

COVER SHEET

for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

C	S	2	0	1	6	2	7	3	0	0
---	---	---	---	---	---	---	---	---	---	---

COMPANY NAME

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

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

1	1	2		L	E	G	A	S	P	I		S	T	R	E	E	T	,		L	E	G	A	S	P	I		V	I
L	L	A	G	E	,		B	R	G	Y	.		S	A	N		L	O	R	E	N	Z	O	,		M	A	K	A
T	I		C	I	T	Y																							

Form Type

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

Department requiring the report

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

Secondary License Type, If Applicable

N	/	A	
---	---	---	--

COMPANY INFORMATION

Company's Email Address

sp.corporatelegal@solarphilippines.ph

Company's Telephone Number

(02) 8817-2585

Mobile Number

N/A

No. of Stockholders

8

Annual Meeting (Month / Day)

First Monday of May

Fiscal Year (Month / Day)

12/31

CONTACT PERSON INFORMATION

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

Name of Contact Person

Hazel Iris P. Lafuente

Email Address

hazel@solarphilippines.ph

Telephone Number/s

(02) 8817-2585

Mobile Number

09178816684

CONTACT PERSON'S ADDRESS

20 th Floor, Philamlife Tower, 8767 Paseo de Roxas, Makati City
--

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

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



INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Solar Philippines Nueva Ecija Corporation (the Company, a wholly owned subsidiary of Solar Philippines Power Project Holdings, Inc.), which comprise the statements of financial position as at December 31, 2020, 2019, 2018 and 2017, and statements of comprehensive income, statements of changes in equity (capital deficiency) and statements of cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2020, 2019, 2018 and 2017, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

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

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

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

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

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



Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



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

SYCIP GORRES VELAYO & CO.



Jhoanna Feliza C. Go

Partner

CPA Certificate No. 0114122

SEC Accreditation No. 1414-AR-2 (Group A),

October 15, 2019, valid until October 14, 2022

Tax Identification No. 219-674-288

BIR Accreditation No. 08-001998-103-2019,

November 7, 2019, valid until November 6, 2022

PTR No. 8534302, January 4, 2021, Makati City

July 14, 2021



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

	December 31			
	2020	2019	2018	2017
ASSETS				
Current Assets				
Cash (Notes 4 and 14)	₱22,298,155	₱713,743	₱3,148,283	₱124,731
Other current assets (Note 5)	25,370	20,750	19,751	—
Total Current Assets	22,323,525	734,493	3,168,034	124,731
Noncurrent Assets				
Right-of-use assets (Note 11)	44,146,980	45,986,437	—	—
Deposit for land acquisition (Note 8)	—	—	34,926,712	32,926,712
Other noncurrent assets (Note 6)	11,265	11,265	4,311,742	—
Total Noncurrent Assets	44,158,245	45,997,702	39,238,454	32,926,712
TOTAL ASSETS	₱66,481,770	₱46,732,195	₱42,406,488	₱33,051,443
LIABILITIES AND EQUITY (CAPITAL DEFICIENCY)				
Current Liabilities				
Accounts payable and accrued expenses (Notes 7 and 14)	₱578,288	₱583,084	₱56,564	₱76,089
Due to related parties (Notes 8 and 14)	17,387,923	10,668,623	44,030,325	33,962,295
Current portion of lease liabilities (Notes 11 and 14)	4,311,742	4,311,742	—	—
Total Current Liabilities	22,277,953	15,563,449	44,086,889	34,038,384
Noncurrent Liability				
Lease liabilities - net of current portion (Notes 11 and 14)	42,988,010	43,252,212	—	—
Total Liabilities	65,265,963	58,815,661	44,086,889	34,038,384
Equity (Capital Deficiency) (Note 9)				
Capital stock	1,000,000	250,000	250,000	250,000
Subscription receivable	—	(187,500)	(187,500)	(187,500)
Additional paid-in capital	21,250,000	—	—	—
Deficit	(21,034,193)	(12,145,966)	(1,742,901)	(1,049,441)
Total Equity (Capital Deficiency)	1,215,807	(12,083,466)	(1,680,401)	(986,941)
TOTAL LIABILITIES AND EQUITY (CAPITAL DEFICIENCY)	₱66,481,770	₱46,732,195	₱42,406,488	₱33,051,443

See accompanying Notes to Financial Statements.



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

	Years Ended December 31			
	2020	2019	2018	2017
INTEREST INCOME (Note 4)	₱286	₱895	₱389	₱81
EXPENSES				
Interest (Note 11)	4,047,540	4,049,803	—	—
Bid-related cost	1,909,091	—	—	112,000
Amortization of right-of-use of assets (Note 11)	1,839,457	1,839,457	—	—
Professional fees	913,889	2,429,971	118,250	43,116
Provisions for impairment loss (Note 5)	109,091	14,243	4,620	214
Taxes and licenses	8,615	28,634	88,554	140,708
Transportation and travel	150	796,506	72,136	341,535
Inspection and zoning fee	—	—	327,600	—
Representation	—	35,453	9,814	39,909
Meals and per diem	—	450,267	45,021	105,224
Rentals (Note 11)	—	628,628	—	—
Others	60,680	130,998	27,854	25,366
	8,888,513	10,403,960	693,849	808,072
LOSS BEFORE INCOME TAX	8,888,227	10,403,065	693,460	807,991
PROVISION FOR INCOME TAX (Note 10)				
Current	—	—	—	—
Deferred	—	—	—	—
	—	—	—	—
NET LOSS	8,888,227	10,403,065	693,460	807,991
OTHER COMPREHENSIVE INCOME	—	—	—	—
TOTAL COMPREHENSIVE LOSS	₱8,888,227	₱10,403,065	₱693,460	₱807,991
Basic/Diluted Loss Per Share (Note 13)	₱3.160	₱4.161	₱0.277	₱0.323

See accompanying Notes to Financial Statements.



SOLAR PHILIPPINES NUEVA ECIJA CORPORATION**(A Wholly Owned Subsidiary of Solar Philippines Power Project Holdings, Inc.)****STATEMENTS OF CHANGES IN EQUITY (CAPITAL DEFICIENCY)****FOR THE YEARS ENDED DECEMBER 31, 2020, 2019, 2018 AND 2017**

	Capital Stock		Additional Paid-in Capital	Deficit	Total
	Subscribed	Subscription Receivable			
Balances at January 1, 2019	₱250,000	(₱187,500)	₱—	(₱1,742,901)	(₱1,680,401)
Total comprehensive loss	—	—	—	(10,403,065)	(10,403,065)
Balances at December 31, 2019	250,000	(187,500)	—	(12,145,966)	(12,083,466)
Collection of subscription (Note 9)	—	187,500	—	—	187,500
Issuance of shares (Note 9)	750,000	—	21,250,000	—	22,000,000
Total comprehensive loss	—	—	—	(8,888,227)	(8,888,227)
Balances at December 31, 2020	₱1,000,000	₱—	₱21,250,000	(₱21,034,193)	₱1,215,807



	Common Stock		Additional		
	Subscribed	Subscription Receivable	Paid-in Capital	Deficit	Total
Balances at January 1, 2017	₱250,000	(₱187,500)	₱—	(₱241,450)	(₱178,950)
Total comprehensive loss	—	—	—	(807,991)	(807,991)
Balances at December 31, 2017	250,000	(187,500)	—	(1,049,441)	(986,941)
Total comprehensive loss	—	—	—	(693,460)	(693,460)
Balances at December 31, 2018	₱250,000	(₱187,500)	₱—	(₱1,742,901)	(₱1,680,401)

See accompanying Notes to Financial Statements.



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

	Years Ended December 31			
	2020	2019	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES				
Loss before income tax	(₱8,888,227)	(₱10,403,065)	(₱693,460)	(₱807,991)
Adjustments for:				
Interest expense (Note 11)	4,047,540	4,049,803	—	—
Amortization of ROU assets (Note 11)	1,839,457	1,839,457	—	—
Provision for impairment loss on input VAT (Note 5)	109,091	14,243	4,620	214
Interest income	(286)	(895)	(389)	(81)
Loss before working capital changes	(2,892,425)	(4,500,457)	(689,229)	(807,858)
Increase in other current assets	(113,711)	(15,243)	(24,371)	(214)
Increase (decrease) in accounts payable and accrued expenses	(4,796)	526,520	(19,525)	41,089
Cash used in operations	(3,010,932)	(3,989,180)	(733,125)	(766,983)
Interest received	286	895	389	81
Net cash flows used in operating activities	(3,010,646)	(3,988,285)	(732,736)	(766,902)
CASH FLOWS FROM INVESTING ACTIVITIES				
Deposit for land acquisition	—	—	(2,000,000)	(32,926,712)
Payment for advance rentals (Note 6)	—	—	(4,311,742)	—
Payment for cash bond deposit (Note 6)	—	(11,265)	—	—
Cash flows used in investing activities	—	(11,265)	(6,311,742)	(32,926,712)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from issuance of common stock (Note 9)	22,000,000	—	—	—
Collection of subscription receivable (Note 9)	187,500	—	—	—
Increase in due to related parties (Note 8)	6,719,300	1,565,010	10,068,030	33,755,845
Payment of lease liabilities (Note 11)	(4,311,742)	—	—	—
Net cash flows from financing activities	24,595,058	1,565,010	10,068,030	33,755,845
NET INCREASE (DECREASE) IN CASH	21,584,412	(2,434,540)	3,023,552	62,231
CASH AT BEGINNING OF YEAR	713,743	3,148,283	124,731	62,500
CASH AT END OF YEAR				
(Notes 4 and 14)	₱22,298,155	₱713,743	₱3,148,283	₱124,731

See accompanying Notes to Financial Statements.



SOLAR PHILIPPINES NUEVA ECIJA CORPORATION
(A Wholly Owned Subsidiary of Solar Philippines Power Project Holdings, Inc.)

NOTES TO FINANCIAL STATEMENTS

1. Corporate Information

(a) Organization

Solar Philippines Nueva Ecija Corporation (the Company) was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on November 23, 2016, primarily to construct, erect, assemble, commission, operate and maintain power-generating plants, installations, shops, laboratories, pipelines, repair shops, electrical works, power houses, warehouses, terminals, and related facilities for the conversion of renewable energy into usable form fit for electricity generation and distribution; to promote and undertake research, development, utilization, manufacture, sale, marketing, distribution and commercial application of new, renewable, non-conventional and environment-friendly energy sources and systems including but not limited to solar, wind, water, heat, steam, ocean, tidal, biomass, biogas, chemical, mechanical, electrical, synthetic, agricultural, and other natural, fossil or non-fossil fuel based, artificial, organic or otherwise, and of energy systems that use new, renewable and any energy resources applying new and efficient energy conversion and/or utilization technologies for commercial application; and to perform other ancillary and incidental activities as may be provided by and under contract with the Government of the Republic of the Philippines, or any subdivision, instrumentality or agency thereof, or any government-owned and controlled corporation, or other entity engaged in the development, supply and distribution of renewable energy. As of December 31, 2020, the Company has not yet started commercial operations.

The Company is a wholly owned subsidiary of Solar Philippines Power Project Holdings, Inc. (SPPPHI or Parent Company), a corporation organized in the Republic of the Philippines.

(b) The Project

On August 22, 2017, Solar Philippines Commercial Rooftop Projects, Inc. (SPCRPI), an affiliate of the Company, was awarded Solar Energy Service Contract (SESC) No. 2017-06-404 for the exclusive right to explore and develop the Sta. Rosa Nueva Ecija 2 Solar Power Project (the Project), wherein SPCRPI shall undertake exploration, assessment, harnessing, piloting and other studies of the solar energy resources in Santa Rosa, Peñaranda and San Leonardo, Nueva Ecija. On December 29, 2017, SPCRPI executed a Deed of Assignment transferring all its rights and obligations provided under the SESC No. 2017-06-404 to the Company (see Note 15). On February 23, 2018, the Department of Energy (DOE) acknowledged and approved the Deed of Assignment between SPCRPI and the Company. Further, on that same day, the DOE issued and approved a new Certificate of Registration (COR) under the name of the Company which recognizes the Company as a Renewable Energy (RE) developer.

The Project is a 500 megawatt peak (MWp) solar power plant project located in Nueva Ecija and is divided into two (2) Phases. The first phase of the Project is a 225 MWp solar power plant (Phase 1) in Barangay Las Piñas, Peñaranda, Nueva Ecija with sub-phases of Phase 1A at 51 MWp to 84 MWp and Phase 1B at 141 MWp to 174 MWp. The Company targets that Phase 1A shall be commissioned in the first half of 2022 while Phase 1B is planned to be commissioned in the second half of 2022. Moving forward, the Company plans to construct an additional 275 MWp (Phase 2) after it has commissioned Phase 1.



On August 20, 2019, the Company has declared commerciality, pending the assessment of the DOE. Once confirmed, the DOE shall release a Certificate of Confirmation of Commerciality (“COCOC”) on the Project. As of July 14, 2021, the Company is awaiting for response from DOE on the assessment of commerciality and has not yet commenced commercial operations.

(c) Principal Office and Business Office Address

The registered business address of the Company is at 20th Floor, Philamlife Tower, 8767 Paseo de Roxas, Makati City, Philippines 1226. The principal place of business based in the Articles of Incorporation is 112 Legaspi Street, Legaspi Village, Brgy. San Lorenzo, Makati City.

(d) Change in Fiscal Year

On March 29, 2021, the Board of Directors (BODs) approved the change in the Company’s fiscal year from January 1 to December 31 each year to July 1 to June 30 each year. On April 6, 2021, the Company filed its application for the change in fiscal year with the SEC and was approved on April 14, 2021.

Moreover, the Company opted to adopt the new fiscal year for tax purposes, subject to the approval of the Bureau of Internal Revenue (BIR). The complete requirements for the change in accounting period for tax purposes were submitted to the BIR on May 20, 2021.

(e) Authorization for the Issuance of the Financial Statements

The accompanying financial statements of the Company were approved and authorized for issue by the Board of Directors (BODs) on July 14, 2021.

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

Basis of Preparation

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

The accompanying financial statements as of and for the years ended December 31, 2020, 2019, 2018 and 2017 have been prepared for inclusion in the Prospectus in relation to the planned initial public offering (IPO) of the Company.

Statement of Compliance

The financial statements of the Company are prepared in compliance with Philippine Financial Reporting Standards (PFRSs) as issued by the Philippine Financial Reporting Standards Council and adopted by the Philippine SEC.

Under the criteria set out by the Philippine SEC, the Company meets the definition of a small entity. However, the Company prepares its financial statements in accordance with PFRSs since the Company is a wholly owned subsidiary of SPPPHI, which prepares the financial statements in accordance with PFRSs and management has assessed that such basis is acceptable in the light of the Company’s nature and the objective of preparing its financial statements.



New Standards, Interpretations and Amendments

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of new standards effective as at January 1, 2020. The Company has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Unless otherwise indicated, adoption of these new standards did not have any impact on the financial statements of the Company.

- Amendments to PFRS 3, *Business Combinations, Definition of a Business*

The amendments to PFRS 3 clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. Furthermore, it clarifies that a business can exist without including all of the inputs and processes needed to create outputs.

These amendments may impact future periods should the Company enter into any business combinations.

- Amendments to PFRS 7, *Financial Instruments: Disclosures* and PFRS 9, *Financial Instruments, Interest Rate Benchmark Reform*

The amendments to PFRS 9 provide a number of reliefs, which apply to all hedging relationships that are directly affected by the interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainties about the timing and or amount of benchmark-based cash flows of the hedged item or the hedging instrument.

- Amendments to Philippine Accounting Standard (PAS) 1, *Presentation of Financial Statements*, and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors, Definition of Material*

The amendments provide a new definition of material that states “information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.”

The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users.

- Conceptual Framework for Financial Reporting issued on March 29, 2018

The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the standard-setters in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards.

The revised Conceptual Framework includes new concepts, provides updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts.



- Amendments to PFRS 16, *Leases, COVID-19-related Rent Concessions*

The amendments provide relief to lessees from applying the PFRS 16 requirement on lease modifications to rent concessions arising as a direct consequence of the COVID-19 pandemic. A lessee may elect not to assess whether a rent concession from a lessor is a lease modification if it meets all of the following criteria:

- The rent concession is a direct consequence of COVID-19;
- The change in lease payments results in a revised lease consideration that is substantially the same as, or less than, the lease consideration immediately preceding the change;
- Any reduction in lease payments affects only payments originally due on or before June 30, 2021; and
- There is no substantive change to other terms and conditions of the lease.

A lessee that applies this practical expedient will account for any change in lease payments resulting from the COVID-19 related rent concession in the same way it would account for a change that is not a lease modification, i.e., as a variable lease payment.

The amendments are effective for annual reporting periods beginning on or after June 1, 2020. Early adoption is permitted. These amendments have no impact on leases in 2020 since there are no lease modifications occurred.

Summary of Significant Accounting

Current versus Noncurrent Classification

The Company presents assets and liabilities in the statement of financial position based on the current/non-current classification. An asset is current when it is:

- expected to be realized or intended to be sold or consumed in normal operating cycle;
- expected to be realized within twelve months after the reporting period;
- held primarily for the purpose of trading; or
- cash or cash equivalents unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as noncurrent.

A liability is current when:

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

The Company classifies all other liabilities as noncurrent.

Deferred income tax assets and liabilities are classified as non-current assets and liabilities, respectively.

Cash

Cash in the statement of financial position comprise cash on hand and with banks.



Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Prior to January 1, 2018, the Company classifies its financial assets within the scope of PAS 39, *Financial Instruments: Recognition and Measurement*, in the following categories: financial assets at fair value through profit or loss (FVTPL), held-to-maturity (HTM) investments, available-for-sale (AFS) financial assets, and loans and receivables. Financial liabilities are classified as either financial liabilities at FVTPL or loans and borrowings.

The classification depends on the purpose for which the investments were acquired and whether they are quoted in an active market. The initial measurement of financial instruments includes transaction costs, except for financial instruments at FVTPL. Management determines the classification of its instruments at initial recognition and, where allowed and appropriate, re-evaluates such designation at every financial reporting date. As of December 31, 2017, the Company has loans and receivables for its financial assets, and loans and borrowing for its financial liabilities.

The Company has the following financial assets and liabilities:

Financial assets

Initial recognition and measurement

Beginning January 1, 2018, upon adoption of PFRS 9, financial assets are classified, at initial recognition, as financial assets at amortized cost, fair value through other comprehensive income (FVOCI) or FVTPL.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. The Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at FVTPL, transaction costs.

In order for a financial asset to be classified and measured at amortized cost or FVOCI, it needs to give rise to cash flows that are "solely payments of principal and interest (SPPI)" on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

Subsequent Measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortized cost (debt instruments)
- Financial assets at FVOCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at FVOCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at FVTPL



Financial assets at amortized cost (debt instruments)

The Company measures financial assets at amortized cost if both of the following conditions are met:

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

Financial assets at amortized cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognized in the statement of comprehensive income when the asset is derecognized, modified or impaired.

The Company's financial assets at amortized cost includes cash in banks. The Company has no financial assets at FVOCI and FVTPL.

Loans and receivables (Policy applicable prior to adoption of PFRS 9)

Loans and receivables are non-derivative financial assets with fixed or determinable payments and fixed maturities that are not quoted in an active market. These are not entered into with the intention of immediate or short-term resale and are not classified or designated as AFS financial assets or financial assets at FVPL.

After initial measurement, loans and receivables are subsequently measured at amortized cost using the effective interest method, less allowance for impairment. 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 the statement of comprehensive income when the loans and receivables are derecognized and impaired, as well as through the amortization process.

Financial liabilities

Loans and borrowings

Financial liabilities are classified in this category if these are not held for trading or not designated as at FVTPL upon the inception of the liability. These include liabilities arising from operations or borrowings.

Loans and borrowings are initially recognized at fair value of the consideration received, less directly attributable transaction costs. After initial recognition, such loans and borrowings are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any related issue costs, discount or premium. Gains and losses are recognized in the statement of comprehensive income when the liabilities are derecognized, as well as through the amortization process.

The Company's loans and borrowings include "Accounts payable and accrued expenses", "Due to related parties" and "Lease liabilities".

The Company has no financial liabilities at FVTPL.



Derecognition of Financial Assets and Liabilities

Financial asset

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

- the right to receive cash flows from the asset has expired; or
- the Company retains the right to receive cash flows from the asset, but has assumed obligation to pay them in full without material delay to a third party under a “pass-through” arrangement and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained the risks and rewards of the asset but has transferred the control of the asset.

Where the Company has transferred its right to receive cash flows from an asset or has entered into a “pass-through” arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Company’s continuing involvement in the asset.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Financial liability

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

Impairment of Financial Assets

Beginning January 1, 2018 upon adoption of PFRS 9, the Company recognizes an allowance for expected credit losses (ECLs) for all financial assets except debt instruments held at FVTPL. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original EIR. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

Prior to adoption of PFRS 9, the Company assesses at each financial reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has or have occurred after the initial recognition of the asset (an incurred “loss event”) and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Objective evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, default or delinquency in interest or principal payments,



the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables carried at amortized cost, the Company first assesses whether an objective evidence of impairment (such as the probability of insolvency or significant financial difficulties of the debtor) exists individually for financial assets that are individually significant or collectively for financial assets that are not individually significant. If there is an objective evidence that an impairment loss has been incurred, the amount of loss is measured as the difference between the asset's carrying value and the present value of the estimated future cash flows (excluding future credit losses that have not been incurred). If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses for impairment. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment for impairment.

The carrying value of the asset is reduced through the use of an allowance account and the amount of loss is charged to the statement of comprehensive income. If in case the receivable has proven to have no realistic prospect of future recovery, any allowance provided for such receivable is written off against the carrying value of the impaired receivable. Interest income continues to be recognized based on the original effective interest rate of the asset. 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 the statement of comprehensive income, to the extent that the carrying value of the asset does not exceed its amortized cost at reversal date.

Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position, if and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. The Company assesses that it has a currently enforceable right of offset if the right is not contingent on a future event, and is legally enforceable in the normal course of business, event of default, and event of insolvency or bankruptcy of the Company and all of the counterparties.

Fair Value Measurement

Fair value is the estimated price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability, or
- in the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participant's act in their economic best interest.



A fair value measurement of a nonfinancial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the Company's financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Company determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

Input Value-Added Tax (VAT)

Input VAT represents the VAT due or paid on purchases of goods and services that the Company can claim against any future liability to the Bureau of Internal Revenue (BIR) for output VAT from sale of goods and services. Input VAT is stated at cost, less accumulated impairment losses, if any.

Right-of-use (ROU) Assets

It is the Company's policy to classify ROU assets as part of property, plant and equipment. Prior to January 1, 2019, all of the Company's leases are accounted for as operating leases in accordance with PAS 17, hence, not recorded on the statement of financial position. The Company recognizes ROU assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). ROU assets are initially measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The initial cost of ROU assets includes the amount of lease liabilities recognized, initial direct costs incurred, lease payments made at or before the commencement date less any lease incentives received and estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

Unless the Company is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized ROU assets are depreciated on a straight-line basis over the shorter of their estimated useful life and the lease term. ROU assets are subject to impairment (refer to Impairment of Nonfinancial Assets policy).



Deposit for Land Acquisition

Deposit for land acquisition pertain to non-refundable payments made in relation to the acquisition of parcels of land and are stated at the amount paid less any impairment in value.

Impairment of Nonfinancial Assets

The Company assesses at each reporting date whether there is an indication that these nonfinancial assets may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company estimates these nonfinancial assets' recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the year in which it arises. In the case of input VAT, an allowance is provided for any portion of the input VAT that cannot be claimed against output VAT or recovered as tax credit against future income tax liability.

An assessment is made at each reporting date to determine whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Company makes an estimate of recoverable amount. Any previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statement of comprehensive income.

Capital Stock

Capital stock, which represents common shares, is measured at par value and is classified as equity for all stocks issued.

Additional paid-in capital (APIC)

When the shares are sold at a premium, the difference between the proceeds and the par value is credited to the APIC account.

Subscription Receivable

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

Retained Earnings (Deficit)

Retained earnings (deficit) represent the cumulative balance of periodic net income or loss, dividend distributions, prior period adjustments, effect of changes in accounting policy and other capital adjustments. When the retained earnings account has a debit balance, it is called "deficit". A deficit is not an asset but a deduction from equity.



Leases (Effective January 1, 2019)

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

The Company assesses at contract inception all arrangements to determine whether it is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Company as a Lessee

The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company recognizes lease liabilities to make lease payments and ROU assets representing the right to use the underlying assets.

i) ROU Assets

Refer to ROU Assets policy.

ii) Lease liabilities

At the commencement date of the lease, the Company recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating a lease, if the lease term reflects the Company exercising the option to terminate.

The variable lease payments that do not depend on an index or a rate are recognized as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short-term leases

The Company applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). Lease payments on short-term leases is recognized as expense on a straight-line basis over the lease term.

Leases (Prior to January 1, 2019)

Lease payments under operating lease, in which substantially all the risks and rewards of ownership of the leased asset remain with the lessor, are charged to expense when incurred on a straight-line basis over the term of the lease.

Interest Income

Revenue is recognized as interest accrues, using the EIR method, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset.



Expenses

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

Provisions

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

Where the Company expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expenses relating to any provision are presented in profit or loss, net of any reimbursement.

If the effect of the time value of money is material, provisions are made by discounting the expected future cash flows at a pre-tax rate that reflects the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as an interest expense.

Income Taxes

Current Income Tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the countries where the Company operates and generates taxable income.

Current income tax relating to items recognized directly in equity is recognized in equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred Income Tax

Deferred income tax is provided using the balance sheet liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred income tax liabilities are recognized for all taxable temporary differences.

Deferred income tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred income tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry forward of unused tax credits and unused tax losses can be utilized,

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

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



Deferred income tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred income tax items are recognized in correlation to the underlying transaction either in other comprehensive income (OCI) or directly in equity.

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

Earnings (Loss) Per Share (EPS)

Basic EPS is computed by dividing net income for the year attributable to common shareholders of the Company with the weighted average number of common shares outstanding during the year, after giving retroactive effect to any stock dividends or stock splits, if any, declared during the year.

Diluted EPS is computed in the same manner, with the net income for the year attributable to common shareholders of the Company and the weighted average number of common shares outstanding during the year, adjusted for the effect of all dilutive potential common shares.

As of December 31, 2020, 2019, 2018 and 2017, the Company does not have any dilutive potential common shares. Hence, diluted EPS is the same as basic EPS.

Operating Segments

The Company's operating businesses are organized and managed separately according to the business units. The Company has no operating segments yet as it has not yet commenced its commercial operations as of December 31, 2020, 2019, 2018 and 2017.

Contingencies

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

Events After the Reporting Date

Post year-end events that provide additional information about the Company's position at the balance sheet date (adjusting events) are reflected in the financial statements. Post year-end events that are not adjusting events are disclosed in the notes to financial statements when material.

Future Changes in Accounting Policies

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

Effective beginning on or after January 1, 2021

- Amendments to PFRS 9, PFRS 7, PFRS 4, *Insurance Contracts* and PFRS 16, *Interest Rate Benchmark Reform - Phase 2*

The amendments provide the following temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR):

- Practical expedient for changes in the basis for determining the contractual cash flows as a result of IBOR reform



- Relief from discontinuing hedging relationships
- Relief from the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component

The Company shall also disclose information about:

- The nature and extent of risks to which the entity is exposed arising from financial instruments subject to IBOR reform, and how the entity manages those risks; and
- Their progress in completing the transition to alternative benchmark rates, and how the entity is managing that transition

The amendments are effective for annual reporting periods beginning on or after January 1, 2021 and apply retrospectively, however, the Company is not required to restate prior periods.

Effective beginning on or after January 1, 2022

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

The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements. The amendments added an exception to the recognition principle of PFRS 3, *Business Combinations* to avoid the issue of potential ‘day 2’ gains or losses arising for liabilities and contingent liabilities that would be within the scope of PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, or Philippine-IFRIC 21, *Levies*, if incurred separately. At the same time, the amendments add a new paragraph to PFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

The amendments are effective for annual reporting periods beginning on or after January 1, 2022 and apply prospectively.

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

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

The amendment is effective for annual reporting periods beginning on or after January 1, 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

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

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



The amendments are effective for annual reporting periods beginning on or after January 1, 2022. The Company will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.

- *Annual Improvements to PFRSs 2018-2020 Cycle*

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

The amendment permits a subsidiary that elects to apply paragraph D16(a) of PFRS 1 to measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to PFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of PFRS 1.

The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted.

- Amendments to PFRS 9, *Fees in the '10 percent' test for derecognition of financial liabilities*

The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted. The Company will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

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

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

An entity applies the amendment prospectively to fair value measurements on or after the beginning of the first annual reporting period beginning on or after January 1, 2022 with earlier adoption permitted.



Effective beginning on or after January 1, 2023

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

The amendments clarify paragraphs 69 to 76 of PAS 1, *Presentation of Financial Statements*, to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- what is meant by a right to defer settlement;
- that a right to defer must exist at the end of the reporting period;
- that classification is unaffected by the likelihood that an entity will exercise its deferral right; and
- that only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and must be applied retrospectively.

The Company is currently assessing the impact the amendments will have on current practice.

- PFRS 17, *Insurance Contracts*

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

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

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

PFRS 17 is effective for reporting periods beginning on or after January 1, 2023, with comparative figures required. Early application is permitted.

Deferred effectivity

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

The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3. Any gain or loss resulting from the sale or



contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

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

3. Significant Accounting Estimate and Assumption

The Company's financial statements prepared in accordance with PFRSs require management to make judgments and estimates that affect amounts reported in the financial statements and related notes. The judgments and estimates used in the financial statements are based upon management's evaluation of relevant facts and circumstances as of the date of the Company's financial statements. Actual results could differ from such estimates.

Judgments and estimates are continually evaluated and are based on historical experiences and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The items are those matters which the Company assess to have significant risks arising from estimation uncertainties:

Judgment

In the process of applying the Company's accounting policies, management has made the following judgment, apart from those involving estimations, which have the most significant effect on the amounts recognized in the financial statements. This judgment is based upon management's evaluation of relevant facts and circumstances as of the date of the financial statements.

Estimates

Estimating Useful Life of ROU Assets

The Company estimates the useful lives of ROU assets based on the period over which each asset is expected to be available for use and on the collective assessment of industry practices, internal evaluation and experience with similar arrangements. The estimated useful life is revisited at the end of each financial reporting period and updated if expectations differ materially from previous estimates.

The carrying amount of ROU assets amounted to ₱44.1 million and ₱46.0 million as of December 31, 2020 and 2019, respectively (see Note 11).

Estimating the incremental borrowing rate (IBR)

The Company uses its IBR to measure lease liabilities because the interest rate implicit in the lease is not readily determinable. The IBR is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the ROU assets in a similar economic environment. The IBR therefore reflects what the Company "would have to pay", which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Company estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the Company's stand-alone credit rating).

The carrying amount of lease liabilities amounted to ₱47.3 million and ₱47.6 million as of December 31, 2020 and December 31, 2019, respectively (see Note 11).



Estimating Impairment of Nonfinancial Assets

The Company assesses impairment of nonfinancial assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

The factors that the Company considers important which could trigger an impairment review include the following:

- Significant underperformance relative to expected historical or projected future operating results;
- Significant changes in the manner of use of the acquired assets or the strategy for overall business; and
- Significant negative industry or economic trends including impact of COVID-19.

An impairment loss is recognized whenever the carrying amount of an asset exceeds its recoverable amount. The estimated recoverable amount is the higher of an asset's fair value less costs to sell and value in use. The fair value less costs to sell is the amount obtainable from the sale of assets in an arm's length transaction while value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. For impairment loss on specific assets, the recoverable amount represents the fair value less costs to sell.

The carrying value of other noncurrent assets amounted to ₱11,265 in December 31, 2020 and 2019; ₱4.3 million and nil in December 31, 2018 and 2017, respectively (see Note 6).

Estimating the Realizability of Deferred Income Tax Assets

Deferred income tax asset is recognized for all deductible temporary differences to the extent that it is probable that sufficient future taxable income will be available in the future against which the deductible temporary differences can be utilized. Significant management estimate is required to determine the amount of deferred income tax asset that can be recognized, based upon the likely timing and level of future taxable income together with future tax planning strategies. The Company did not recognize deferred income tax assets on the carryforward benefits of unused net operating loss carryover (NOLCO) and temporary differences on ROU assets and lease liabilities amounting to ₱13.3 million, ₱7.7 million, ₱1.7 million and ₱1.0 million as of December 31, 2020, 2019, 2018 and 2017 respectively, as management believes that there is no sufficient future taxable income to allow all or part of the deductible temporary difference to be utilized (see Note 10).

4. Cash

	2020	2019	2018	2017
Cash in banks	₱22,248,155	₱663,743	₱3,148,283	₱124,731
Cash on hand	50,000	50,000	—	—
	₱22,298,155	₱713,743	₱3,148,283	₱124,731

Cash in banks earns interest at the respective bank deposit rates. Total interest earned on cash in bank, net of final tax, amounted to ₱286, ₱895, ₱389 and ₱81 in 2020, 2019, 2018 and 2017, respectively.



5. Other Current Assets

	2020	2019	2018	2017
Input VAT	₱128,168	₱19,077	₱4,834	₱214
Deferred input VAT	4,620	—	—	—
Cash bond deposit	—	—	11,263	—
Others	20,750	20,750	8,488	—
	153,538	39,827	24,585	214
Less allowance for impairment loss on input VAT	(128,168)	(19,077)	(4,834)	(214)
	₱25,370	₱20,750	₱19,751	₱—

Cash bond deposit pertains to the payment made to Department of Agrarian Reform (DAR). Others include advances to employees of the Parent Company.

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

	2020	2019	2018	2017
Balances at beginning of year	₱19,077	₱4,834	₱214	₱—
Provision during the year	109,091	14,243	4,620	214
Balances at end of year	₱128,168	₱19,077	₱4,834	₱214

In 2020, 2019, 2018 and 2017, the Company recognized provisions for impairment loss on input VAT amounting to ₱109,091, ₱14,243, ₱4,620 and ₱214, respectively, which are presented as “Provision for impairment loss” under “Expenses” in the statements of comprehensive income.

6. Other Noncurrent Assets

	2020	2019	2018	2017
Cash bond deposit	₱11,265	₱11,265	₱—	₱—
Prepaid rent	—	—	4,311,742	—
	₱11,265	₱11,265	₱4,311,742	₱—

Cash bond deposit pertains to the payment made to Department of Agrarian Reform (DAR) for the conversion of leased land from agricultural to industrial land.

In 2018, the Company entered into a land lease agreement with various landowners to develop solar farm projects in Peñaranda, Nueva Ecija for a total area of 95.8 hectares (see Note 11). Total advance rentals paid to the lessors amounted to ₱4.3 million. Prepayments were recognized as part of ROU asset upon adoption of PFRS 16 by the Company in 2019 (see Note 11).



7. Accounts Payable and Accrued Expenses

	2020	2019	2018	2017
Withholding tax payable	₱345,674	₱381,699	₱—	₱—
Accounts payable	144,120	141,000	—	—
Accrued expenses	86,074	58,516	56,564	76,089
Others	2,420	1,869	—	—
	₱578,288	₱583,084	₱56,564	₱76,089

Withholding tax payable pertains to the expanded withholding taxes for the professional fees.

Accounts payable are non-interest bearing and are normally settled within one year. Accrued expenses consist of accrual for professional fees and rent expenses, payable within one year. Others include taxes payable to government that are normally settled within 30 days.

8. Related Party Transactions

Parties are considered to be related if, among others, one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions, the parties are subject to common control or the party is an associate or a joint venture.

Affiliates are related entities of the Company by virtue of common ownership and representation to management where significant influence is apparent.

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

- a. The Company, in the normal course of business, has cash advances transactions with its Parent Company, SPPPHI. The outstanding amount due to an affiliate represents cash advances for administrative requirements.

	Transactions during the years ended		Outstanding balance as of December 31			
	2020	2019	2020	2019	Terms	Conditions
<i>Due to related parties:</i>						
Parent:						
SPPPHI						
Cash advances	₱6,719,300	₱—	₱17,386,912	₱10,667,612	Due and demandable; non-interest bearing	Unsecured
Affiliate						
Cash advances	—	—	1,011	1,011	Due and demandable; non-interest bearing	Unsecured
	₱6,719,300	₱—	₱17,387,923	₱10,668,623		



	Transactions during the years ended		Outstanding balance as of December 31			
	2018	2017	2018	2017	Terms	Conditions
<i>Due to related parties:</i>						
Parent:						
SPPPHI						
Cash advances	₱10,067,019	₱33,755,845	₱44,029,314	₱33,962,295	Due and demandable; non-interest bearing	Unsecured
Affiliate						
Cash advances	1,011	—	1,011	—	Due and demandable; non-interest bearing	Unsecured
	₱10,068,030	₱33,755,845	₱44,030,325	₱33,962,295		

As of December 31, 2018 and 2017, the Company has deposits for land acquisition amounting to ₱34.9 million and ₱32.9 million, respectively, which will be used for the acquisition of the parcel of land located in Sta. Rosa, Peñaranda and San Leonardo, Nueva Ecija.

In 2019, the Company rescinded, through various mutual rescissions, the original Contract to Sell between the Company and landowners amounting to ₱34.9 million, since the management assessed that the said parcels of land are to be subsequently acquired by the Parent Company. These were subsequently re-executed with new contracts to sell between the Parent Company and the same landowners. The deposits paid to the landowners amounting to ₱34.9 million were offset against the due to Parent Company as reimbursements for the rescinded contracts.

Other advances from SPPPHI were used for working capital and administrative requirements.

- b. The Company did not employ any personnel as of December 31, 2020, 2019, 2018 and 2017. The administrative and finance functions of the Company are being handled by the SPPPHI. No compensation for key management personnel was charged in 2020, 2019, 2018 and 2017. The compensation of key management personnel is handled by the Parent Company.

9. Equity

The details of the Company's common stock as of December 31, 2020 and 2019 are as follows:

	2020		2019	
	Shares	Amount	Shares	Amount
Common stock - ₱1				
Authorized:				
Balances at beginning and end of year	1,000,000	₱1,000,000	250,000	₱250,000
Issued and outstanding:				
Balances at beginning of year	250,000	₱250,000	250,000	₱250,000
Issuance of common stocks	750,000	750,000	—	—
Balances at end of year	1,000,000	₱1,000,000	250,000	₱250,000



	2018		2017	
	Shares	Amount	Shares	Amount
Common stock - ₱1				
Authorized:				
Balances at beginning and end of year	250,000	₱250,000	250,000	₱250,000
Issued and outstanding:				
Balances at beginning and end of year	250,000	₱250,000	250,000	₱250,000

In December 2020, the Company collected the outstanding subscription receivable amounting to ₱0.2 million from the Parent Company.

On December 14, 2020, the BOD approved the issuance of 750,000 shares for a total amount of ₱22.0 million for an issue price of ₱29.3 per share to the Parent Company. The amount in excess of the par value totaling to ₱21.3 million is presented as “Additional paid-in capital” in the statement of financial position as of December 31, 2020.

Further, on the same day, the BOD approved the following:

- Decrease of par value of common stock from ₱1.0 per share to ₱0.10 per share without decrease in authorized common stock and without returning any portion of subscribed capital to the Company’s stockholders, thereby making the authorized common stock to ₱1.0 million divided into 10.0 million shares with par value of ₱0.10 per share from ₱1.0 million divided into 1.0 million shares with par value of ₱1.0 per share.
- Increased authorized common stock from ₱1.0 million divided into 10.0 million common shares with par value of ₱0.10 per share to ₱1,000 million divided into 10,000 million shares with par value of ₱0.10 per share.

In February and March 2021, the Company received from its Parent Company a total subscription of ₱268.4 million or 2,684.4 million shares with ₱0.1 par value.

On March 3, 2021, the BOD approved to apply the APIC of ₱21.3 million to deficit as of December 31, 2020 amounting to ₱21.0 million.

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

- Decrease of par value of common stock from ₱1.0 per share to ₱0.10 per share;
- Increase in authorized common stock from ₱1.0 million to ₱1,000.0 million; and
- Application of APIC to deficit amounting to ₱21.0 million.

In May 2021, the Company received the approval from SEC for the above applications.

In April and May 2021, the Company received additional subscription from its Parent Company totaling to ₱273.0 million for 2,730.0 million shares at par value of ₱0.10 per share.



10. Income Tax

The Company has no provision for income tax recognized in 2020, 2019, 2018 and 2017 since it is in net tax loss position.

The Company is not yet subject to minimum corporate income tax until the taxable year 2021, which is the fourth taxable year immediately following the year of the Company's registration with the BIR as provided under the law. The Company was registered with the BIR on April 6, 2017.

The reconciliation of the statutory income tax to the effective income tax are as follows:

	2020	2019	2018	2017
Income tax benefit at statutory income tax rates	(P2,666,468)	(P3,120,919)	(P208,038)	(P242,397)
Adjustments for:				
Movement in unrecognized deferred income tax assets	2,621,142	3,105,998	206,652	230,361
Nondeductible expenses	45,326	14,921	1,386	12,036
Provision for income tax	P—	P—	P—	P—

Bayanihan to Recover as One Act (Bayanihan 2)

On September 30, 2020, the BIR issued Revenue Regulations (RR) No. 25-2020 implementing Section 4 of Bayanihan 2 which states that the NOLCO incurred for taxable years 2020 and 2021 can be carried over as a deduction from gross income for the next five (5) consecutive taxable years immediately following the year of such loss.

As of December 31, 2020, the Company has carryover NOLCO for which no deferred income tax assets have been recognized as follows:

Year Incurred	Year of Expiration	Amount
2020	2025	P7,162,169
2019	2022	4,464,964
2018	2021	689,230
		P12,316,363

The movements in NOLCO are as follows:

	2020	2019	2018	2017
Balances at beginning of year	P5,922,061	P1,691,038	P1,001,808	P233,941
Additions	7,162,169	4,464,964	689,230	767,867
Expirations	(767,867)	(233,941)	—	—
Balances at end of year	P12,316,363	P5,922,061	P1,691,038	P1,001,808

No deferred tax asset was recognized on the carryforward benefits of NOLCO and the deductible temporary difference in ROU assets and lease liabilities as of December 31, 2020 and 2019 totaling to P13.3 million and P7.7 million, respectively, and the carryforward benefits of NOLCO as of December 31, 2018 and 2017 amounting to P1.7 million and P1.0 million, respectively, as management believes that there is no sufficient future taxable income to allow all or part of the deductible temporary difference to be utilized.



11. Leases

In 2018, the Company entered into a land lease agreement with various landowners to develop solar farm projects in Peñaranda, Nueva Ecija for a total area of 95.8 hectares. The land was made available for use on January 1, 2019 with a one-year rent-free period plus 25-year term. Further, the lease is subject for renewal of five (5) years upon mutual agreement by the parties. The land lease agreement has an annual rent of ₱4.3 million and is subject to an increase of 5% in rental payments after every five (5) years.

The Company also has rentals of vehicles with lease term of less than 12 months. The Company applies the 'short-term lease' recognition exemptions for these rentals.

ROU assets as of December 31, 2020 and 2019 are as follows:

	2020	2019
Balances at beginning of year	₱45,986,437	₱47,825,894
Amortization	(1,839,457)	(1,839,457)
Balances at end of year	₱44,146,980	₱45,986,437

In 2019, advance rentals were derecognized and was included in the beginning balance of ROU asset.

Lease liabilities as of December 31, 2020 and 2019 are as follows:

	2020	2019
Balances at beginning of year	₱47,563,954	₱43,514,151
Interest expense	4,047,540	4,049,803
Payments	(4,311,742)	—
Total lease liabilities	47,299,752	47,563,954
Current portion of lease liabilities	(4,311,742)	(4,311,742)
Noncurrent portion of lease liabilities	₱42,988,010	₱43,252,212

The following are the amounts recognized in 2020 and 2019 in the statements of comprehensive income:

	2020	2019
Interest expense	₱4,047,540	₱4,049,803
Amortization of ROU assets	1,839,457	1,839,457
Expenses relating to short-term leases	—	628,628
	₱5,886,997	₱6,517,888

12. Notes to Statements of Cash Flows

2020

	December 31, 2019	Cash flows	Others	December 31, 2020
Due to related parties	₱10,668,623	₱6,719,300	₱—	₱17,387,923
Lease liabilities	47,563,954	(4,311,742)	4,047,540	47,299,752
Total liabilities from financing activities	₱58,232,577	₱2,407,558	₱4,047,540	₱64,687,675



2019

	December 31, 2018	Cash flows	Others	December 31, 2019
Due to related parties	₱44,030,325	₱1,565,010	(₱34,926,712)	₱10,668,623
Lease liabilities	–	–	47,563,954	47,563,954
Total liabilities from financing activities	₱44,030,325	₱1,565,010	₱12,637,242	₱58,232,577

In 2020, the “Others” pertain to the accretion of interest expense related to the lease liabilities. In 2019, “Others” pertain to the Parent Company’s reimbursement for the rescinded contracts and the impact of PFRS 16 (see Notes 8 and 11). In 2018 and 2017, cash flow movements in due to related parties amounted to ₱10.1 million and ₱33.8 million, respectively.

There are no noncash transactions for due to related parties in 2018 and 2017.

13. Basic/Diluted Loss Per Share

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

	2020	2019	2018	2017
(a) Net loss attributable to equity holders of the Company	₱8,888,227	₱10,403,065	₱693,460	₱807,991
(b) Weighted average number of common shares outstanding	2,812,500	2,500,000	2,500,000	2,500,000
Basic/diluted loss per share (a/b)	₱3.160	₱4.161	₱0.277	₱0.323

The Company does not have any dilutive potential common shares as at December 31, 2020, 2019, 2018 and 2017.

The weighted average number of common shares outstanding consider the effect of the decrease in par value approved by the SEC in May 2021 (see Note 9).

14. Financial Instruments and Financial Risk Management

Financial Risk Management Objectives and Policies

The Company’s principal financial instruments comprise of cash in bank, accounts payable and accrued expenses and due to related parties. The main purpose of these financial instruments is to finance the Company’s operations.

The BOD has overall responsibility for the establishment and oversight of the Company’s risk management framework. The Company’s risk management policies are established to identify and manage the Company’s exposure to financial risks, to set appropriate transaction limits and controls, and to monitor and assess risks and compliance to internal control policies. Risk management policies and structure are reviewed regularly to reflect changes in market conditions and the Company’s activities.

The Company has exposure to liquidity and credit risks from the uses of its financial instruments. The BOD reviews and approves the policies for managing this risk as summarized below:



Credit Risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss.

With respect to the credit risk arising from other financial assets of the Company, which comprise of cash (excluding cash on hand), the Company exposure to credit risk arises from default of the counterparty, with maximum exposure equal to the carrying amount of these instruments. The Company's cash in banks amounted to ₱22.2 million, ₱0.7 million, ₱3.1 million and ₱0.1 million as of December 31, 2020, 2019, 2018 and 2017, respectively.

Credit Quality of Financial Assets

Financial assets are classified as high grade if the counterparties are not expected to default in settling their obligations. Thus, the credit risk exposure is minimal. These counterparties normally include customers, banks and related parties who pay on or before the due date. The Company considers cash in banks as high grade.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's objectives to managing liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking adverse effect to the Company's credit standing.

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

The tables below show the maturity profile as of December 31, 2020, 2019, 2018 and 2017 of the Company's financial assets used for liquidity purposes based on contractual undiscounted cash flows, and financial liabilities based on contractual undiscounted payments:

	2020				
	On Demand	< 1 Year	1 to 5 Years	More than 5 Years	Total
	(In Thousand Pesos)				
Amortized cost:					
Cash in banks	₱22,248	₱—	₱—	₱—	₱22,248
Liabilities at amortized cost:					
Accounts payable*	₱144	₱—	₱—	₱—	₱144
Accrued expenses	86	—	—	—	86
Due to related parties	17,388	—	—	—	17,388
Lease liabilities	4,311	—	26,733	79,457	110,501
	₱21,929	₱—	₱26,733	₱79,457	₱128,119

*excluding withholding taxes payable



	2019				
	On Demand	< 1 Year	1 to 5 Years	More than 5 Years	Total
	(In Thousand Pesos)				
Amortized cost:					
Cash in banks	P664	P—	P—	P—	P664
Liabilities at amortized cost:					
Accounts payable*	P141	P—	P—	P—	P141
Accrued expenses	59	—	—	—	59
Due to related parties	10,669	—	—	—	10,669
Lease liabilities	4,311		21,990	88,512	114,813
	P15,180	P—	P21,990	P88,512	P125,682

*excluding withholding taxes payable

	2018				
	On Demand	< 1 Year	1 to 5 Years	More than 5 Years	Total
	(In Thousand Pesos)				
Amortized cost:					
Cash in banks	P3,148	P—	P—	P—	P3,148
Liabilities at amortized cost:					
Accrued expenses	P57	P—	P—	P—	P57
Due to related parties	44,030	—	—	—	44,030
	P44,087	P—	P—	P—	P44,087

	2017				
	On Demand	< 1 Year	> 1 to 5 Years	More than 5 Years	Total
	(In Thousand Pesos)				
Amortized cost:					
Cash in banks	₱125	₱—	₱—	₱—	₱125
Liabilities at amortized cost:					
Accrued expenses	₱76	₱—	₱—	₱—	₱76
Due to related parties	33,962	—	—	—	33,962
	₱34,038	₱—	₱—	₱—	₱34,038

Fair Value and Category of Financial Instruments

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate such value:

Cash in banks, Accounts payable and accrued expenses and Due to related parties

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

Lease liabilities

The fair values for the Company's lease liabilities are estimated using the discounted cash flow methodology adjusted for credit risk (Level 3 of the fair value hierarchy). The discount rates used is 5.37% and 6.76% in 2020 and 2019, respectively. The fair value of the lease liabilities amounted to ₱64.5 million and ₱58.1 million as of December 31, 2020 and 2019, respectively, while the carrying value of the lease liabilities amounted to ₱47.3 million and ₱47.6 million as of December 31, 2020 and 2019, respectively.

For the years ended December 31, 2020, 2019 and 2018, there were no transfers between Level 1 and Level 2 fair value measurements and no transfers into and out of Level 3 fair value measurements.



Capital Management

As the Company has not started commercial operations, it ensures that the minimum capital infused by the shareholders is properly managed. The Company manages its capital structure and makes adjustments to it, in light of changes in business and economic conditions.

No changes were made in the objectives, policies or processes for the years ended December 31, 2020 and 2019.

The Company considers the following as its core capital:

	2020	2019	2018	2017
Due to related parties	₱17,387,923	₱10,668,623	44,030,325	33,962,295
Capital stock (net of subscription receivable)	1,000,000	62,500	62,500	62,500
Additional paid-in capital	21,250,000	—	—	—
Deficit	(21,034,193)	(12,145,966)	(1,742,901)	(1,049,441)
	₱18,603,730	(₱1,414,843)	₱42,349,924	₱32,975,354

15. Solar Energy Service Contract (SESC)

On August 22, 2017, SPCRPI, an affiliate of the Company, entered into a Solar Energy Service Contract (SESC) with the DOE granting SPCRPI the exclusive right to explore, develop and utilize the energy resource with the contract area covering a total of 648 hectares. The SESC allows for two years non-extendable term for pre-development within which the developer should be able to declare commerciality. A Certificate of Confirmation of Commerciality shall be issued by the DOE to affirm the declaration. The contract shall remain in force for the balance of a period of 25 years from the effective date. One year before the expiration of the initial 25 years period, SPCRPI may submit to the DOE an extension of the SESC for another 25 years under the same terms and conditions so long as SPCRPI is not in default of any material obligations under the SESC.

On December 29, 2017, SPCRPI executed a Deed of Assignment transferring all its rights and obligations under the SESC No. 2017-06-404, including all of its annexes to the Company which has been approved. On February 23, 2018, the DOE acknowledged and approved the Deed of Assignment between SPCRPI and the Company. On that same day, the DOE issued a Certificate of Registration (COR) in favor of the Company as a Renewable Energy (RE) Developer of Solar Energy Resources in Sta. Rosa, Peñaranda and San Leonardo, Nueva Ecija which covers SESC No. 2017-06-404.

On August 20, 2019, the Company has declared commerciality, pending the assessment of the DOE. Once confirmed, the DOE shall release a Certificate of Confirmation of Commerciality (“COCOC”) on the Project. As of July 14, 2021, the Company is awaiting for response from DOE on the assessment of commerciality and has not yet commenced commercial operations.

16. Renewable Energy Act of 2008

On January 30, 2009, Republic Act No. 9513, An Act Promoting the Development, Utilization and Commercialization of Renewable Energy Resources and for Other Purposes, otherwise known as the “Renewable Energy Act of 2008” (the “Act”), became effective.



The Act aims to:

- a) accelerate the exploration and development of renewable energy resources such as, but not limited to, biomass, solar, wind, hydro, geothermal and ocean energy sources, including hybrid systems, to achieve energy self-reliance, through the adoption of sustainable energy development strategies to reduce the country's dependence on fossil fuels and thereby minimize the country's exposure to price fluctuations in the international markets, the effects of which spiral down to almost all sectors of the economy;
- b) increase the utilization of renewable energy by institutionalizing the development of national and local capabilities in the use of renewable energy systems, and promoting its efficient and cost-effective commercial application by providing fiscal and non-fiscal incentives;
- c) encourage the development and utilization of renewable energy resources as tools to effectively prevent or reduce harmful emissions and thereby balance the goals of economic growth and development with the protection of health and environment; and
- d) establish the necessary infrastructure and mechanism to carry out mandates specified in the Act and other laws.

As provided in the Act, RE developers of RE facilities, including hybrid systems, in proportion to and to the extent of the RE component, for both power and non-power applications, as duly certified by the DOE, in consultation with the Board of Investments (BOI), shall be entitled to the following incentives, among others:

- i. Income Tax Holiday (ITH) - For the first seven (7) years of its commercial operations, the duly registered RE developer shall be exempt from income taxes levied by the National Government;
- ii. Duty-free Importation of RE Machinery, Equipment and Materials - Within the first ten (10) years upon issuance of a certification of an RE developer, the importation of machinery and equipment, and materials and parts thereof, including control and communication equipment, shall not be subject to tariff duties;
- iii. Special Realty Tax Rates on Equipment and Machinery - Any law to the contrary notwithstanding, realty and other taxes on civil works, equipment, machinery, and other improvements of a registered RE developer actually and exclusively used for RE facilities shall not exceed one and a half percent (1.5%) of their original cost less accumulated normal depreciation or net book value;
- iv. NOLCO - the NOLCO of the RE developer during the first three (3) years from the start of commercial operation which had not been previously offset as deduction from gross income shall be carried over as deduction from gross income for the next seven (7) consecutive taxable years immediately following the year of such loss;
- v. Corporate Tax Rate - After seven (7) years of ITH, all RE developers shall pay a corporate tax of ten percent (10%) on its net taxable income as defined in the National Internal Revenue Code of 1997, as amended by Republic Act No. 9337;
- vi. Accelerated Depreciation - If, and only if, an RE project fails to receive an ITH before full operation, it may apply for accelerated depreciation in its tax books and be taxed based on such;
- vii. Zero Percent VAT Rate - The sale of fuel or power generated from renewable sources of energy, the purchase of local goods, properties and services needed for the development, construction and installation of the plant facilities, as well as the whole process of exploration and development of RE sources up to its conversion into power shall be subject to zero percent (0%) VAT;
- viii. Cash Incentive of RE Developers for Missionary Electrification - An RE developer, established after the effectivity of the Act, shall be entitled to a cash generation-based incentive per kilowatt-hour rate generated, equivalent to fifty percent (50%) of the universal charge for power needed to service missionary areas where it operates the same;
- ix. Tax Exemption of Carbon Credits - All proceeds from the sale of carbon emission credits shall be exempt from any and all taxes; and



- x. **Tax Credit on Domestic Capital Equipment and Services** - A tax credit equivalent to one hundred percent (100%) of the value of the VAT and custom duties that would have been paid on the RE machinery, equipment, materials and parts had these items been imported shall be given to an RE operating contract holder who purchases machinery, equipment, materials, and parts from a domestic manufacturer for purposes set forth in the Act. RE developers and local manufacturers, fabricators and suppliers of locally produced RE equipment shall register with the DOE, through the Renewable Energy Management Bureau (REMB). Upon registration, a certification shall be issued to each RE developer and local manufacturer, fabricator and supplier of locally-produced renewable energy equipment to serve as the basis of their entitlement to the incentives provided for in the Act. All certifications required to qualify RE developers to avail of the incentives provided for under the Act shall be issued by the DOE through the REMB.

17. COVID-19

In a move to contain the COVID-19 outbreak, on March 13, 2020, the Office of the President of the Philippines issued a Memorandum directive to impose stringent social distancing measures in the National Capital Region effective March 15, 2020. On March 16, 2020, Presidential Proclamation No. 929 was issued, declaring a State of Calamity throughout the Philippines for a period of six (6) months and imposed an enhanced community quarantine throughout the island of Luzon until April 12, 2020, as subsequently extended to April 30, 2020. This was further extended to May 15, 2020 in selected areas including the National Capital Region. This community quarantine has been extended on a more relaxed form after the May 15, 2020 extension. The community quarantine has been extended on a more relaxed form (general community quarantine) after the May 15, 2020 extension until March 28, 2021. On March 29, 2021, the government reinstated the ECQ until April 11, 2021 in selected areas including the NCR. Starting April 12, 2021, NCR was placed under the modified ECQ until May 15, 2021, and was subsequently shifted to general community quarantine with some restrictions until July 15, 2021. These measures have caused disruptions to businesses and economic activities, and its impact on businesses continue to evolve. The Company was not materially affected by the COVID-19 outbreak as the Company has not yet started to commence its operations.

Considering the evolving nature of this outbreak, the Company will continue to monitor the situation in subsequent periods.

18. Subsequent Events

Memorandum of Agreement with Provincia Investments Corporation (PIC)

On February 20, 2021, the Company entered into a Memorandum of Agreement (MOA) with an affiliate, Provincia Investments Corporation (PIC), which MOA was later amended on March 3, 2021 to secure land for future expansion in excess of the capacity contemplated for the Project. The MOA covers certain parcels of land with a total area of 68.621 hectares. Through the MOA, the Company was granted by the PIC the right to use the subject properties exclusively for the development and construction of a power generating plant. It is the intention of the parties to execute definitive agreements, e.g., deeds of absolute sale to transfer the parcels of land to the Company. Hence, at the Company's discretion, PIC undertakes to sell and transfer its rights over the parcels of land to the Company. Upon execution of the deeds of absolute sale (DOAs), the consideration for the sale and transfer of rights over the parcels of land shall be equal to the advance payments made by the Company in February and March 2021 totaling to ₱267.0 million, which represents the full payment.



MOA with Lupang Hinirang Holdings Corporation (LHHC)

On April 19, 2021, the Company entered into a Memorandum of Agreement (MOA) with an affiliate, LHHC, to secure land for future expansion in excess of the capacity contemplated for the Project. The MOA covers certain parcels of land with a total area of 56.81 hectares. Through the MOA, the Company was granted by the LHHC the right to use the subject properties exclusively for the development and construction of a power generating plant. It is the intention of the parties to execute definitive agreements, e.g. deeds of absolute sale to transfer the parcels of land to the Company. Hence, at the Company's discretion, LHHC undertakes to sell and transfer its rights over the parcels of land to the Company. The consideration for the sale and transfer of rights over the parcels of land will be further agreed upon by the parties upon execution of the DOAs. Upon execution of the DOAs, the consideration for the sale and transfer of rights over the parcels of land shall be equal to the advance payments made by the Company in April and May 2021 totaling to ₱270.0 million, which represents the full payment.

Management Service Agreement with Parent Company

On April 30, 2021 the Company entered into a Management Service Agreement with the Parent Company to provide executive and leadership support and execute its strategic direction while managing its business operations for a period from May 1, 2021 to April 30, 2023, renewable upon mutual agreement of both parties, for a monthly fee of ₱2.0 million.

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

Land Lease Agreements

- a. On January 11, 2021, a Deed of Assignment was entered between the Company, as the assignee, and the Parent Company, as the assignor, whereby, the Parent Company assigned all of its rights and obligations under the September 6, 2016 lease agreement for certain parcels of land with a total area 179.6 hectares in Peñaranda, Nueva Ecija. The Company accepted and assumed all of the said rights and obligations thus assigned, in pursuance of the said Deed of Assignment. The annual rental increased from ₱50,000 per hectare per year, net of tax, to ₱55,000 per hectare per year, net of tax, which shall be subject to an escalation of 10.0% every five (5) years from the start date. Further, as agreed by the parties, the lease of the updated total land area of 169.9 hectares commenced in March 2021.
- b. In May 2021, the Company entered into a land lease agreement with various landowners to develop solar farm projects in Peñaranda, Nueva Ecija for a total area of 81.75 hectares. The land was made available for use on the execution date of the contract with a one (1) year rent-free period plus 25-year term. Further, the lease is subject for renewal of 5 years upon mutual agreement by parties. The land lease agreement has an annual rent of ₱55,000 per hectare, net of tax, and is subject to an increase of 8% in rental payments after every three (3) years.

Corporate Recovery and Tax Incentives for Enterprises (CREATE) Bill

President Rodrigo Duterte signed into law on March 26, 2021 the Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act to attract more investments and maintain fiscal prudence and stability in the Philippines. Republic Act (RA) 11534 or the CREATE Act introduces reforms to the corporate income tax and incentives systems. The CREATE Law took effect on April 11, 2021 which is 15 days after its complete publication in a newspaper of general circulation on March 27, 2011.



The following are the key changes to the Philippine tax law pursuant to the CREATE Act which have an impact on the Company:

- Effective July 1, 2020, regular corporate income tax (RCIT) rate is reduced from 30% to 25% for domestic corporations. For domestic corporations with net taxable income not exceeding ₱5 million and with total assets not exceeding ₱100 million (excluding land on which the business entity's office, plant and equipment are situated) during the taxable year, the RCIT rate is reduced to 20%.
- MCIT rate reduced from 2% to 1% of gross income effective July 1, 2020 to June 30, 2023.

The CREATE Act is not expected to have an impact on the Company's current income taxes for the year ended December 31, 2020.

Pledge Agreement of the Parent Company and AC Energy Corporation (ACEN) for SPNEC shares

On June 25, 2021, the Parent Company executed a pledge over all the Company's shares it holds to secure a loan by its affiliate, PIC from AC Energy Corporation (the lender). The stock certificates of the Company's shares pledged were delivered to and is in the custody of the lender. The lender agreed to return the stock certificates to the Parent Company to enable to the Parent Company and Company to comply with the lock up rules of the Philippine Stock Exchange.



INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY SCHEDULES

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

We have audited in accordance with Philippine Standards on Auditing, the financial statements of Solar Philippines Nueva Ecija Corporation (the Company; a wholly owned subsidiary of Solar Philippines Power Project Holdings, Inc.) as at December 31, 2020, 2019, 2018 and 2017, and for each of the four years in the period ended December 31, 2020, and have issued our report thereon dated July 14, 2021. Our audits were made for the purpose of forming an opinion on the financial statements taken as a whole. The schedules listed in the Index to the Financial Statements and Supplementary Schedules are the responsibility of the Company's management. These schedules are presented for purposes of complying with the Revised Securities Regulation Code Rule 68, and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state, in all material respects, the financial information required to be set forth therein in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.



Jhoanna Feliza C. Go
Partner
CPA Certificate No. 0114122
SEC Accreditation No. 1414-AR-2 (Group A),
October 15, 2019, valid until October 14, 2022
Tax Identification No. 219-674-288
BIR Accreditation No. 08-001998-103-2019,
November 7, 2019, valid until November 6, 2022
PTR No. 8534302, January 4, 2021, Makati City

July 14, 2021



**INDEPENDENT AUDITOR'S REPORT
ON THE SCHEDULE OF RECONCILIATION
OF RETAINED EARNINGS AVAILABLE
FOR DIVIDEND DECLARATION**

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

We have audited in accordance with Philippine Standards on Auditing, the parent company financial statements of Solar Philippines Nueva Ecija Corporation (the Company; a wholly owned subsidiary of Solar Philippines Power Project Holdings Inc.) as at December 31, 2020, 2019, 2018 and 2017, and have issued our report thereon dated July 14, 2021. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying Schedule of Reconciliation of Retained Earnings Available for Dividend Declaration is the responsibility of the Company's management. This schedule is presented for the purpose of complying with the Revised Securities Regulation Code ("SRC") Rule 68, and is not part of the basic financial statements. This schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly states, in all material respects, the financial information required to be set forth therein in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.



Jhoanna Feliza C. Go
Partner
CPA Certificate No. 0114122
SEC Accreditation No. 1414-AR-2 (Group A),
October 15, 2019, valid until October 14, 2022
Tax Identification No. 219-674-288
BIR Accreditation No. 08-001998-103-2019,
November 7, 2019, valid until November 6, 2022
PTR No. 8534302, January 4, 2021, Makati City

July 14, 2021



INDEPENDENT AUDITOR'S REPORT ON COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS

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

We have audited in accordance with Philippine Standards on Auditing, the financial statements of Solar Philippines Nueva Ecija Corporation (the Company; a wholly owned subsidiary of Solar Philippines Power Project Holdings, Inc.) as at December 31, 2020, 2019, 2018 and 2017, and for each of the four years in the period ended December 31, 2020, and have issued our report thereon dated July 14, 2021. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Supplementary Schedule of Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Company's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRSs) and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for the purpose of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the basic financial statements prepared in accordance with PFRSs. The components of these financial soundness indicators have been traced to the Company's financial statements as at December 31, 2020, 2019, 2018 and 2017, and for each of the four years in the period ended December 31, 2020 and no material exceptions were noted.

SYCIP GORRES VELAYO & CO.



Jhoanna Feliza C. Go
Partner
CPA Certificate No. 0114122
SEC Accreditation No. 1414-AR-2 (Group A),
October 15, 2019, valid until October 14, 2022
Tax Identification No. 219-674-288
BIR Accreditation No. 08-001998-103-2019,
November 7, 2019, valid until November 6, 2022
PTR No. 8534302, January 4, 2021, Makati City

July 14, 2021



SOLAR PHILIPPINES NUEVA ECIJA CORPORATION
(A Wholly Owned Subsidiary of Solar Philippines Power Project Holdings, Inc.)

INDEX TO THE FINANCIAL STATEMENTS

AND SUPPLEMENTARY SCHEDULES

DECEMBER 31, 2020

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

SOLAR PHILIPPINES NUEVA ECIJA CORPORATION
(A Wholly Owned Subsidiary of Solar Philippines Power Project Holdings Inc.)

SUPPLEMENTARY SCHEDULE OF RETAINED EARNINGS
AVAILABLE FOR DIVIDEND DECLARATION
DECEMBER 31, 2020, 2019, 2018 AND 2017

	2020	2019	2018	2017
Unappropriated retained earnings, as adjusted to available for dividend declaration, January 1	(₱12,145,966)	(₱1,742,901)	(₱1,049,441)	(₱241,450)
Net loss in 2021 closed to Retained Earnings	(8,888,227)	(10,403,065)	(693,460)	(807,991)
Add: Non-actual/unrealized income (net of tax)				
Unrealized foreign exchange gain	—	—	—	—
TOTAL RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION, DECEMBER 31	(₱21,034,193)	(₱12,145,966)	(₱1,742,901)	(₱1,049,441)

Solar Philippines Nueva Ecija Corporation
Corporate structure

