construction and rehabilitation of its various projects, with interest rates ranging from 5.5% to 7.5% per annum, and with terms ranging from up to 15 years.

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:

	2023	2022
Balance at beginning of year	**₱13,651,989**	₱12,629,388
Incurred	**5,725,535**	1,969,095
Amortization:		
Capitalized borrowing cost	**(311,666)**	(589,161)
Interest expense	**(1,934,711)**	(357,333)
Balance at end of year	**₱17,131,147**	₱13,651,989

The carrying amounts and significant terms of the loans are as follows:

	Carrying Amounts					
	2023	2022	**Credit Facility**	**Payment Terms**	**Interest**	**Security**
Local Creditor Banks:						
THC	**₱619,925,525**	₱572,679,304	₱700,000,000 credit line with additional ₱200,000,000 upon commissioning of the plant	15-year loan payable in 46 quarterly installments commencing at the end of the 15th quarter from the date of initial drawdown.	5.5% per annum to be adjusted every end of one (1) year, or three (3) years, or five (5) years, at the option of THC.	Real property mortgage and chattel mortgage covering all real properties and civil works together with improvements acquired or constructed; and pledge and deed of guarantee from stockholders. The carrying amount of hydropower plant amounted to ₱1,232,795,639 and ₱1,144,050,104 as at December 31, 2023 and 2022, respectively.
CHC	**413,784,233**	–	2,600,000,000	15-year term loan with a local bank payable in 60 quarterly installments commencing on the 13th quarter from the date of initial drawdown.	Variable interest rate at the Company's prevailing lending rate subject to quarterly repricing, which is not lower to 6.5% per annum.	Hydropower plants and parcels of land as collateral amounting to ₱966,785,848 and ₱10,000,000, respectively, as at December 31, 2023, corporate suretyship of REDC, PEHC, and L1HC, pledge over all shares of stock held by the majority of CHC's stockholders, REDC, and assignment of contractual rights, including but not limited to rights to receive revenue under Renewable Energy Payment Agreement (REPA), and hold out of one quarterly amortization in the debt service account maintained with the lending bank amounting to ₱5,518,314 as at December 31, 2023 (see Note 9).
L1HC	**309,111,787**	344,934,327	468,000,000	15-year loan payable in 52 equal quarterly installments starting at the end of the 9th quarter from the date of initial drawdown.	5.5% per annum for the first five (5) years, subject to repricing every five (5) years thereafter.	Chattel mortgage over the hydropower plants with carrying amounts aggregating ₱837,315,217 and ₱861,602,594 as at December 31, 2023 and 2022, respectively, assignment of rights over the receivables and deed of guarantee from stockholders.
PPDC	**208,740,728**	231,784,090	278,700,000	15-year loan payable in 48 equal quarterly amortizations to start the end of the 13th quarter from the date of initial release.	6.0% per annum for the first five (5) years, subject to repricing every five (5) years thereafter.	Pledged trade and other receivables as collateral amounting to ₱66,477,934 and ₱63,938,001 as at December 31, 2023 and 2022, respectively (see Note 8). Pledged hydropower plants and parcels of land as collateral amounting to ₱303,272,869 and ₱3,327,735, respectively, as at December 31, 2023 and ₱302,051,707 and ₱3,327,735, respectively, as at December 31, 2022.

(Forward)

	Carrying Amounts					
	2023	2022	**Credit Facility**	**Payment Terms**	**Interest**	**Security**
MHCI	**₱132,043,517**	₱153,288,168	₱246,463,000	15-year loan payable in 40 quarterly installments starting at the end of 21st quarter from the date of initial drawdown.	6% per annum to be adjusted based on prevailing interest rate	Deed of assignment with hold-out with the local bank to secure the prompt payment of the loan amounting to ₱1,584,590 and ₱8,584,590 as at December 31, 2023 and 2022, respectively (see Note 9). Real and chattel property mortgages aggregating ₱286,159,468 and ₱272,534,903, respectively, assignment of receivables, assignment of debt servicing account and continuing suretyship of previous owners.
BHC	**100,000,000**	100,000,000	100,000,000	5-year term loan with a local bank payable in 48 monthly installments after one year from the start of the term loan.	7.5% per annum subject to repricing and shall not go below the floor rate of 7%	Real estate mortgage on the land amounting to ₱5,350,000 as at December 31, 2023 and 2022 and assignment of trade and other receivables amounting to ₱9,175,176 and ₱6,533,181 as at December 31, 2023 and 2022, respectively (see Note 8).
	1,783,605,790	1,402,685,889				
Loans from individuals -						
REDC	**–**	40,000,000	40,000,000	1 year payable at the end of the term	None	None
	₱1,783,605,790	₱1,442,685,889				

Financial Covenants
The loans include covenants to maintain certain debt-to-equity ratio, current ratio and debt service ratio during the term of the loan, except for THC which will commence on June 30, 2024, for the debt-to-equity and current ratios and on June 30, 2025, for the debt service coverage ratio. In accordance with 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 December 31, 2023, the Group is compliant with these covenants.

Expected Loan Repayments
The expected loan repayments over the remaining term of the loan as at December 31, 2023 are as follows:

Not later than one year	**₱114,880,390**
Later than one year but not later than five years	**543,244,644**
Later than five years	**1,142,611,903**
	₱1,800,736,937

Interest Expense and Capitalized Borrowing Costs
Interest expense charged to operations is as follows:

	Note	**2023**	2022	2021
Continuing operations:				
Long term loans		**₱70,683,528**	₱60,385,450	₱33,960,840
Short term loans		**–**	4,425,275	12,666,378
		70,683,528	64,810,725	46,627,218
Discontinued operations	21	**–**	21,878,722	21,320,175
		₱70,683,528	₱86,689,447	₱67,947,393

The Group capitalized borrowing cost amounting to ₱25,151,272, ₱35,237,885 and ₱47,814,019 in 2023, 2022 and 2021, respectively (see Note 11).

The cash and noncash changes in the Group's liabilities arising from financing activities:

	2023				
	Loans Payable	Debt Issue Costs	Due to Related Parties	Interest Payable	Total
Balance at beginning of year	**₱1,456,337,878**	**(₱13,651,989)**	**₱759,080,119**	**₱18,433,268**	**₱2,220,199,276**
Changes from financing cash flows:					
Cash proceeds	**466,000,000**	**–**	**347,863,425**	**–**	**813,863,425**
Payments of:					
Due to related parties	**–**	**–**	**(328,508,841)**	**–**	**(328,508,841)**
Loans payable	**(122,956,290)**	**–**	**–**	**–**	**(122,956,290)**
Interests	**–**	**–**	**–**	**(88,382,447)**	**(88,382,447)**
Debt issue costs	**–**	**(5,725,535)**	**–**	**–**	**(5,725,535)**
Noncash changes:					
Accrual of interest	**–**	**–**	**–**	**70,683,528**	**70,683,528**
Capitalization of borrowing costs	**–**	**311,666**	**–**	**24,839,606**	**25,151,272**
Amortization of debt issue cost	**–**	**1,934,711**	**–**	**(1,934,711)**	**–**
Amortization of fair value adjustment	**1,355,349**	**–**	**–**	**(1,355,349)**	**–**
Balance at end of year	**₱1,800,736,937**	**(₱17,131,147)**	**₱778,434,703**	**₱22,283,895**	**₱2,584,324,388**

	2022				
	Loans Payable	Debt Issue Costs	Due to Related Parties	Interest Payable	Total
Balance at beginning of year	₱1,543,303,218	(₱12,629,388)	₱404,840,542	₱18,155,438	₱1,953,669,810
Changes from financing cash flows:					
Cash proceeds	352,493,751	–	201,869,783	–	554,363,534
Payments of:					
Loans payable	(55,814,440)	–	–	–	(55,814,440)
Interests	–	–	–	(102,336,482)	(102,336,482)
Due to related parties	–	–	(24,757,014)	–	(24,757,014)
Debt issue costs	–	(1,969,095)	–	–	(1,969,095)
Noncash changes:					
Deconsolidation of PMHC and Subsidiaries	(285,000,000)	–	77,126,808	(17,011,177)	(224,884,369)
Transfer of loan to a related party	(100,000,000)	–	100,000,000	–	–
Accrual of interest	–	–	–	86,689,447	86,689,447
Capitalization of borrowing costs	–	589,161	–	34,648,724	35,237,885
Amortization of debt issue cost	–	357,333	–	(357,333)	–
Amortization of fair value adjustment	1,355,349	–	–	(1,355,349)	–
Balance at end of year	₱1,456,337,878	(₱13,651,989)	₱759,080,119	₱18,433,268	₱2,220,199,276

15. **Retirement Liability**

The Group has unfunded and non-contributory defined benefit retirement plan covering all its qualified employees. The retirement benefits are based on years of service and compensation on the last year of employment as determined by an independent actuary as at December 31, 2023.

The breakdown of retirement expense in 2023 is as follows (see Notes 17 and 18):

Current and past service cost	₱5,210,221
Interest expense	479,748
	₱5,689,969

The movements of retirement liability recognized in the consolidated statements of financial position as at December 31, 2023 are as follows:

Balance at beginning of year	₱–
Current service cost	697,789
Interest expense	479,748
Past service cost	4,512,432
Remeasurement gain	(600,997)
Balance at end of year	₱5,088,972

The rates used as principal assumptions for the purpose of the actuarial valuation as at December 31, 2023 ranges from 7.0% to 7.4% for discount rate 5.0% for salary projection rate.

The sensitivity analysis based on reasonable possible changes of assumptions as at December 31,2023 is presented below.

		Effect on Present Value of Retirement Liability	
	Change in Assumption	Discount Rate	Salary Projection Rate
December 31, 2023	+1%	(₱184,668)	₱191,273
	-1%	209,877	(170,490)

The expected future benefit payments within the following years after December 31, 2023 are as follows:

Within one (1) year	₱–
After one (1) year but not more than 5 years	4,193,750
After 5 years but not more than 10 years	3,446,813
After 10 years but not more than 15 years	3,469,839
More than 15 years	13,414,157

The weighted average duration of the retirement benefit obligation as at December 31, 2023 ranges from 0.41 to 6.83 years.

16. Equity

On November 6, 2019, REDC's BOD and stockholders approved the increase its authorized capital stock from ₱150,000,000 divided into 150,000,000 shares at ₱1.00 par value share to ₱750,000,000 divided into 750,000,000 shares at ₱1.00 par value share. Out of the increase in authorized capital stock, ₱300,000,000 worth of shares has been subscribed and out of such subscription, ₱115,350,626 has been paid through the assignment of advances. On July 14, 2020, REDC filed its application for the increase in authorized capital stock with the SEC. The SEC approved the increase in authorized capital stock on January 31, 2022.

In 2022, upon approval of the increase in authorized capital stock, REDC issued 300,000,000 shares through the application of deposit for future stock subscription amounting to ₱424,901,466 resulting into additional paid-in capital amounting to ₱124,901,466.

In 2023, upon listing in the PSE, the Company issued 200.0 million common shares from the Company's unissued capital stock at a price of ₱5.00 per share. The gross proceeds from the IPO amounted to ₱1,000.0 million. The excess of the offer price over the par value of the issued shares equivalent to ₱800.0 million, was recognized as additional paid in capital. Cost directly attributable to the issuance of shares amounting to ₱28,981,162 were recognized as deduction from the additional paid in capital.

Movements in capital stock are as follows:

	2023		2022		2021	
	Shares	**Amount**	Shares	Amount	Shares	Amount
Authorized Capital Stock at ₱1 par value						
Balance at beginning of year	**750,000,000**	**₱750,000,000**	150,000,000	₱150,000,000	150,000,000	₱150,000,000
Increase during the year	**–**	**–**	600,000,000	600,000,000	–	–
Balance at end of year	**750,000,000**	**₱750,000,000**	750,000,000	₱750,000,000	150,000,000	₱150,000,000
Issued and Outstanding						
Balance at beginning of year	**450,000,000**	**₱450,000,000**	150,000,000	₱150,000,000	150,000,000	₱150,000,000
Issuances of shares	**200,000,002**	**200,000,002**	300,000,000	300,000,000	–	–
Balance at end of year	**650,000,002**	**₱650,000,002**	450,000,000	₱450,000,000	150,000,000	₱150,000,000

17. Cost of Sale of Electricity

This account consists of:

	Note	**2023**	2022	2021
Depreciation and amortization	11	**₱78,816,554**	₱68,859,428	₱39,652,590
Salaries and wages		**18,967,788**	16,149,442	9,226,881
Communication and utilities		**7,448,653**	5,299,041	3,257,739
Outside services		**6,215,746**	1,533,383	657,768
Retirement benefits	15	**2,875,553**	–	–
Repairs and maintenance		**3,806,945**	3,430,046	7,691,999
Insurance		**3,311,145**	–	–

(Forward)

	Note	2023	2022	2021
Taxes and licenses		**₱2,500,585**	₱1,516,868	₱1,645,467
Distribution wheeling charges		**1,564,615**	882,628	1,061,175
Transportation		**694,716**	1,047,332	184,127
Materials		**519,799**	955,918	493,787
Rent	23	**109,350**	81,397	45,000
Others		**4,998,381**	5,114,943	1,829,309
		₱131,829,830	₱104,870,426	₱65,745,842

18. **Operating Expenses**

This account consists of:

	Note	2023	2022	2021
Taxes and licenses		**₱16,360,970**	₱9,522,572	₱5,172,591
Salaries and wages		**15,185,599**	10,609,546	8,402,099
Representation and entertainment		**13,274,235**	5,711,575	1,943,289
Outside services		**11,725,711**	3,165,210	5,006,771
Transportation and meals		**5,608,987**	4,376,863	867,675
Professional fees		**5,387,393**	1,823,739	1,284,847
Rent	23	**3,728,865**	3,541,161	3,514,006
Listing fees		**3,692,615**	–	–
Depreciation and amortization	11	**3,624,353**	4,541,811	2,291,240
Communication and utilities		**3,196,759**	3,754,236	3,341,404
Retirement benefits	15	**2,814,416**	–	–
Insurance		**2,214,690**	976,020	2,274,511
Repairs and maintenance		**1,141,685**	965,155	287,188
Fuel, oil and lubricants		**317,945**	361,899	289,147
Research and development cost		**125,326**	994,959	165,065
Others		**4,695,099**	3,082,016	3,672,746
		₱93,094,648	₱53,426,762	₱38,512,579

Others include expenses for appraisal and survey services among others.

19. **Other Income (Charges)**

This account consists of:

	Note	2023	2022	2021
Gain on insurance proceeds	11	**₱4,739,996**	₱–	₱–
Write-off of input VAT	9	**(1,709,636)**	(1,518,416)	–
Provision for impairment of input VAT	9	**(1,241,757)**	–	–
Interest income	6	**178,093**	37,522	123,885
Gain on disposal of a subsidiary and an associate	1, 10	**–**	4,218,750	6,194,598
Foreign exchange loss		**–**	(1,580)	–
Others		**10,883,206**	(7,335)	887,118
		₱12,849,902	₱2,728,941	₱7,205,601

20. 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	
	2023	2022	**2023**	2022
Due from Related Parties				
Stockholders:				
Ultimate Parent Company	**₱–**	₱67,106	**₱–**	₱55,862
Associates:				
BEHMC	**–**	–	**17,263**	17,263
Entities Under Common Control:				
PMHC	**5,322**	45,847,783	**45,853,105**	45,847,783
PPI	**20,000,000**	–	**20,000,000**	–
Titan Mining and Energy Corporation (TMEC)	**4,000,000**	4,681,267	**9,577,680**	5,577,680
Colossal Petroleum Corporation	**8,211,964**	–	**8,211,964**	–
PWC	**–**	8,869	**166,301**	166,301
PLI	**2,222**	–	**2,222**	–
Others	**48,985,472**	–	**49,021,243**	35,771
			₱132,849,778	₱51,700,660
Due to Related Parties				
Stockholders:				
Ultimate parent company	**₱–**	₱137,650,406	**₱222,933,416**	₱420,461,620
Other stockholders	**115,556,241**	127,114,999	**288,700,778**	179,143,634
Entities Under Common Control:				
SPARC	**57,309,258**	37,046,623	**102,581,636**	45,272,378
JSC	**–**	–	**35,283,052**	35,285,574
PGI	**–**	–	**164,376**	380,770
Nabua	**–**	–	**–**	1,406,250
Others	**95,449,989**	–	**49,223,508**	3,085
Others:				
PMHC	**79,547,937**	–	**79,547,937**	–
PPI	**–**	79,547,937	**–**	77,126,808
			₱778,434,703	₱759,080,119
Deposit for Future Stock Subscription				
Presented in non-controlling interests				
Entities Under Common Control				
Volga Power Corporation (VPC)	**₱–**	**₱**–	**₱–**	₱8,095,200

Due from Related Parties

These are noninterest-bearing working capital advances, unsecured and are due and demandable. No impairment loss was recognized in 2023, 2022 and 2021.

Due to Related Parties

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

Deposit for Future Stock Subscription

L1HC

In 2019, L1HC received additional deposit for future 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, ₱11,904,800 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.

Compensation of Key Management Personnel

Compensation of key management personnel of the Group consists of short-term benefits amounting ₱4,522,500, ₱3,872,500 and ₱3,297,313 in 2023, 2022 and 2021, respectively.

21. Discontinued Operations

On November 4, 2022, the Parent Company assigned its ownership interest in PMHC, a subsidiary, to Colossal Petroleum Corporation for ₱40,750,000. As at December 31, 2022, PMHC and its subsidiaries were presented as a discontinued operation.

The results of operations of PMHC and its subsidiaries are presented below:

	Note	2022	2021
Operating expenses		₱458,175	₱2,900,724
Interest expense	14	21,878,722	21,320,175
Interest income	6	–	(12,139)
Other income		–	–
		22,336,897	24,208,760
Gain on disposal		(34,276,628)	–
Net loss (income) from discontinued operations		(₱11,939,731)	₱24,208,760

The net cash flows incurred by PMHC are as follows:

	2022	2021
Operating activities	(₱43,973,719)	(₱23,123,774)
Investing activities	36,387,430	(16,906,358)
Financing activities	2,039,225	14,438,561
	(₱5,547,064)	(₱25,591,571)

The carrying amounts of assets and liabilities disposed are as follows:

Assets	
Cash	₱3,048,941
Property, plant and equipment	346,730,690
Other assets	371,683,873
	721,463,504
Liabilities	
Trade and other payables	31,921,523
Loans payable	285,000,000
Other liabilities	42,242,390
	359,163,913
Net Assets	**₱362,299,591**

Basic/diluted income (loss) per share from discontinued operations follow:

	2023	2022	2021
Basic/diluted income (loss) per share	**₱–**	₱0.03	(₱0.16)

22. Income Taxes

The components of income tax expense are as follows:

	2023	2022	2021
Reported in Profit or Loss			
Regular corporate income tax (RCIT)	**₱–**	₱3,246,880	₱–
(Benefit from) deferred income tax	**(1,917,018)**	504,650	(71,436)
	(₱1,917,018)	₱3,751,530	(₱71,436)

The Group has no current income tax in 2023 due to the income tax holiday and net loss position.

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

	2023	2022
Deferred tax asset -		
Unrealized foreign exchange loss	**₱18,365**	₱45,912
Deferred tax liabilities:		
Unamortized debt issue cost	**1,728,843**	3,412,997
Difference between the fair value and carrying amount of property, plant and equipment	**489,562**	749,974
	2,218,405	4,162,971
	₱2,200,040	₱4,117,059

The Group did not recognize the following deferred tax assets since management assessed that it is not probable that sufficient future taxable income will be available to allow the deferred tax asset to be utilized.

	2023	2022
NOLCO	**₱38,976,157**	₱21,168,233
Retirement liability	**209,645**	–
	₱39,185,802	₱21,168,233

Details of NOLCO are as follows:

Year Incurred	Balance at Beginning of Year	Incurred	Applied	Expired	Balance at End of Year	Expiration Year
2020	₱21,010,228	₱–	₱–	₱–	₱21,010,228	2025
2021	47,463,097	–	–	–	47,463,097	2026
2022	16,199,605	–	–	–	16,199,605	2025
2023	–	82,056,450	–	–	82,056,450	2026
	₱84,672,930	₱82,056,450	₱–	₱–	₱166,729,380	

On September 30, 2020, Bureau of Internal Revenue (BIR) issued the Revenue Regulations (RR) No. 25-2020 to implement Section 4 (bbbb) of the 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 reconciliation of income tax expense computed at the statutory tax rate to income tax expense (benefit) as shown in the consolidated statements of comprehensive income is summarized as follows:

	2023	2022	2021
Income tax computed at statutory tax rate	**₱7,950,690**	₱42,937,752	₱5,751,313
Change in unrecognized deferred tax assets	**18,017,569**	(1,846,154)	(2,542,029)
Effect of change in income tax rate	**(2,020,250)**	–	2,354,161
Add (deduct) tax effects of:			
Income subject to income tax holiday (ITH)	**(22,272,496)**	(45,305,577)	(14,111,401)
Stock issuance costs	**(7,372,790)**	–	–
Nondeductible expenses	**2,917,972**	1,615,886	265,025
Equity share in net loss of associates	**903,098**	462,949	2,546,117
Interest income subjected to final tax	**(40,811)**	(9,381)	(29,344)
Expired NOLCO and MCIT	**–**	5,896,055	5,694,722
	(₱1,917,018)	₱3,751,530	(₱71,436)

Income Tax Holiday

MHCI, PPDC, L1HC, PLI and BHC are entitled to the following incentives under *Republic Act No. 9513*, *Renewable Energy Act of 2008* upon approval of BOI:

- Exemption 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;

The income tax holiday is valid until:

	Start of Commercial Operations	Expiry of 7 Year Exemption
MHCI	May 2019	April 2026
PPDC:		
Balugbog powerplant	July 2018	June 2025
Calibato powerplant	January 2019	December 2026
Palakpakin powerplant	September 2018	August 2025
L1HC	September 2021	August 2028
BHC	April 2022	April 2029

- Exemption 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 retrospectively 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 did not have significant financial impact as at and for the years ended December 31, 2023, 2022 and 2021.

The regular corporate income tax (RCIT) rate used in preparing the consolidated financial statements is 25% as at and for the years ended December 31, 2023, 2022 and 2021.

23. Significant Commitments

Group as a Lessee

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

Rent expense incurred as follows:

	Note	**2023**	2022	2021
Cost of sale of electricity	17	**₱109,350**	₱81,397	₱45,000
Operating expenses	18	**3,728,865**	3,541,161	3,514,006
Discontinued operations		**–**	10,000	120,000
		₱3,838,215	₱3,632,558	₱3,679,006

Renewable Energy Distribution

Hydropower Service Contract (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, 2023, 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
- Inarihan Hydroelectric Power Project
- Tibag Hydroelectric Power Project
- Pulanai River Hydroelectric Power Project
- Piapi River Hydroelectric Power Project

Wind Energy Service Contract (WESC)
The Government, through the Department of Energy (DOE), awarded WESCs to the Group for the exclusive right to explore, develop and utilize wind energy resources within specified contract areas.

As at December 31, 2023, the Company has one (1) WESC in Mauban, Quezon, which is under the development stage.

The HSC and WESC contracts are for a 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 and WESCs also provide that the Parent Company may assign or transfer part or all of its rights and/or obligations under the HSC to its affiliate upon compliance with certain requirements.

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

BHC

In August 2022, the DOE issued COE under the FIT system for Inarihan hydropower plant, which entitled the BHC to the FIT rate.

On October 26, 2023, BHC received a PAO-FIT from ERC. The PAO was issued in favor of BHC's hydropower plant FIT eligibility valid from October 26, 2023 to October 25, 2024 contingent on the validity of permits and licenses issued by other government agencies.

Revenue from FIT differential adjustment in 2023 amounted to ₱3.6 million.

L1HC

In December 2021, the DOE issued Certificate of Endorsement (COE) under the FIT system for Upper Labayat Hydroelectric Power Plant (ULHEPP), which entitled the BHC to the FIT rate.

On November 15, 2022, the Company received a PAO-FIT from ERC. The PAO was issued in favor of the Company's hydropower plant FIT eligibility valid from November 15, 2022 to November 14, 2023 contingent on the validity of permits and licenses issued by other government agencies.

Revenue adjustment from FIT differential in 2023 amounted to ₱24.2 million. In 2023, the Company reversed revenue amounting to ₱29.0 million pertaining to the estimated FIT differential from performance obligations satisfied in previous years.

MHCI

In October 2019, the DOE 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 ₱92,024,197, ₱94,904,416 and ₱102,207,122 in 2023, 2022, and 2021 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 ERC 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 2023, 2022 and 2021 amounted to ₱112,177,371, ₱102,447,533 and ₱104,173,234, respectively.

Renewable Energy Payment Agreement (REPA) with 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" and "Contract liabilities" account.

The Group's contract assets are as follows (see Note 8):

	2023	2022
PPDC	**₱42,394,257**	₱41,822,032
MHCI	**12,618,484**	12,618,484
THC	**9,733,811**	–
	₱64,746,552	₱54,440,516

L1HC's unbilled excess collections over the FIT rate amounting to ₱26.1 million as at December 31, 2023 is recorded under "Contract liability" account.

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.

Details of derived revenue from the MPA are as follows:

	2023	2022	2021
L1HC	**₱127,037,483**	₱156,336,606	₱26,901,234
BHC	**70,725,112**	28,353,487	–
THC	**54,674,646**	–	–
	₱252,437,241	₱184,690,093	₱26,901,234

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.

24. 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 advances to employees), due from related parties, refundable deposit, receivables from contractors , 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, foreign currency 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.

The Company has significant concentration of credit risk in its trade receivables and contract assets. As discussed in Note 2, the Company only has few customers in 2023, 2022 and 2021.

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:

	2023	2022
Cash in banks	**₱38,209,543**	₱82,329,855
Trade and other receivables*	**131,504,520**	128,556,040
Due from related parties	**132,849,778**	51,700,660
Refundable deposit	**494,040**	494,040
Receivables from contractors	**65,941,707**	65,941,707
Restricted cash	**8,941,245**	8,704,590
	₱377,940,833	₱337,726,892

**Excluding receivable from employees amounting to ₱1,309,801 and ₱1,123,911 as at December 31, 2023 and 2022, respectively.*

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

	2023						
			Past Due But Not Impaired				
	High Grade	Standard Grade	1 – 60 Days	61 – 90 Days	More than 90 Days	Allowance for ECL	Total
Lifetime ECL -							
Trade receivables	₱–	₱74,398,017	₱370,755	₱140,869	₱1,582,138	₱–	₱76,491,779
Contract assets	–	55,012,741	–	–	9,733,811	–	64,746,552
	₱–	₱129,410,758	₱370,755	₱140,869	₱11,315,949	₱–	₱141,238,331
12–month ECL:							
Cash in banks	38,209,543	–	–	–	–	–	38,209,543
Funds held in escrow	526,537,923	–	–	–	–	–	526,537,923
Due from related parties	–	132,849,778	–	–	–	–	132,849,778
Refundable deposits	–	494,040	–	–	–	–	494,040
Receivables from contractors	–	65,941,707	–	–	–	–	65,941,707
Restricted cash	8,941,245	–	–	–	–	–	8,941,245
	₱573,688,711	₱199,285,525	₱–	₱–	₱–	₱–	₱772,974,236
	₱573,688,711	₱328,696,283	₱370,755	₱140,869	₱11,315,949	₱–	₱914,212,567

	2022						
			Past Due But Not Impaired				
	High Grade	Standard Grade	1 – 60 Days	61 – 90 Days	More than 90 Days	Allowance for ECL	Total
Lifetime ECL -							
Trade receivables	₱–	₱72,086,805	₱359,238	₱136,493	₱1,532,988	₱–	₱74,115,524
Contract assets	–	54,440,516	–	–	–	–	54,440,516
	–	126,527,321	359,238	136,493	1,532,988	–	128,556,040
12–month ECL:							
Cash in banks	82,329,855	–	–	–	–	–	82,329,855
Due from related parties	–	51,700,660	–	–	–	–	51,700,660
Refundable deposits	–	494,040	–	–	–	–	494,040
Receivables from contractors	–	65,941,707	–	–	–	–	65,941,707
Restricted cash	8,704,590	–	–	–	–	–	8,704,590
	91,034,445	118,136,407	–	–	–	–	209,170,852
	₱91,034,445	₱244,663,728	₱359,238	₱136,493	₱1,532,988	₱–	₱337,726,892

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 But Not Impaired – items with history of frequent defaults but are still being collected.

Cash and Cash Equivalents, Short-term Investment and Restricted Cash. The credit risk for cash and cash equivalents, short-term investment, financial assets at FVPL and restricted cash 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, 2023 and 2022:

	2023					
	Due and Demandable	**Less than 1 year**	**1–2 years**	**>2–3 years**	**Over 3 years**	**Total**
Trade and other payables*	**₱–**	**₱615,091,790**	**₱–**	**₱–**	**₱–**	**₱615,091,790**
Loans payable**	**–**	**386,012,085**	**199,757,908**	**836,908,872**	**1,215,971,188**	**2,638,650,053**
Retention payable - net of current portion	**–**	**89,826,865**	**(9,360,155)**	**–**	**–**	**80,466,710**
Due to related parties	**778,434,703**	**–**	**–**	**–**	**–**	**778,434,703**
	₱778,434,703	**₱1,090,930,740**	**₱190,397,753**	**₱836,908,872**	**₱1,215,971,188**	**₱4,112,643,256**

**Excluding statutory payables amounting to ₱710,698 as at December 31, 2023.*
***Includes future interest payments*

	2022					
	Due and Demandable	Less than 1 year	1–2 years	>2–3 years	Over 3 years	Total
Trade and other payables*	₱–	₱414,320,492	₱–	₱–	₱–	₱414,320,492
Loans payable**	–	312,466,854	161,698,889	677,456,205	984,297,399	2,135,919,347
Retention payable - net of current portion	–	42,319,262	7,594,947	–	–	49,914,209
Due to related parties	759,080,119	–	–	–	–	759,080,119
	₱759,080,119	₱769,106,608	₱169,293,836	₱677,456,205	₱984,297,399	₱3,359,234,167

**Excluding statutory payables amounting to ₱14,932,795 as at December 31, 2022.*
***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:

	2023	2022
Increase (decrease) in basis points:		
+50	**(₱9,194,626)**	(₱7,213,430)
-50	**9,194,626**	7,213,430

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 ₱2,117,562,655 and ₱961,560,611 as at December 31, 2023 and 2022, respectively.

The Group is required to maintain debt-to-equity ratios in accordance with its loan agreements (see Note 14).

25. Fair Value Measurement

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

	2023		2022	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
Financial Assets				
Cash	**₱44,888,443**	**₱44,888,443**	₱82,663,712	₱82,663,712
Funds held in escrow	**526,537,923**	**526,537,923**	–	–
Trade receivables	**76,491,779**	**76,491,779**	74,115,524	74,115,524
Contract assets	**64,746,552**	**64,746,552**	54,440,516	54,440,516
Due from related parties	**132,849,778**	**132,849,778**	51,700,660	51,700,660
Refundable deposit	**494,040**	**494,040**	494,040	494,040
Receivables from contractors	**65,941,707**	**65,941,707**	65,941,707	65,941,707
Restricted cash	**8,941,245**	**8,941,245**	8,704,590	8,704,590
	₱920,891,467	**₱920,891,467**	₱338,060,749	₱338,060,749
Financial Liabilities				
Trade and other payables*	**₱615,091,790**	**₱615,091,790**	₱414,320,492	₱414,320,492
Loans payable	**1,783,605,790**	**2,049,141,297**	1,442,685,889	1,460,474,270
Due to related parties	**778,434,703**	**778,434,703**	759,080,119	759,080,119
Retention payable - net of current portion	**80,466,710**	**80,466,710**	49,914,209	49,914,209
	₱3,257,598,993	**₱3,523,134,500**	₱2,666,000,709	₱2,683,789,090

**Excludes statutory payables amounting to ₱710,698 and ₱14,932,795 as at December 31, 2023 and 2022, respectively.*

Management has determined that the carrying amounts of cash, trade receivables, contract assets, due from related parties, refundable deposit, receivables from contractors, 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 and demand feature.

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

The discount rates used are 1.00% to 6.04% and 1.00% to 6.98% in 2023 and 2022, respectively.

26. Basic/Diluted Earnings per Share

The following table presents information necessary to calculate income per share:

	2023	2022	2021
Net income attributable to the equity holders of the Parent Company from:			
Continuing operations	**₱165,119,223**	₱128,032,165	₱79,393,629
Discontinued operations	**–**	23,108,179	(12,104,380)
	165,119,223	151,140,344	67,289,249
Weighted average number of common shares	**508,333,334**	425,000,000	150,000,000
Basic/diluted earnings per share from continuing operations	**₱0.32**	₱0.30	₱0.53
Basic/diluted earnings per share	**₱0.32**	₱0.36	₱0.45

Earnings per share is calculated using the net income divided by the weighted average number of common shares. The Group has assessed that there were no dilutive common shares as at December 31, 2023, 2022 and 2021.

27. 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 14, 2024, valid until June 6, 2026
SEC Registration No. PP201007009

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8741 Paseo de Roxas
Makati City 1226 Philippines
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Fax : +632 8 982 9111
Website : www.reyestacandong.com

REPORT OF INDEPENDENT AUDITORS
ON SUPPLEMENTARY SCHEDULES

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 in accordance with Philippines Standards on Auditing (PSA), the consolidated financial statements of Repower Energy Development Corporation and Subsidiaries (the Group) as at December 31, 2023 and 2022 and for the years ended December 31, 2023, 2022 and 2021 have issued our report thereon dated April 18, 2024. Our audits were made for the purpose of forming an opinion on the consolidated financial statements taken as a whole.

The following supplementary schedules are the responsibility of the Group's management. These are presented for purposes of complying with Revised Securities Regulation Code Rule 68 Part II, and are not part of the basic consolidated financial statements:

- Financial Soundness Indicators
- Conglomerate Map
- Supplementary Schedules as Required by Part II of the Revised Securities Regulation Code Rule 68
- Supplementary Schedule on Retained Earnings Available for Dividend Declaration

The supplementary schedules have been subjected to the audit procedures applied in the audit of the basic consolidated financial statements and, in our opinion, fairly state, in all material respects, the financial data required to be set forth therein in relation to the basic consolidated financial statements taken as a whole.

The Schedule of Financial Soundness Indicators, including definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Group's management. The financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRS) and may not be comparable to similarly titled measures presented by other companies. The components of these financial soundness indicators have been traced to the Group's consolidated financial statements as at December 31, 2023 and 2022.

REYES TACANDONG & CO.

ARTHUR VINSON U. ONG
Partner
CPA Certificate No. 120745
Tax Identification No. 253-222-555-000
BOA Accreditation No. 4782/P-018; Valid until June 6, 2026
BIR Accreditation No. 08-005144-015-2023
Valid until June 4, 2026
PTR No. 10072419
Issued January 2, 2024, Makati City

April 18,2024
Makati City, Metro Manila

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.

REPOWER ENERGY DEVELOPMENT CORPORATION AND SUBSIDIARIES

FINANCIAL SOUNDNESS INDICATORS

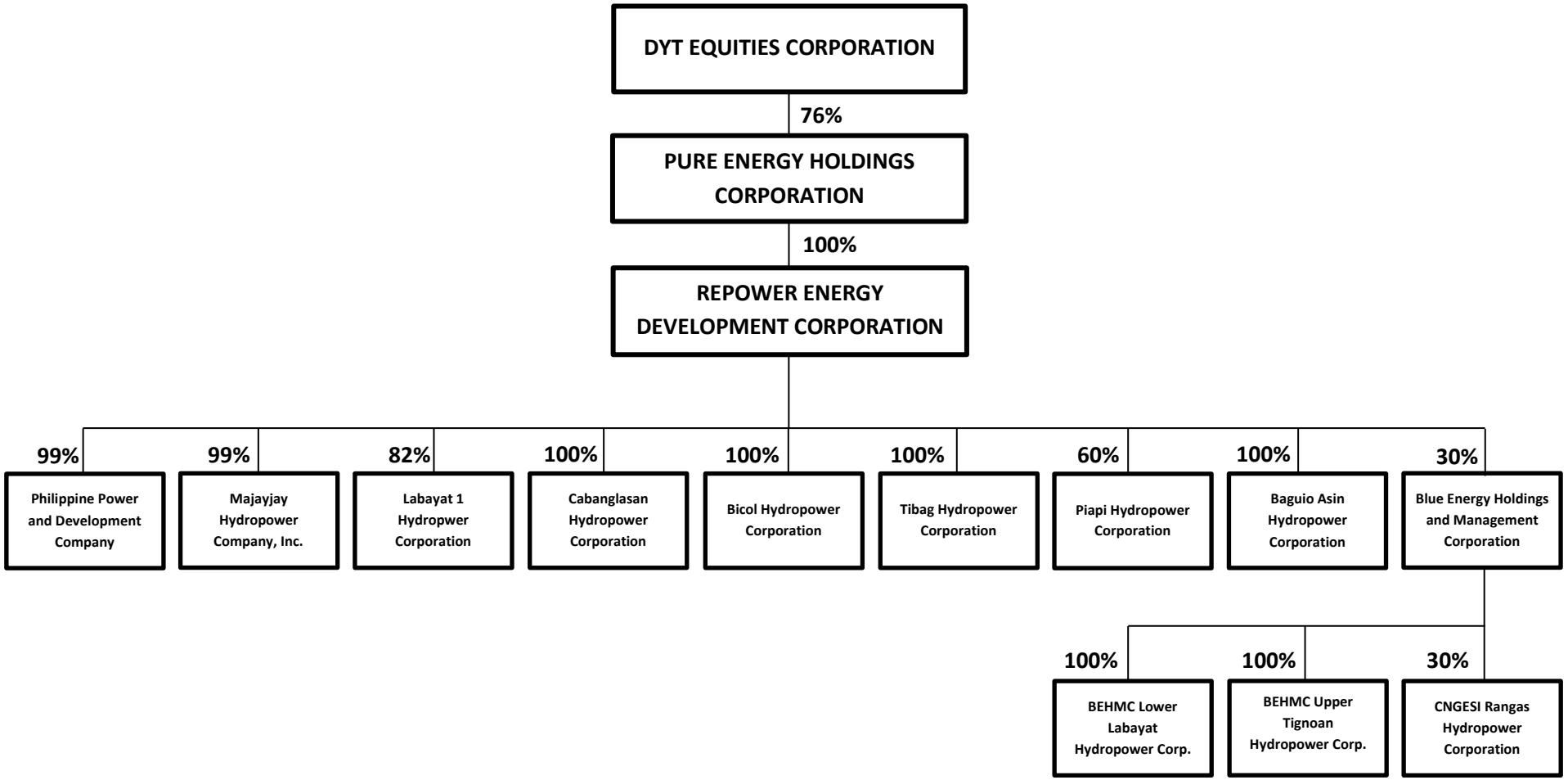
Below is a schedule showing financial soundness indicators of the Group as at and for the year ended December 31, 2023 and 2022.

Ratio	Formula	**2023**	2022
Current ratio	Current assets/current liabilities	**0.29:1**	0.24:1
Acid test ratio	Quick assets/current liabilities	**0.20:1**	0.20:1
Solvency ratios	Net income before amortization and depreciation/total liabilities	**0.08:1**	0.09:1
Debt-to-equity ratio	Total liabilities/total equity	**1.55:1**	2.78:1
Asset-to-equity ratio	Total assets/total equity	**2.55:1**	3.78:1
Interest rate coverage ratio	Net income before tax expense/interest expense	**2.38:1**	1.98:1
Return on equity	Net income/average shareholder's equity	**0.11:1**	0.18:1
Return on assets	Net income/average total assets	**0.04:1**	0.05:1
Net profit margin	Net income/revenue	**0.71:1**	0.73:1

REPOWER ENERGY DEVELOPMENT CORPORATION AND SUBSIDIARIES

CONGLOMERATE MAP

DECEMBER 31, 2023



REPOWER ENERGY DEVELOPMENT CORPORATION AND SUBSIDIARIES

SUPPLEMENTARY SCHEDULES AS REQUIRED BY PART II of the REVISED SRC RULE 68

DECEMBER 31, 2023

Table of Contents

Schedule	*Description*	*Page*
A	Financial Assets	N/A
B	Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related Parties)	N/A
C	Amounts Receivable from Related Parties which are Eliminated During the Consolidation of the Financial Statements	1
D	Long-Term Debt	2
E	Indebtedness to Related Parties (Long-Term loans from Related Parties)	N/A
F	Guarantees of Securities of Other Issuers	N/A
G	Capital Stock	3

REPOWER ENERGY DEVELOPMENT CORPORATION AND SUBSIDIARIES

SCHEDULE C – AMOUNTS RECEIVABLE FROM RELATED PARTIES WHICH ARE ELIMINATED DURING THE CONSOLIDATION OF THE FINANCIAL STATEMENTS

DECEMBER 31, 2023

			Deductions		*Ending Balance*		
Name and designation of debtor	***Balance at beginnning of year***	***Additions***	***Amounts collected***	***Amounts written off***	***Current***	***Noncurrent***	***Balance at end of year***
Repower Energy Development Corporation	₱354,963,899	₱–	(₱69,742,332)	₱–	₱285,221,567	₱–	₱285,221,567
Labayat 1 Hydropower Corporation	227,391,243	–	(212,891,243)	–	14,500,000	–	14,500,000
Bicol Hydropower Corporation	10,823,981	–	(10,420,648)	–	403,333	–	403,333
Tibag Hydropower Corporation	–	83,590,209	–	–	83,590,209	–	83,590,209
Cabanglasan Hydropower Corporation	–	14,634,592	–	–	14,634,592	–	14,634,592
Piapi Hydropower Corporation	–	20,147,443	–	–	20,147,443	–	20,147,443
	₱593,179,123	₱118,372,244	(₱293,054,223)	₱	₱418,497,144	₱	₱418,497,144

REPOWER ENERGY DEVELOPMENT CORPORATION AND SUBSIDIARIES

SCHEDULE D – LONG TERM DEBT

DECEMBER 31, 2023

Title of Issue and Type of Obligation	*Amount Authorized by Indenture*	*Amount shown under caption "Current portion of Loans payable" in related balance sheet*	*Amount shown under caption "Loans payable - net of current portion " in related balance sheet*
Individual	₱–	₱–	₱–
Local creditor bank – A	619,925,525	9,999,680	609,925,845
Local creditor bank – B	309,111,787	36,986,362	272,125,425
Local creditor bank – C	208,740,728	23,369,927	185,370,801
Local creditor bank – D	132,043,517	22,800,000	109,243,517
Local creditor bank – E	100,000,000	21,724,421	78,275,579
Local creditor bank – F	413,784,233	–	413,784,233
	₱1,783,605,790	₱114,880,390	₱1,668,725,400

REPOWER ENERGY DEVELOPMENT CORPORATION AND SUBSIDIARIES

SCHEDULE G – CAPITAL STOCK

DECEMBER 31, 2023

Title of Issue	*Number of shares authorized*	*Number of shares issued and outstanding as shown under the related statement of financial position caption*	*Number of shares reserved for options,warrants, conversion and other rights*	*Number of shares held by*		
				Related parties	*Directors, officers and employees*	*Others*
Common stock - ₱1 par value	750,000,000	650,000,002	–	439,999,995	5	210,000,002

PARENT COMPANY'S RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION

FOR THE REPORTING PERIOD ENDED DECEMBER 31, 2023

REPOWER ENERGY DEVELOPMENT CORPORATION

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

		Amount
Deficit, beginning of reporting period		(₱186,447,570)
Add: Category A: Items that are directly credited to unappropriated retained earnings		
Reversal of retained earnings appropriation/s	–	
Effect of restatements or prior-period adjustments	–	
Others:		
Accumulated share in net loss of an associate	11,213,667	11,213,667
Deficit, beginning of reporting period as adjusted		(175,233,903)
Add/less: Net loss for the current year		(18,588,368)
		(193,822,271)
Add/less: Category F: Other items that should be excluded from the determination of the amount of available for dividends distribution		
Share in net loss of an associate	3,612,394	3,612,394
Total deficit, end of the reporting period available for dividend		(₱190,209,877)