COVER SHEET
for
SEC FORM 17A

SEC Registration Number: 5 9 3 6 6

Company Name

ALSONS CONSOLIDATED RESOURCES, INC.

Principal Office (No./Street/Barangay/City/Town/Province)

Alsons Building, 2286 Chino Roces Avenue, Makati City, Metro Manila, Philippines

Form Type	Department requiring the report	Secondary License Type, If Applicable
17-A	CRMD	

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number/s	Mobile Number
legal@alcantaragroup.com	(02) 8982 - 3000	

No. of Stockholders	Annual Meeting Month/Day	Fiscal Year Month/Day
449	May 20	December 31

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Jonathan F. Jimenez	jjimenez@alcantaragroup.com	8982-3000	

Contact Person's Address

Alsons Building, 2286 Chino Roces Avenue, Makati City

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

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

SECURITIES AND EXCHANGE COMMISSION
SEC FORM 17-A

ANNUAL REPORT PURSUANT TO SECTION 17 OF THE SECURITIES REGULATION CODE AND SECTION 141 OF THE CORPORATION CODE OF THE PHILIPPINES

1. For the fiscal year ended **31 December 2022**

2. SEC Identification Number **59366** 3. BIR Tax Identification No. **001-748-412**

4. **ALSONS CONSOLIDATED RESOURCES, INC.**
Exact name of registrant as specified in its charter

5. **Philippines** 6. (SEC Use Only)
Province, country or other jurisdiction of incorporation
Industry Classification Code:

7. **Alsons Building, 2286 Don Chino Roces Avenue, Makati City, Philippines** **1231**
Address of principal office Postal Code

8. **(632) 8982-3000**
Registrant's telephone number, including area code

9. **(Not applicable)**
Former name or former address, if changed since last report

10. Securities registered pursuant to Sections 8 and 12 of the SRC

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
Common Stock ₱1.00 par value	**6,291,500,000 Shares**

11. Are any or all of these securities listed on the Philippine Stock Exchange?
Yes [X] No [ ]

12. Check whether the registrant:

(a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17 there under or Section 11 of the Revised Securities Act (RSA) and RSA Rule 11(a)-1 thereunder and Sections 26 and 141 of the Corporation Code of the Philippines during the preceding 12 months (or for such shorter period that the registrant was required to file such reports):

Yes [X] No [ ]

(b) has been subject to such filing requirements for the past 90 days.

Yes [X] No [ ]

13. Aggregate market value of the voting stock held by non-affiliates of the registrant:

₱1,007,881,596.80
Assumption: Based on Closing Price of ₱0.80 as of 03 April 2023 and on 1,259,851,996 shares.

TABLE OF CONTENTS

PART I - BUSINESS AND GENERAL INFORMATION

Item 1. BUSINESS

Alsons Consolidated Resources, Inc. (ACR or the Company) was incorporated on December 24, 1974 as Victoria Gold Mining Corporation to engage in the business of exploration of oil, petroleum and other mineral products. The corporate name was changed to Terra Grande Resources, Inc. (Tegre) in March 1995.

In 1994, the Alcantara Group, through Alsons Power Holdings Corporation (APHC), acquired a 55.80% interest in Tegre through a swap of APHC's 50.78% stake in Northern Mindanao Power Corporation (NMPC). The Securities and Exchange Commission (SEC) formally approved the stock swap on March 4, 1995 together with the increase in the Company's authorized capital stock from ₱1 billion to ₱3 billion.

The corporate name was changed to Alsons Consolidated Resources, Inc. in June 1995 to mark the entry of the Alcantara Group. The Company's primary purpose was subsequently changed to that of an investment holding company, and oil exploration was relegated to a secondary purpose.

On October 10, 1996, the Company completed its reorganization through a series of stock swaps. As a result, some of the Alcantara Group's established businesses became majority- or minority-owned subsidiaries of ACR, whose authorized capital was further increased from ₱3 billion to ₱12 billion.

ACR's core businesses, conducted through its various subsidiaries and associates, can be grouped into the following main categories: a) Energy and Power, b) Property Development, and c) Other Investments. A description of the general nature and scope of these businesses is presented below:

Energy and Power

ACR's investment in the Energy and Power business is through four holding firms namely, Conal Holdings Corporation (Conal or CHC), Alsing Power Holdings, Inc. (Alsing), Alsons Renewable Energy Corporation (AREC), and Alsons Thermal Energy Corporation (ATEC). Conal owns all of ACR's diesel plant operating power generation businesses, namely: (1) Alsing Power Holdings, Inc. at 80%, (2) Alto Power Management Corporation at 60%, and (3) Mapalad Power Corporation at 100%. Alsing, in turn, owns 55% of: (a) Western Mindanao Power Corporation; and (b) Southern Philippines Power Corporation. Further, ACR directly owns 20% of Alsing. AREC, which was organized on September 18, 2014, is ACR's vehicle for developing renewable energy (RE) projects. AREC currently holds 100% equity in the following subsidiaries: Siguil Hydro Power Corporation, Kalaong Hydro Power Corporation, Bago Hydro Resources Corporation and Sindangan Zambo-River Power Corporation, all in the business of renewable energy. ATEC was organized on November 23, 2015 as a holding company for ACR's coal-fired thermal power assets. ACR transferred its ownership in Sarangani Energy Corporation (SEC) to ATEC on October 13, 2016.

ACR also formed Aces Technical Services Corporation (ACES), a wholly-owned subsidiary, on July 7, 2011, and it serves as the operations and maintenance provider of SEC and San Ramon Power, Inc. (SRPI). ACR transferred its ownership in ACES and SRPI to ATEC on October 12, 2016, and May 24, 2017, respectively.

On June 3, 2017, the Company signed an agreement with Global Business Power Corporation (GBP) for GBP to acquire a 50% less one share stake in ATEC. The Philippine Competition Commission approved the transaction on September 25, 2017, and the Deed of Absolute Sale was signed on November 27, 2017. The partnership combines ACR's distinct knowledge of the Mindanao power market, developed thru long years of experience as the island's first independent power producer; with GBP's track record as the leading power producer in the Visayas. The

Company believes that this endeavor will greatly benefit power consumers particularly in light of the planned interconnection of the Mindanao and Visayas grids. The partnership will also give ACR the opportunity to pursue with greater strength its energy-based projects, particularly its renewable power generating plants in Mindanao and Western Visayas. This will also allow ACR to accelerate its foray and entry in other energy-related enterprises in Southern Philippines, including the smaller islands with promising growth in power demands.

ACR also has a wholly owned subsidiary, Alsons Power International Limited (APIL), which develops power plant projects outside the country.

ACR's four (4) power generation subsidiaries, Western Mindanao Power Corporation (WMPC), Southern Philippines Power Corporation (SPPC), Mapalad Power Corporation (MPC) and Sarangani Energy Corporation (SEC). are all located in Mindanao.

WMPC operates a 100-megawatt (MW) diesel-fired electricity generating facility in Zamboanga City as a merchant plant after its 18-year "Build-Operate-Own" (BOO) arrangement with the National Power Corporation (NPC) expired in December 2015. WMPC currently provides power to Zamboanga City thru a power sales agreement (PSA) with the Zamboanga City Electrical Cooperative (Zamcelco). SPPC owns a 55 MW diesel-fired electricity generating facility located in Alabel, Sarangani Province, 13 kilometers east of General Santos City. SPPC's 18-year BOO arrangement with NPC expired on April 28, 2016.

MPC rehabilitated the 103MW bunker-fired Iligan Diesel Power Plants (IDPPs) I and II, which Conal acquired from the Iligan City Government and started operating these plants on February 27, 2013. MPC currently functions as a merchant plant and serves various electric cooperatives in Mindanao.

SEC's 210MW coal-fired power plants are located in Maasim, Sarangani Province. Its first section of 105MW began commercial operations in April 2016, while its second section of another 105MW or Phase 2 started commercial operations on October 10, 2019.

ACR has also started construction of its first renewable energy project under Siguil Hydro Power Corporation, which will operate a 14.5MW run-of-river electricity generating facility located at the Siguil River basin in Maasim, Sarangani. The construction phase of this project is in full swing and the Company expects commercial operations to begin in the first half of 2023. The Company likewise began site development and clearing works for SRPI's 105MW coal-fired power plant project, which could supply power to Zamboanga City and other parts of the Zamboanga Peninsula, with commercial operations expected to begin in March 2027.

Property Development

ACR is also engaged in Real Estate Development and Project Management through its subsidiary, Alsons Land Corporation or ALC. ALC continues to enhance its real estate portfolio thru investments in projects with immediate development potential. These include residential, commercial, mixed-use, and township and estate projects that have trading income activities (sale), high value recurring income businesses (rentals), Joint Venture arrangements and Asset Management opportunities.

Launched in November 25, 1994, ALC was involved in the development of Eagle Ridge Residential Estates, and the Eagle Ridge Golf and Country Club, in Cavite. The latter Club boasts of 72 holes in 4 golf courses, each designed by a world-class golf legend.

ACR also entered into a Joint Venture Agreement with Ayala Land Incorporated (ALI) to develop a 26-hectare world-class estate in Lanang, Davao City, Mindanao. The estate is set to be transformed into a master-planned, mixed-use community that will include residential low to midrise towers, commercial lots, offices, an events venue and a waterside cove with some retail components.

ALC continues to grow its residential business when it embarked on the expansion of its Campo Verde subdivision in Batangas, a joint venture project with Sunfields Realty Development, Inc. The initial project, which is an 11-hectare property located inside the Lima Technology Center, is close to selling out. This project is an hour away from Makati via the South Luzon Expressway and the Southern Tagalog Arterial Road Tollway. Campo Verde offers three (3) distinct Spanish-themed homes that are ideal for young to growing families. The model house choices range from: Condesa, with a lot area of 90 square meters and floor area of 36 square meters; Duquesa, with a lot size of 100 square meters and a floor area of 50 square meters; and Reina, with 120 square meter-lot and a floor area of 80 square meters.

Through ALC, ACR is also developing the Kamanga Agro-Industrial Economic Zone in the Municipality of Maasim, Province of Sarangani, where the power plant of Sarangani Energy is located. This "Ecozone" is accredited with the Philippine Exconomic Zone Authority (PEZA) as an agricultural and light-industry zone. Enterprises will be encouraged to set up their businesses in, or relocate to, this Ecozone to enjoy incentives prescribed by law through the PEZA. Additional lots were acquired as expansion of the covered estate. On July 6, 2022, KAIEDC and a locator signed a lease agreement of industrial lots covering a 47.819 hectares for a period of 50 years with an extended option of another 25 years, which is accounted as finance lease.

Other Investments

In 2007, ACR infused capital of ₱195 million in ACR Mining Corporation (ACR Mining), which was acquiring 75% interest in a joint venture between Alsons Development and Investment Corporation (ALDEVINCO), and Southern Exploration Corporation (SECO). This joint venture was organized to explore and develop the Manat mining claims, which are covered by Mineral Production Sharing Agreement (MPSA) No. 094-97-XL up to the year 2022, with an area of 1,547.32 hectares. It is located in the Municipality of Nabunturan, Province of Compostela Valley, and in the Municipality of Maco, Province of Davao del Norte. Previous exploration work identified three mineralized structures: Pagtulian, Katungbuan/Taglayag, and Magas. Detailed work on the Magas Vein Zone revealed an estimated inferred resource of 2.7 million tons containing: 2.8 grams per ton gold, 26 grams per ton silver, 0.09% copper, 0.85% lead, and 1.58% zinc. On May 24, 2015, ACR's Board of Directors declared the shares of ACR Mining as a property dividend, with record date of June 5, 2015. The SEC approved the property dividend on August 11, 2015. The Bureau of Internal Revenue issued authorized the registration of the ACR Mining shares in the names of ACR's shareholders on February 22, 2016.

The Declaration of Mining Project Feasibility was submitted to the Mines and Geosciences Bureau on October 2012. At present, the Company continues to be under the care and maintenance activities wherein your Company implemented various safety, environment and health programs together with our host communities.

On February 22, 2022, the DENR issued an oder approving the assignment of MPSA No. 094-97-XI from ALDEVINCO to ACR Mining pursuant to the March 25, 2019 Deed of Assignment.

ACRMC through its letter to the DENR dated May 21, 2022, the Company requested for a reinstatement of unconsummated term of the above MPSA for about 5 to 7 years due to forece majeure in view of the following conditions:

i. The prevailing peace and order situation Compostela Valley, now known as Davao de Oro;

ii. The shift in the policy direction of the government with the issuance of Executive Order No. 79 in on July 6, 2022, specifically touching the on the proposed changes in the revenue schemes;
iii. The adverse effect in conducting operations for more than 2 years due to the straight government response to COVID-19 pandemic, among others.

The DENR considered the lost term of MPSA 094-97-XI , granted and extended period of 5 years starting from the expiration of of its first 25-year term on November 20, 2022 and such term shall expire on November 20, 2027.

Status of publicly-announced new projects

1. The Siguil Hydro Power Corporation, which will operate a 14.5MW run-of-river electricity generating facility located at the Siguil River basin in Maasim, Sarangani. The construction phase of this project is in in advanced stage and the Company previously targered commercial operations date (COD) to begin in the second quarter of 2023. However, the EPC contractor encountered challenges and push back the COD to the 4th quarter of the year.

   The other hydro projectes currently in pipeline include the 22-MW Siayan (Sindangan) hydro plant in Zamboanga del Norte; and the 42-MW Bago Hydro plant in Negros Occidental. Both these projects are currently in advanced pre-development stages.

2. The 105MW SRPI power plant in Zamboanga City received its environmental compliance certificate from the Department of Environment and Natural Resources in March 2012. The Company has begun site preparation and clearing works. The total project cost is estimated at ₱16 billion. SRPI is still negotiating with various banks to finance the project. Once in operation, the SRPI coal-fired power plant would be able to service Zamboanga City and other nearby areas and targeted to go online in March 2027.

The Company has no existing patents, trademarks, copyrights, licenses, franchises, concessions and royalty agreements.

1. **Business segments contribution to revenues**

Table I – Revenue Contribution by Business Segment

	(Amounts in Thousand PhP)			% to Total		
	2022	2021	2020	2022	2021	2020
Energy and Power	₱11,967,261	₱10,046,854	₱9,464,452	100%	100%	100%
Property Development	21,971	–	–	0%	0%	0%
	₱11,989,232	₱10,046,854	₱9,464,452	100%	100%	100%

The Company had no income from foreign sources for the past 3 years.

2. **Competition**

Real Estate
There are many provinces near Metro Manila that buyers are looking at, Eagle Ridge Residential Estates sales have been sluggish for several years. With the infrastructure developments such as the Cavite-Laguna Expressway and LRT Line 6, General Trias is becoming more accessible. We expect that the remaining available inventories will be in comparable with the economic and affordable housing developments of Filinvest, Camella Homes, and Amaia in the region.

Power and Energy
Sarangani Energy has secured its position in the market by entering into Power Sales Agreements (PSAs) with various distribution utilities for 25 years. The remaining available capacity of the second plant is planned to be provided to a locator with the Kamanga Agro-Industrial Ecozone.

The diesel power plants of WMPC and MPC are moderately contracted. These plants offer distribution utilities ideal peaking and insurance capacities due to their competitive pricing and proven performance over years of reliable operations. SPPC, on the other hand, has no current PSA, but the Company is exploring opportunies for relocating its engines to other locations. Similarly, we are also considering relocating the available unutilized engines of MPC to other locations.

3. Sources and Availability of Raw Materials and Supplies

SPPC has not renewed Fuel Supply Agreement with Pilipinas Shell Petroleum that expired last September 1, 2019. MPC and WMPC each signed a Fuel Supply Agreement with Phoenix Petroleum Corporation for the supply of approximately 4 to 8 million liters of fuel per month for each plant. MPC's and WMPC's agreement is valid until March 2021.

WMPC and MPC has an agreement with Pilipinas Shell Petroleum Corporation for the supply of its lubricating oil.

Wärtsilä Corporation of Finland supplies the engine parts and major maintenance services needed by the diesel plants.

Sarangani Energy Corporation (SEC) has fuel supply and/or transport agreements with Kaltim Prima Coal, and Galaxy Energy and Resources for low Sulphur coal, or sub-bituminous coal from Indonesia with gross calorific value ranging from 4200 to 5000 kCal per kilogram. Local supply is sourced from Semirara Mining and Power Corporation. The company is also procuring coal via spot market or short-term contracts with flexible pricing options with prices based on Indonesian Coal Index and or Fixed Price arrangements.

4. Dependence on a Single or a Few Customers

WMPC and MPC have secured, or are securing PSAs with various distribution utilities, and are currently moderately contracted. SPPC has no current PSA, but is exploring opportunies for relocating its engines to other locations. Sarangani Energy Corporation (SEC), on the other hand, has secured 25-year PSAs with the following distribution utilities:

Contracting Party	Contracted Capacity (MW)
South Cotabato Electric Cooperative II, Inc.	70
Iligan Light and Power, Inc.	15
Cagayan Electric Power and Light Company, Inc.	20
Davao del Norte Electric Cooperative, Inc.	15
Davao del Sur Electric Cooperative, Inc.	15
Agusan del Norte Electric Cooperative, Inc.	10
Agusan del Sur Electric Cooperative, Inc.	10
Cotabato Electric Cooperative, Inc.	10
South Cotabato I Electric Cooperative, Inc.	10
Zamboanga del Sur I Electric Cooperative, Inc.	5
Zamboanga del Norte Electric Cooperative, Inc.	5

Alto Power Management Corp. (APMC), a subsidiary of ACR, provides the plant and operation management services to SPPC, WMPC and MPC.

The Property Development and other businesses of ACR are not dependent on a single or few customers and the loss of one or a few customers will have no material adverse effect on the Company and its subsidiaries.

5. Effect of Existing or Probable Governmental Regulations on the Business

Republic Act No. 9136, the Electric Power Industry Reform Act of 2001 (EPIRA), and its implementing rules and regulations (IRR), provide for significant changes in the power sector, which includes, among others:

a. The unbundling of the generation, transmission, distribution and supply of power and other disposal assets, including its contract with independent power producers and electricity rates;

b. Creation of a Wholesale Electricity Spot Market (WESM) within one year; and,

c. Open and nondiscriminatory access to transmission and distribution systems.

The law also requires public listing of not less than 15% of common shares of generation and distribution companies within 5 years from its effectivity. It provides: (i) cross ownership restrictions between transmission and generation companies, and between transmission and distribution companies; and (ii) a cap of 50% on the demand of a distribution utility sourced from an associated company engaged in generation except for contracts entered into prior to the effectivity of the EPIRA; and (iii) specifically relating to generation companies, a cap on the concentration of ownership to only 30% of the installed capacity of the grid and/or 25% of the national installed generating capacity. Based on the assessment of management, the operating subsidiaries have complied with the applicable provisions of the EPIRA and its IRR.

Corporate Recovey and Tax Incentives for Enteprises (CREATE) which aims to recalibrate to make it more relevant and responsive to the needs of businesses negatively affected by the COVID-19 pandemic, and to improve the ability of the Philippines to attract highly desirable investments that will serve the public interest. The CREATE bill seeks to lower corporate income tax rates and to rationalize fiscal incentives.

The corporate income tax immediately reduced from the current 30 percent to 20 percent for domestic corporations with total assets not exceeding ₱100 million, excluding land, and total net taxable income of not more than ₱5 million. The corporate income tax of all other corporations, meanwhile, was lowered to 25 percent. The law also lowered the minimum corporate income tax (MCIT) from 2 percent to one percent effective July 2021 until June 30, 2023.

On the fiscal incentives, the total period of incentive availment has been increased to a maximum of 17 years. The length of the period of incentives takes into account the location and type of the registered activity

Highly-desirable projects with a minimum investment capital of PHP50bn or those that can generate at least 10,000 employees, can enjoy a superior incentive package for up to 40 years which includes ITH for a maximum of 8 years. The sunset period for existing registered business enterprises (RBE) enjoying ITH can continue to enjoy the same within the remaining ITH period while firms enjoying 5% GIT can continue to enjoy the same for 10 years. Existing RBEs may re-apply for the fiscal incentives under the CREATE bill after the lapse of the sunset period.

Approval of fiscal incentives for new projects or activities with investment capital of PHP1bn and below shall be delegated to their respective Investment Promotion Agencies (IPA). Fiscal incentives application for projects or activities with investment capital exceeding PHP1bn shall be subject to the approval of the Fiscal Incentives Review Board (FIRB)

Duty exemption on certain importations, VAT exemption on importations, and VAT zero-rating on local purchases shall still apply.

The reduction of income tax rates will have provide positive impact to existing businesses and attract foreign investors to Kamanga Agro-Industrial Ecozone.

6. Research and Development

ACR and its subsidiaries do not allocate specific amounts or a fixed percentage for research and development. All research, if any, are done by its subsidiaries and affiliates on a per project basis. The allocation for such activities may vary depending on the nature of the project.

7. Employees

As of December 31, 2022, ACR and its 50% or more directly or indirectly-owned subsidiaries had a manpower complement of 490 employees, broken down as follows: 16 executives, 31 managers, 136 supervisors and 307 associates. The Company believes that changes in manpower complement will be minimal for the next twelve months. The employees of the Company and its subsidiaries are not unionized.

8. Bankruptcy Proceedings

The Company has not contemplated any plan for bankruptcy, receivership or similar proceedings. Neither is there any material reclassification, merger, consolidation nor sale of any significant amount of assets in the ordinary course of business.

9. Cost and Effect of Compliance with Environmental Laws

ACR engages only in projects and activities that comply with environmental laws. Its power subsidiaries follow the regulations embodied in the EPIRA. All its plants meet the exhaust emission standards set by Department of Environment and Natural Resources (DENR). Compliance with existing environmental laws has corresponding costs, which include expenditures for the following:

a. renewal fees for the DENR permit/license to operate;
b. exhaust emission tests and monitoring (costs covered by the environmental guarantee fund);
c. environmental monitoring fund (SPPC ₱500,000 and WMPC ₱598,000); and,
d. environmental guaranty fund (SPPC ₱500,000 and WMPC ₱508,000).

The Company meets all governmental, environmental, health and safety requirements. The Company's operating units are regularly inspected and have not experienced significant governmental, environment, health or safety problems. For the past three years, the total amounts spent in complying with environmental laws by the subsidiaries are as follows (1) ₱ 1,859,568 in 2022; (2) ₱771,967 in 2021; and, (3) ₱461,176 in 2020.

10. Investment Acquisition

On August 27, 2019, the Board of Indophil Resources Phils, Inc. (IRPI) approved the equity call to all existing sahreholders amounting to ₱52.50 per share. On September 30, 2019, ACR participated and paid IRPI ₱2,977,452 for the additional 56,715 common shares.

Item 2. **PROPERTIES**

DESCRIPTION OF PROPERTIES

The Company's energy and power operations are located in three different sites. WMPC's power plant is in a 9-hectare property in Sitio Malasugat, Sangali, Zamboanga City, while SPPC's plant is situated in a 16-hectare property located in Alabel, Sarangani Province, which is 13 kilometers east of General Santos City. The WMPC and SPPC properties are fully owned by the above-mentioned subsidiaries of ACR. CHC's power plants, which are operated by MPC, are on an 8-hectare property in the Municipality of Lugait, Misamis Oriental and in the City of Iligan. These power plants were acquired from the City of Iligan by CHC on February 27, 2013. The lots on which the power plants of CHC are located were acquired by MPC from ALDEVINCO in November 21, 2013. The Sarangani Energy coal-fired power plants and the real estate assets of KAIEDC are located in Maasim Sarangani Province.

The Sarangani Energy's real estate and coal-fired power plants are mortgaged to its various lender banks.

ALC, the Company's property development company, has properties in Batangas, Cabuyao in Laguna, and along Don Chino Roces Avenue (formerly Pasong Tamo Extension), Makati City. Its Batangas property currently has residential developments. In addition, ALC owns the property, including the improvement, Alsons Building, where the Company maintains its corporate headquarters.

The land development of Azuela Cove is located in Lanang Davao City.

All of these properties are in good condition.

Table II – Property, Plant and Equipment (consolidated)

(Amounts in Thousand PhP)	**December 31, 2022**	December 31, 2021
Main Engine of Power Plant Structures and Others	**₱30,958,308**	₱30,911,974
Plant Mechanical, Switchyard and Desulfurization Equipment	**7,272,721**	7,270,737
Land, Buildings and Leasehold Improvements	**577,526**	575,761
Machinery and Other equipment	**1,592,231**	1,461,411
Right-of-Use Assets	**82,615**	48,953
Construction in Progress	**3,516,353**	2,673,300
Total	**43,999,754**	42,942.136
Less: Accumulated Depreciation and Amortization	**(16,257,840)**	(14,847,299)
Net Book Value	**₱27,741,914**	₱28,094,837

Item 3. **RISKS**

Through prudent management and cautious investment decisions, ACR constantly strives to minimize risks that can weaken its financial position. However, certain risks are inherent to specific industries and are not within the direct control of the Company.

Some of the risks that the Company and its subsidiaries may be exposed to are the following:

1. Foreign Exchange Rate Fluctuations

The Company's exposure is primarily associated with fluctuations in the value of the Peso against the U.S. Dollar and other foreign currencies. The spare parts and insurance of SPPC, MPC and WMPC are denominated in U.S. Dollars. The Company keeps a portion of its short-term investments in foreign currency to serve as a hedge in foreign exchange fluctuations.

2. Interest Rate Risks

The Company's interest rate risk management policy centers on reducing overall interest expense and on minimizing other costs of borrowing. Changes in market interest rates would have material impact on the Company's interest-bearing obligations, specifically on those with floating interest rates.

ACR and its subsidiaries manage their interest rate risks by leveraging its debt portfolio and by optimizing a mix of fixed and variable interest rates. Other measures, are employed to avert risk include pre-payment of debts and re-financing of loans. Moreover, utilization of existing credit facilities has been kept to a minimum.

3. Liquidity Risks

The Company and its subsidiaries carefully manage their liquidity position to be able to finance their working capital, debt service and capital expenditure requirements. Sufficient levels of cash and short-term money market placements are maintained to meet maturing obligations. Management regularly monitors and forecasts its cash commitments, matches debt payments with cash generated from the assets being financed, and negotiates with creditors on possible restructuring or re-financing of existing loans to avail of better terms and conditions.

4. Credit Risks

ACR and subsidiaries transact only with companies and institutions that are in a sound financial position and have demonstrated good credit standing. The power companies' receivables are from various electric cooperatives and the collection of which has been current and up to-date except for SPPC's long-outstanding receivables from NPC amounting to ₱123 million. These receivables pertain to the portion of accounts that was disputedby and was decided upon by the Energy Regulation Commission (ERC) on June 3, 2013 in favor of SPPC. On July 23, 2013, NPC elevated the case to the Court of Appeals (CA).

On August 17, 2015, CA denied NPC's motion for reconsideration and decided in favor of SPPC. On September 18, 2015, NPC elevated the case with the Supreme Court (SC). On July 4, 2016, SC rendered a decision holding NPC liable to pay SPPC for the additional 5 MW from 2005 to 2010 which affirmed ERC's requirement for both parties to reconcile settlement amount. On November 23, 2016, SC issued its decision to deny the motion for reconsideration submitted by NPC and to render the case with finality. On October 19, 2018, SPPC filed an Urgent Motion to Resolve the pending issue on the NPC's liability for interest, and SPPC's motion for issuance of writ of execution against NPC for the payment of the principal amounts owed by NPC to SPPC.

On October 19, 2018, SPPC filed an Urgent Motion to Resolve the pending issue on the NPC's liability for interest, and SPPC's motion for issuance of writ of execution against NPC for the payment of the principal amounts owed by NPC to SPPC.

On September 6, 2019, SPPC filed with ERC a Manifestation with Urgent Motion to Resolve, praying that the commission: (1) resolve and grant SPPC's Omnibus Motion for Issuance of Writ of Execution and Notice of Garnishment dated July 18, 2018; and (2) resolve the issue of NPC's liability for interest in favor of SPPC under the Energy Conversion Agreement.

On December 4, 2019, while awaiting the ERC's resolution on SPPC's motion, SPPC's Executive Vice President, Tirso G. Santillan, wrote a letter to the NPC stating that "SPPC agreed to collect the principal amount of ₱68.64 million and US$5.77 million, and waive the interests amounting to ₱52.98 million and US$3.43 million."

On December 9, 2019, the NPC, through its president and CEO Pio J. Benavidez, signified its agreement to SPPC's waiver of its claim of interest.

On December 27, 2019, SPPC filed with the ERC an Omnibus Motion to (a) Resolve and (b)Withdraw Claim for Interest.

On October 14, 2020, SPPC filed a Motion to Resolve with the Commission on Audit (COA) requesting COA to immediately resolve the Petition for Money Claim.

On November 26, 2021, the COA issued its decision partially granting SPPC's Petition for Money Claim as against the NPC and directing the parties to submit a memorandum or comment on whether or not the obligation of NPC under the ECA is among the obligations assumed by PSALM.

On December 14, 2021, SPPC filed its comment on the decision. On December 31, 2021, the NPC filed its comment on the decision. As of December 31, 2022, the issue on whether PSALM assumed the NPC's obligation to SPPC under the ECA remains pending before the COA.

On February 11, 2022, the COA issued its decision granting SPPC's Petition for Money Claim as against the NPC

Receivable balances are monitored regularly and allowance provisions are reviewed to ensure limited exposure to bad debts.

Further discussion on the Company's financial risk management objectives and policies is contained in Note 31 of the Consolidated Financial Statements.

Item 4. **LEGAL PROCEEDINGS**

Some of the subsidiaries or affiliates of the Company are also from time to time involved in routine litigation as well as various legal actions incidental to their respective operations. However, in the opinion of the Company's management, none of these legal matters, in which its subsidiaries or affiliates are involved, will be material to the Company's financial condition and results of operations. Refer to Note 34 of the Consolidated Notes to Financial Statements attached to this report for detailed description.

Item 5. **SUBMISSION of MATTERS to a VOTE of SECURITY HOLDERS**

During the calendar year covered by this report, no business matter was submitted to a vote of security holders through solicitation of proxies or otherwise.

PART II - OPERATIONAL AND FINANCIAL INFORMATION

Item 6. MARKET FOR REGISTRANT'S COMMON EQUITY and RELATED STOCKHOLDER MATTERS

1. Market Information

All the common shares of the company are listed in the Philippine Stock Exchange.

The following are the high and low market prices of the Company's shares for the past three years:

Table 1 – Market Price of ACR Shares

		First Quarter	Second Quarter	Third Quarter	Fourth Quarter
2022	High	₱1.09	₱1.06	₱0.97	₱0.92
	Low	1.01	0.92	0.92	0.76
2021	High	1.37	1.40	1.36	1.24
	Low	0.61	1.23	1.15	1.03
2020	High	1.37	1.46	1.44	1.49
	Low	0.61	0.83	1.13	1.19

Stock Price as of April 3, 2023 was at ₱0.80 per share.

2. Stockholders

As of December 31, 2022, ACR has 6,291,500,000 shares outstanding held by 449 stockholders, inclusive of the two (2) accounts under PCD Nominee Corporation. The list of the top twenty stockholders of the Company as recorded by Prime Stock Transfer Services, Inc., the Company's stock transfer agent, are as follows:

Table 2 – Top Twenty (20) Stockholders

	Name	No. of Shares Held	% to Total
1.	Alsons Corporation	2,592,524,072	41.21%
2.	Alsons Power Holdings Corp.	1,249,999,599	19.87%
3.	Alsons Development and Investment Corp.	1,188,524,026	18.89%
4.	PCD Nominee Corporation (Filipino)	1,173,942,150	18.66%
5.	PCD Nominee Corporation (Non-Filipino)	55,848,901	0.89%
6.	SEC Account No. 2 fao various Customers of Guoco	2,090,000	0.03%
7.	All Asia Capital Trust & Investment Division	1,830,000	0.03%
8.	EBC Securities Corporation	1,030,000	0.02%
9.	Crisostomo, Emily A.	1,000,000	0.02%
9.	Cruz, Felipe Jr. A.	1,000,000	0.02%
9.	Nora T. Go	1,000,000	0.02%
10.	First Integrated Capital Securities, Inc. (555300)	900,000	0.01%
11.	First Integrated Capital Securities, Inc. (555200)	795,000	0.01%
12.	Ansaldo, Godinez & Co., Inc.	755,000	0.01%
13.	George Go	750,010	0.01%
14.	AACTC FAO Trinity Investment	680,000	0.01%
15.	EstebanYau	600,000	0.01%
16.	Roy C. Tia	513,000	0.01%

17.	S. J. Roxas & Co., Inc.	507,000	0.01%
18.	Antonio Co	500,000	0.01%
18.	Mendoza, Marites &/or Alberto Mendoza	500,000	0.01%
18.	Roqueza, Ricardo S.	500,000	0.01%
18.	San Jose, Roberto V.	500,000	0.01%
18.	Vega, Luis &/or Eliseo C. Ocampo, Jr.	500,000	0.01%
19.	Mendoza Albert G. &/or Jeannie C. Mendoza	450,000	0.01%
20	Guillermo F. Gili, Jr.	430,000	0.01%
	Total shares of top 20	6,277,306,758	99.78%

3. Dividends

Declaration of dividends is subject to approval by the Board of Directors.

The historical dividend declarations are follows:

Year	Date of Declaration	Amount	Per Share	Date of Record	Date of Payment
2022	May 26, 2022	₱125,830,000	₱0.020	June 30, 2022	July 23, 2022
2021	May 20, 2021	125,830,000	0.020	June 30, 2021	July 23, 2021
2020	July 9, 2020	125,830,000	₱0.02	July 23, 2020	August 4, 2020

Dividends on preferred shares amounting to ₱2 million in 2022 and ₱4 million in 2021 and 2020 were applied against the Company's subscriptions receivable from Alsons Corporation.

Management continuously endeavors to increase ACR's share value through new projects and expansion programs while at the same time provide yearly dividends to its shareholders. On June 8, 2011, the Board of Directors adopted a dividend policy of annually declaring dividends of not less than 20% of the previous year's un-appropriated retained earnings.

4. Sales of Unregistered Securities Within the Last Two (2) Years

There are no other securities sold for cash by the Company within the last two (2) years that were not registered under the Securities Regulation Code.

Item 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION

REVIEW OF CURRENT YEAR 2022 vs. 2021 OPERATIONS

Highlights of the Company's financial performance are as follows:

1. Revenues and Profitability

ACR and Subsidiaries posted significant increase in its consolidated revenues during the year at ₱11,989 million from the ₱10,047 million reported in the previous year. The increase was due mainly to improved operations of our power companies and increase in energy dispatch during the year.

Cost of services increased by 24% at ₱7,765 million from ₱6,255 million in 2021 due mainly to the higher fuel cost as well as the cost of the industrial lot as mentioned above.

General and administrative expenses increased slightly from ₱678 million in 2021 to ₱682 million this year. The increase was due mainly to the higher provision of expected credit losses and personnel costs, among others. The 2022 operations have returned to new normal as the COVID-19 scare eases. As a result, operating profit increase significantly to ₱3,532 million from last year's ₱3,114 million.

The Company continues to post strong earnings before interest, taxes, depreciation and amortization (EBITDA) registering ₱5,289 million in 2022, surpassing last year's ₱4,709 million. The resulting EBITDA margin is 44% from 47% from last year.

Meanwhile, finance charges decrease by 4% from ₱1,717 million in 2021 to ₱1,650 million in 2022. The decrease was due to the settlement of maturing loans of Sarangani during the year. Interest income on the other hand increase by 50% from ₱16 million income earned in 2021 to ₱25 million this year. The increase was due mainly to higher interest rates on placements during the year.

Equity in net earnings coming from the Company's share in Aviana Development Corp. posted lower results in 2022 of ₱55 million from ₱72 million in the previous year due mainly to the lower sales performance of the Company.

The Company's other income of ₱259 million is significantly better than last year's ₱1 million. This year's other income includes the gain recognized by KAIEDC for the lot it leased to Panhua which accounted for under finance lease. This gain was partly offset by the recognition of an impairment loss of goodwill.

As a result of the foregoing, the consolidated net income posted steady result of ₱1,875 million. The income attributable to Parent of ₱617 million is 52% better that last year's ₱405 million posting an earnings per share of ₱0.097 from ₱0.064 last year.

2. Financial Position

As of December 31, 2022, total resources of ACR and Subsidiaries remained strong at ₱47,796 million, almost the same level reported in 2021.

Current assets likewise remains stable at ₱11,264 million this year. The decrease in inventories and prepaid expenses was offset by the increase in trade and other receivables.

Noncurrent assets remain the same at ₱36,533 million. The depreciation expense recognized during the year was offset by the cost incurred for the cost of Siguil Hydro Power Plant which is currently under construction.

Current liabilities increased by 2% from ₱9,618 million to ₱9,789 million, largely on the availment of short-term loans payable by the Parent Company which were mostly used for the construction Siguil Power Plant. Noncurrent liabilities, on the other hand, decreased by 5% due to the amortization of maturing long-term debt and partly offset by the recognition of deferred credit arising from the collection of a grant for the Siguil Hydro project.

Equity increased by 5% from ₱17,952 million to ₱18,909 million due mainly to the income earned during the year.

ACR posted a current ratio of 1.15:1 in 2022 compared to 1.16:1 in 2021 mainly due to the higher current liabilities brought about by the increase in loans payable.

Net cash inflows from operating activities remain stable and continue to be the source of payment of maturing obligations and trade payables. Net cash used for investing activities increased significantly from ₱976 million to ₱2,078 million this year due mainly to the additional project cost incurred for the construction of Siguil Hydro Power plant. Net cash outflows from financing activities amounted to ₱2,527 million is slightly lower than last year's ₱2,643 million. The increase in loan and long-term debt was offset by the payments made during the year. The net cash balance after accounting for the above changes reached ₱2,796 million, slightly lower than the ₱2,864 million in the previous year.

Key Performance Indicators (KPI)

The Company's operations for the year ended December 31, 20221 showed stable gross profit at ₱4,215 million compared to last year's ₱3,792 million. KPI of the Company are as follows: (Amounts in million pesos, except ratios).

Table 3 – Comparative KPIs (2022 Vs. 2021)

Financial KPI	**Definition**	**Calendar Year**	
		2022	2021
Profitability			
Revenues		₱11,989	₱10,046
EBITDA		5,289	4,709
EBITDA Margin	EBITDA ÷ Net Sales	44%	47%
Return on Equity	Net Income ÷ Total Stockholders' Equity	10%	7%
Net Earnings Attributable To Equity Holders		₱617	₱405
Efficiency			
Operating Expense Ratio	Operating Expenses ÷ Gross Operating Income	19%	22%
Liquidity			
Net Service Coverage	Total Cash Available for for Debt Service ÷ Aggregate Principal and Interest during Next Period	2.01:1	2.32:1
Debt-To-Equity Ratio		1.53:1	1.66:1
Current Ratio	Current Assets ÷ Current Liabilities	1.15:1	1.16:1

Profitability

The earnings before interest, taxes, depreciation and amortization ("EBITDA") of the Company improved to ₱5,289 million from ₱4,709 million in 2021. The better performance of the operating power plants let to an EBITDA margin of 44% in 2022.

Return on equity also improved to 10% from last year's 7%. While the net income attributable to the equity holders of the parent jumped 52% ₱617 million from last year's ₱405 million. All of the operating power plants continue to deliver positive results as the COVID-19 scare eases.

Efficiency

The Company's operating expense ratio decreased to 19% from last year's 22%. The operating power plants continue to improved their operating performance during the year.

Leverage and Liquidity

The project loan drawdown of the Siguil Hydro Project as well as the additional short-term debts obtained by the Parent Company which was offset by the amortization of Sarangani's project loan resulted to an increase in financial debt by 0.7%. Consequently, net debt coverage ratio decreased to 11% from last year's 13%.

DESCRIPTION OF KEY PERFORMANCE INDICATORS:

1. **Revenues**. Revenue is the amount of money that the Company and its subsidiaries receive arising from their business activities and is presented in the top line of the consolidated statements of income. The present revenue drivers of the Company are: (i) Energy and power; and (ii) Real estate. Revenue growth is one of the most important factors that management and investors use in determining the potential future stock price of a company and is closely tied to the earnings power for both the near and long-term timeframes. Revenue growth also aids management in making sound investment decisions.

2. **EBITDA**. The Company computes EBITDA as earnings before extra-ordinary items, net finance expense, income tax, depreciation, and amortization. It provides management and investors with a tool for determining the ability of the Company to generate cash from operations to cover financial charges and income taxes. It is also a measure to evaluate the Company's ability to service its debts, to finance its capital expenditure and working capital requirements.

3. **Net Earnings Attributable to Equity Holders of Parent**. Net income attributable to shareholders is one more step down from net income on the consolidated statements of income. The net income of a company is all of the revenues minus all of the expenses including interest expenses and taxes. Net income attributable to shareholders is the net income minus the non-controlling interests. This aids management and investors in identifying company's profit allocated to each outstanding share.

4. **Debt-to-Equity Ratio**. This measures the Company's financial leverage calculated by dividing its total liabilities by stockholders' equity. It indicates what proportion of equity and debt the company is using to finance its assets.

5. **Current Ratio**. Current ratio is a measurement of liquidity computed by dividing current assets by current liabilities. It is an indicator of the Company's ability to meet its current maturing obligations. The higher the ratio, the more liquid the Company presents.

Significant Disclosures

Please refer to **Annex D** of this report for the significant disclosures made by the Company during the year. Other than those mentioned in Annex D and the disclosures made by the Company in its Audited Consolidated Financial Statements, it is not aware of the following:

1. Unusual items that materially affect the Company's assets, liabilities, equity, net income or cash flows because of their nature, size or incidence;

2. Issuance and repurchase of equity securities;

3. Segment revenues and segment results for business segments and geographical segments;

4. Changes in contingent liabilities or contingent assets since the annual balance sheet date;

5. Existence of material contingencies and other transaction events that are material to an understanding of the current period;

6. Known trends, commitments, events and uncertainties that will result in or likely to decrease its liquidity in a material way. ACR does not anticipate having, within the next twelve (12) months, any cash flow or liquidity problem nor does it anticipate any default or breach of any of its existing notes, loans, other indebtedness or financial arrangements requiring it to make payments. With the improvement in the Company's operating performance, ACR expects to meet all financial loan covenants for the next interim period;

7. Events that will trigger direct or contingent material financial obligations to the Company;

8. Material off-balance sheet transactions, arrangements, obligations (direct or contingent), and other relationships of the Company with unconsolidated entities or other persons created during the year;

9. Known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable impact on net sales, revenues, net income from continuing operations;

10. Significant elements of income or loss that did not arise from the Company's continuing operations;
11. Material events subsequent to the end of the reporting period that have not been reflected in the consolidated financial statements;

12. Material changes in the composition of the Company, including any business combination, acquisition or disposal of subsidiaries and long-term investments and discontinuing operations.

Notes to Consolidated Financial Statements

Accounting Policies and Principles

The consolidated financial statements of ACR and its Subsidiaries for the years ended December 31, 2022 and 2021 are presented in accordance with Philippine Financial Reporting Standards (PFRS) applied on a consistent basis.

Seasonality Aspects of the Business

The operations of ACR and its subsidiaries were not affected by seasonality or cyclicality.

Material Changes in Consolidated Balance Sheet Accounts by 5% or More

1. Short-term investments, 10% Increase

   The increase in short-term investment (2022: ₱124 million vs. 2021: ₱112 million) was due mainly to the additional placement made during the last quarter of the year as the timing of the usage cash for operations and or the payment of the construction of Siguil Hydro Power Plant which is expected to begin commercial operations in later part of 2023.

2. Trade and other receivables, 24% Increase

   The increase was due to the timing of collection of trade receivables during the year. the Company has provided financial reliefs to certain electric cooperatives and distribution utilities as a response to the effect of the COVID-19 pandemic. These relief measures included restructuring of existing receivables and extension of payment terms.

3. Inventories - at cost, 32% decrease

   The decrease was due mainly to the timing of coal purchases of Sarangani Energy Corporation which has fuel supply and/or transport agreements with Kaltim Prima Coal, and Galaxy Energy and Resources for low Sulphur coal, or sub-bituminous coal from Indonesia with gross calorific value ranging from 4200 to 5000 kCal per kilogram. Local supply is sourced from Semirara Mining and Power Corporation. The company is also procuring coal via spot market or short-term contracts with flexible pricing options with prices based on Indonesian Coal Index and or Fixed Price arrangements.

4. Prepaid Expenses, 44% Decrease

   The release of debt reserve account of Sarangani Energy Corporation during the year let to the decrease in this account.

5. Noncurrent Portion of Trade Receivables, 5% decrease

   The decrease was due to the collections made during the year. In 2020, the Company provided financial reliefs to certain electric cooperatives and distribution utilities as a response to the effect of the COVID-19 Pandemic.

6. Investment in Real Estate, 20%, Decrease

   The lots acquired by KAIEDC for the expansion of the covered area of the Ecozone Industrial Estate in 2021 has been transmitted to a locator during the year through execution of long-term lease arrangement covering a period of 50 years and extendible period of another 50 years at no additional cost to the paid by the lessee. This arrangement is accounted for under finance lease. As such, the related real estate asset was derecognized by the Company and the full settlement of the locator of the lease payments were included as part of the income during the year. The above terms led to the decrease in the investment in real estate accounts by 20%.

7. Advances to Contractors, 206% Increase

   The additional advances made during the year by Siguil Hydro Power Corp. to its EPC Contractor, Sta. Clara International, caused the increase in this account.

8. Goodwill, 24% Decrease
   The Company recognized an impairment of ₱165 million during the year. The Company assessed that the carrying value of the underling assets of SPPC and WMPC's cash generating units including goodwill is greater than its fair value based on the expected cash flows.

9. Net retirement benefit assets, 10% Increase

   The increase was due to the excess of the value of the assets in a defined benefit obligation over the present value of the liabilities as determined by an independent actuary during the year.

10. Deferred income tax assets, 44% Decrease

    The decrease was primarily due to the decline in the carrying value of the capitalized interest, which depreciation expense was provided during the year. In addition, the deferred tax effect of the net loss carry-over was also deducted for the expired portion.

11. Other noncurrent assets, 50% Increase

    The increase was primarily due to the restricted cash relating to Siguil's long-term debt. The first principal payment is scheduled in 2024.

12. Accounts payable and other current liabilities, 40% Decrease

    The decrease is due to payments made during the year for the accrued liabilities pertaining to the bulk purchases of coal during the months of November and December 2021. In addition, the dividends payable of Sarangani Energy in 2021 was settled in 2022 amounting to ₱750 million.

13. Loans payable, 103% increase; Short-term notes payable, 19% Decrease

    The increase in loans payable was due to additional loans availed during the year, while the decrease short-term notes payable was due to the settlement of the matured portion towards the end of 2022.

14. Income tax payable, 16% Increase

    The increase was due to the higher taxable income earned during the year by all operating power Companies.

15. Lease Liability, 131% Increase

    The increase was due to the recognition of additional lease obligations during the year.

16. Current Portion of Long-term Debt, 38% Increase
    Long-term debts – net of Current portion, 6% Decrease

    The variances were due to recognition and settlement of maturing principal during the year.

17. Deferred Credit, 75% increase

The increase is due to the portion of Join Credit Mechanism (JCM) grant received by SHPC during the year. As a background, SHPC entered into a grant agreement with Toyota Tsusho Corp. (TTC) and Ministry Environment of Japan (MEJ) in 2019. The Conditions attached to the grant are as follows:

- Construction of hydro power plant
- 50% carbon credits to be delivered to MEJ from start of operation and 22 years thereafter.

The MOA between SHPC and TTC requires SHPC to have an agreed PSA with SOCOTECO II or any other offer taker.

REVIEW OF CURRENT YEAR 2021 vs. 2020 OPERATIONS

Highlights of the Company's financial performance are as follows:

3. Revenues and Profitability

ACR and Subsidiaries posted a 6% increase in its consolidated revenues during the year at ₱10,055 million from the ₱9,471 million reported in the previous year. The improvement was due mainly to SEC's improved operations.

Cost of services increased by 33% at ₱6,255 million from ₱4,688 million in 2020 due mainly to the higher fuel cost as well as higher energy dispatched by WMPC in 2021.

General and administrative expenses increased by 27% at ₱678 million from ₱535 million in 2020. The increase was due mainly to the higher transportation cost, outside services and COVID-19 related expenses as a result of easing lockdowns during the year. As result, operating profit decrease from ₱4,248 million to ₱3,121 million in 2020. The last year's income includes the one-time recognition of revenue loss compensation charged to EPC contractor of SEC 2 as a result of the relay in completing the Plant.

The Company continues to post strong earnings before interest, taxes, depreciation and amortization (EBITDA) registering ₱4,709 million in 2021, 22% lower than last year's ₱6,061 million. The last year's revenue include "the revenue loss compensation" paid by JGC for the delay in the completion of SEC 2 Plant. The resulting EBITDA margin of 47% from 64% form last year.

Meanwhile, finance charges decrease by 19% from ₱2,111 million in 2020 to ₱1,717 million. The decrease was due to the settlement of maturing loans of SEC during the year. Interest income on the other hand decrease by 61% from ₱42 million income earned in 2020 to ₱16 million this year. The decrease was due mainly to lower interest rates on placements during the year which is below 1% on the average.

Equit in net earnings coming from the Company's share in Aviana Development Corp. posted higher results in 2021 of ₱72 million from ₱64 million in the previous year due mainly to the improved performance of the Company.

The Company's negative Other Income of ₱7 million is lower in 2021 from ₱81 million in 2020 due mainly to lower foreign exchange loss as a result of stronger Peso during the year.

As a result of the foregoing, the consolidated net income posted steady result of ₱1,321 million. The income attributable to Parent of ₱405 million is 24% better that last year's ₱325 million posting an earnings per share of ₱0.064 from ₱0.051 last year.

4. Financial Position

As of December 31, 2021, total resources of ACR and Subsidiaries remained strong at ₱47,756 million, increased by 3% versus the ₱46,415 million level reported in 2020.

Current assets posted a significant increase of 19% from ₱9,394 million in 2020 to ₱11,204 million this year. The increase came largely from higher trade and other receivables. In 2020, the Company has provided financial reliefs to certain electric cooperatives and distribution utilities as a response to the effect of the COVID-19 pandemic. These relief measures included restructuring of existing receivables and extension of payment terms. Inventories also increased by 81% from ₱839 million to ₱1,517 million due mainly to the higher coal costs.

Noncurrent assets slightly decrease by 1%, due mainly to the recognition of depreciation expense on the Company's property, plant and equipment and partly offset by the cost incurred for the cost of Siguil's Plant which is currently under constraction.

Current liabilities increased by 9% from ₱8,847 million to ₱9,618 million, largely on the availment of short-term notes payable by the Parent Company which were mostly used for the construction Siguil. Noncurrent liabilities, on the other hand, decreased by 7% due to the amortization of maturing long-term debt and partly offset by the recognition of deferred credit arising from the collection of a grant for the Siguil Hydro project.

Equity increased by 14% from 15,704 million to 17,952 million due mainly to the increase in non-controlling interest as a result of the conversion of related party advances in ATEC into equity as well as the income earned during the year.

ACR posted a current ratio of 1.17:1 in 2021 as compared to 1.06:1 in 2020 mainly due to the higher current assets brought about by the increase in trade and other receivables as ell as spare parts and supplies.

Net cash inflows from operating activities remain stable and continue to be the source of payment of maturing obligations and trade payables. Net cash used for investing activities decreased significantly from ₱1,487 million to ₱373 million this year due mainly to the lower cost inclured for capital expenditures. This year's expenditures focused mainly on the construction of Siguil Hydro Power Plant Project. Net cash outflows from financing activities amounted to ₱2,665 million is likewise lower than last year's ₱3,598 million. This is due mainly to the lower payment of loans and long-term debt as well as interest. The net cash balance after accounting for the above changes reached ₱2,864 million, slightly higher than the ₱2,703 million in the previous year.

5. Key Performance Indicators (KPI)

The Company's operations for the year ended December 31, 2021 showed stable gross profit at ₱4,783 million compared to last year's ₱2,556 million. KPI of the Company are as follows: (Amounts in million pesos, except ratios).

Table 4 – Comparative KPIs (2021 Vs. 2020)

Financial KPI	Definition	Calendar Year	
		2021	2020
Profitability			
Revenues		₱10,046	₱9,471
EBITDA		4,709	6,061
EBITDA Margin	EBITDA ÷ Net Sales	47%	64%
Return on Equity	Net Income ÷ Total Stockholders' Equity	7%	12%
Net Earnings Attributable To Equity Holders		₱405	₱325
Efficiency			
Operating Expense Ratio	Operating Expenses ÷ Gross Operating Income	22%	13%
Liquidity			
Net Debt Coverage	Cash Flow from Operating Activities ÷ Net Financial Debt	15%	26%
Debt-To-Equity Ratio		1.66:1	2.67:1
Current Ratio	Current Assets ÷ Current Liabilities	1.15:1	1.06:1

Profitability

The earnings before interest, taxes, depreciation and amortization (EBITDA) of the Company idecreased from ₱6,061 million to ₱4,709 million in 2021. The last year's revenue include "the revenue loss compensation" paid by JGC for the delay in the completion of SEC 2 Plant. The resulting EBITDA margin of 47% from 64% form last year.

Return on equity (ROE) was also down from last year's 12% to 7% this year while the net income attributable to the equity holders of the parent improved to ₱405 million from last year's ₱325 million. The all the operating power plants continue to deliver positive results in spite of the COVID-19 lockdowns.

Efficiency

The Company's operating expense ratio increased to 22% in 2021 from 13% in 2020. The operating power plants continue to improved their operating performance during the year.

Liquidity

The continued amortization of SEC's project loan which is partly offset by the additional short-term debts obtained by the Parent Company for the construction of Siguil Hydro Project, financial debt decreased slightly by 8%. Consequently, net debt coverage ratio decreased to 11% from last year's 13%. Current ratio on the other hand increased to 1.18:1 from last year's 1.06:1 due mainly to the higher balance of trade receivables and coal inventory.

Notes to Consolidated Financial Statements

Accounting Policies and Principles

The consolidated financial statements of ACR and its Subsidiaries for the years ended December 31, 2021 and 2020 are presented in accordance with Philippine Financial Reporting Standards (PFRS) applied on a consistent basis.

Seasonality Aspects of the Business

The operations of ACR and its subsidiaries were not affected by seasonality or cyclicality.

Material Changes in Consolidated Balance Sheet Accounts by 5% or More

1. Cash and cash equivalents, 6% Increase and Short-term investments, 6% Increase

   The decrease in cash and cash equivalents (2021: ₱2,864 million vs. 2020: ₱2,703 million) was due mainly to the cash generated from operations of the Power Companies as well as additional short-term borrowings of the Parent Company which were use for the construction of Siguil Hydro Power Plant which is expected to begin commercial operations in 2023.

2. Trade and other receivables, 24% Increase

   The increase was due to the timing of collection of trade receivables during the year. the Company has provided financial reliefs to certain electric cooperatives and distribution utilities as a response to the effect of the COVID-19 pandemic. These relief measures included restructuring of existing receivables and extension of payment terms.

3. Spare parts and supplies, 81% increase

   The increase was due mainly to the higher cost of coal inventories.

4. Noncurrent Portion of Trade Receivables, 93% decrease

   The decrease was due to the collections made duting the year. In 2020, the Company provided financial reliefs to certain electric cooperatives and distribution utilities as a response to the effect of the Covid-19 Pandemic.

5. Investment in Real Estate, 69%, increase

   The increase was due mainly to the additional lots acquired by KAIEDC for the expansion of the covered area of the Ecozone Industrial Estate.

6. Advances to Contractors, 59% Decrease

   The decrease was due to the reclassification to Construction-in Progress of the Completed portion of Sta. Clara's construction works for Siguil's hydro power plant and KAIEDC property transferred to its name during the year.

7. Property, Plant and Equipment, 2% Decrease

   The decrease is due mainly to the depreciation expense recognized on SEC 1 and 2 during the year which is partly offset by the additional project cost incurred for the Construction of Siguil Hydro power plant.

8. Accounts payable and other current liabilities, 17% Decrease

   The decrease was due to the conversion of liability to GBPC to non-controlling interest amounting to ₱1,880 million. This was partially offset by the unpaid purchases of coal during the months of November and December 2021.

9. Loans payable, 14% increase and short-term notes payable , 118% Increase

   The increase in loans payable was due to additional loans availed during the months of November and December 2021 while the increase in notes payable represents additional commercial paper issuances in July and November 2021.

10. Income tax payable, 19% Increase

    The increase was due to the higher taxable income earned during the year by all operating power Companies.

11. Lease Liability, 300% Increase

    The increase was due to the recognition of additional lease obligations during the year.

12. Current Portion of Long-term Debt, 22% Increase
    Long-term debts – net of Current portion, 8% Decrease

    The variances were due to recognition and settlement of marturing principal during the year.

13. Deferred Credit, 100% increase

    The increase is due to the portion of Join Credit Mechanism (JCM) grant received by SHPC during the year. As a background, SHPC entered into a grant agreement with Toyota Tsusho Corp. (TTC) and Ministry Environment of Japan (MEJ) in 2019. The Conditions attached to the grant are as follows:

    - Construction of hydro power plant
    - 50% carbon credits to be delivered to MEJ from start of operation and 22 years thereafter
    - The MOA between SHPC and TTC requires SHPC to have an agreed PSA with SOCOTECO II or any other offer taker.

Item 8. FINANCIAL STATEMENTS

The consolidated financial statements and schedules listed in the accompanying Index to Financial Statements and Supplementary Schedules are filed as part of this Form 17-A.

Item 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

1. SyCip Gorres Velayo & Co. (SGV) is the Company's external auditors for the last three fiscal years. SGV has not expressed any intention to resign as the Company's principal public accountant nor has it indicated any hesitance to accept re-election after the completion of their last audit.

2. In compliance with SEC Memorandum Circular No. 8, Series of 2003 on the rotation of external auditors, SGV's previous engagement partner is due for rotation in 2023.

3. Fees for the years ended December 31, 2022 and 2021 were ₱550,000 for each year. The above fees are for the audit of the Company's annual financial statements or services normally provided in connection with statutory and regulatory filings or engagements. The fees and services were approved by the Audit, Risk Oversight, and Related Party Transaction Committee (Audit Committee) in compliance with the Code of Corporate Governance for Publicly Listed Companies.

4. There have been no disagreements with SGV on accounting principles or practices, financial statements disclosures, auditing scope or procedures, which disagreements, if not resolved to their satisfaction, would have caused them to make reference thereto in its respective reports on the Company's financial statements for the abovementioned years.

PART III - CONTROL AND COMPENSATION INFORMATION

Item 10. **DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT**

1. **Board of Directors and Executive Officers**

   a. The Board of Directors

   The Company's Board of Directors is responsible for the overall management and direction of the Company. The Board meets regularly or as often as required, to review and monitor the Company's financial position and operations. Each Board member serves for a term of one year or until his successor is duly elected and qualified.

   The following are the directors and officers of the Company and their business experience for the last five years:

Table 5- Board of Directors

Office	Name	Nationality
Director, President, Chairman of the Board	Nicasio I. Alcantara	Filipino
Director, Vice-Chairperson and Treasurer	Editha I. Alcantara	Filipino
Director, Executive Vice President, Chief Operating Officer	Tirso G. Santillan, Jr.	Filipino
Director	Tomas I. Alcantara	Filipino
Director	Alejandro I. Alcantara	Filipino
Director	Ramon T. Diokno	Filipino
Director	Arturo B. Diago, Jr.	Filipino
Independent Director	Jacinto C. Gavino, Jr.	Filipino
Independent Director	Jose Ben R. Laraya	Filipino
Director	Honorio A. Poblador III	Filipino
Independent Director	Thomas G. Aquino	Filipino

Nicasio I. Alcantara, 80, Filipino, became the Chairman of the Board of Directors effective March 1, 2021. He previously led ACR as Chairman and President from 1995 to 2001. He was Chairman and Chief Executive Officer of Petron Corporation from 2001 to 2009. He currently holds leadership positions and board directorships in several companies including ACR Mining Corporation where he serves as Chairman and Phoenix Petroleum where he sits as an independent director. He has over 45 years of involvement in both public and private companies, and in diverse industries that include manufacturing, banking and finance, property, information technology, agriculture, power and energy, financial services, agriculture and diversified holdings. Mr. Alcantara is also a director of Seafront Resources Corporation, Philodril Corporation and Site Group International Limited.

He obtained his Business Administration degree from the Ateneo de Manila University and his Masters degree in Business Administration from Sta. Clara University, California U.S.A.

Tomas I. Alcantara, 76, Filipino, was the Chairman of the Board of Directors and the President of the Company since August 2001 to February 28, 2021. He opted to retire as the Company's chairman effective March 1, 2021. He holds a Bachelor of Science degree in Economics from the Ateneo de Manila University and a Masters in Business Administration (MBA) from Columbia University, and he attended the Advanced Management Program of the Harvard Business School. He is presently Drector of the other companies in the Alcantara Group (since August 2001).

Mr. Alcantara is also the Chairman of the Alsons Adtx Information Systems, Inc. (since August 2001). He is a Trustee of the European IT Service Center Foundation (since August 2002) and of the Foundation for Revenue Enhancement (August 2004). He has been a Director of Holcim Philippines, Inc. since July 2003, Philweb Corporation (May 2002) and DBP-Daiwa Capital Markets Phils., Inc. (July 1995).

Mr. Alcantara served as Undersecretary for the Industry & Investment Group of the Department of Trade and Industry, the Vice Chairman and Managing Head of the Board of Investments from July 1986 to March 1995, and the Special Envoy of the Philippine President to Asia Pacific Economic Cooperation forum in 1996. He was also the Chairman of the Board of Directors and the President of Holcim Manufacturing Corporation (formerly Alsons Cement Corporation) from May 1997 to July 2003 and has served as a Director of that company since 1997. He was a Member of the Advisory Board of Rizal Commercial Banking Corporation (RCBC) from April 1997 to June 2007. Mr. Alcantara served as a Director of Philippine Reclamation Authority (formerly Public Estate Authority) from 2003 to April 2006 and Chairman of the Manila Economic & Cultural Office from March 2001 to August 2010.

Editha I. Alcantara, 74, Filipino, has served as Director of the Company since March 8, 1995. She holds a Business Administration degree from Maryknoll College and an MBA from Boston College. Ms. Alcantara became the President of C. Alcantara and Sons, Inc. in 1992 after serving as the Treasurer of that company. Presently, she is a Director (since 1980) and the Treasurer (since October 2000) of other companies in the Alcantara Group.

She is also a Director of the Philippine Wood Producers Association (since May 16, 1980), and has served as a Trustee for the Philippine Business for the Environment, Inc. since July 1995 and as a Trustee of Miriam College since December 1998.

Tirso G. Santillan Jr., 79, Filipino, became a Director of the Company in June 11, 1996. He has also been the Executive Vice-President since April 27, 1995. He holds a Bachelor of Arts degree in Engineering and a Masters in Business Management degree from the Ateneo de Manila University.

Presently, he heads the Power Business Unit of the Alcantara Group. He has been the Executive Vice-President of Alto Power Management Corporation since January 1996, Conal Holdings Corporation since June 1997, Southern Philippines Power Corporation and Western Mindanao Power Corporation since March 1996. He is also a Director of Sarangani Agricultural Co., Inc. since May 2002.

Additionally, he has been the Managing Partner of Private Capital of Asia Ltd. since June 1991. Mr. Santillan worked with the First Pacific Group from February 1987 to May 1991.

Alejandro I. Alcantara, 68, Filipino, has served as a Director of the Company since July 2003. He graduated from the Ateneo de Davao with a degree in Economics. Mr. Alcantara has been a Director and the President of Aquasur Resources Corporation since 1993 and has served in the same capacity with Finfish Hatcheries, Inc. since 1995. He has also served as the Executive Vice President & General Manager of Sarangani Agriculture Company, Inc. since 1986 and of Alsons Aquaculture Corporation since 1998. He also became a Director of other companies in the Alcantara Group in 1986. Mr. Alcantara also served as a Director and the Treasurer of the Federation of Cattle Raisers Association of the Philippines from 1997 to December 2009.

Ramon T. Diokno, 75, Filipino, rejoined the Company as a Director in March 18, 2009. Previously, he served the Company as a Director from June 19, 2002 to June 29, 2006 and as its Chief Financial Officer from January 16, 2001 to June 30, 2006. He holds an Economics and Accountancy degree from the De La Salle University and a Masters of Science in Management degree from the Massachusetts Institute of Technology.

Mr. Diokno is also the Chief Financial Officer of Lepanto Consolidated Mining Co and its wholly-owned subsidiaries. He is currently also a Director of Alsons Insurance Brokers Corporation.

Jacinto C. Gavino, Jr., 73, Filipino, has served as Independent Director of the Company since May 2005. He has been a full-time Faculty of the Asian Institute of Management (AIM) since 1990 and he presently holds the Fr. James F. Donelan, SJ, Professorial Chair in Business Ethics. He is on the core faculty of the Washington SyCip Graduate School of Business (WSGSB). He was also the Associate Dean of the Master in Management Program from 1993 to 1995, and Associate Dean for Research from 1995 to 1999.

He is currently a Director of Productronica Holdings, Inc. (2003), Aurotech Corporation (2000), Green Chemicals Corporation (2006), RNuable Energy Corporation (2011) and Sarangani Agricultural Co., Inc. (2005). He also serves as a Trustee of Fundacion Santiago (2002) and the Center for Family Ministries at the Loyola School of Theology (2006). He also does consultancy work for various businesses and non-profit organizations.

Professor Gavino holds a Bachelor of Science degree in Electrical Engineering from the University of the Philippines (1971), a Master in Business Administration degree from the Ateneo de Manila University (1984), and a Doctorate in Public Administration from the University of the Philippines (1993). He also taught in the Ateneo de Manila University, Maryknoll College, and the University of the Philippines.

Jose Ben R. Laraya, 83, Filipino, has served as Independent Director of the Company since March 1995. He holds a Commerce degree from De La Salle College and an MBA from the University of the Philippines. He also attended the Advanced Management Program at Harvard Business School. Currently, he serves as Chairman of the Board of Directors of Ultrex Management & Investments Corporation (1992) and Laraya Holdings, Inc. (2007). He also serves as President of Trully Natural Food Corporation (2004), and a Director of La Frutera, Inc. (1997).

Previously, he served as Vice-Chairman of Philcom Corporation from October 1996 to February 1999, President of National Steel Corporation from September 1980 to February 1989, Dole Asia from February 1989 to June 1992, and APC Group, Inc. from September 1995 to February 1999.

Honorio A. Poblador III, 77, Filipino, has served as a Director of the Company since March 8, 1995. He holds a Political Science degree from the Ateneo de Manila University.

Currently, he serves as Chairman of the Board of Directors of Asuncion Realty Corporation (since 1995), Chairman of the Board of Directors and President of Asmaco, Inc. and President of Asian Aesthetic Excellence, Inc. and Mayriad Human Resources and Services, Inc.

He is also a Director of Philippine Communications Satellite Corporation, Philippine Overseas Telecommunications Corporation, and Elnor Investment Corp. (since 1983), Philcomsat Holdings Corporation (1998), the Philodrill Corporation (1997), F & C Realty Corporation and POB Corporation (2003).

Dr. Thomas G. Aquino, 74, Filipino, became an Independent Director of the Company in May 20, 2011. He is a Senior Fellow at the Center for Research and Communication of the University of Asia and the Pacific (UA&P). He was formerly the Senior Undersecretary of Philippine Department of Trade and Industry. He supervised the country's foreign trade promotions, trade negotiations under World Trade Organization & the ASEAN Free Trade Agreements as well as bilateral trade talks with the country's major economic trading nations. He served as overall lead negotiator for the country's fist free trade agreement, namely the Philippines-Japan Economic Partnership Agreement and was country representative to the High Level Task Force on ASEAN Economic Integration. For public service, Dr. Aquino was conferred the Presidential Service Award (or Lingkod Bayan) for extraordinary contribution of national impact on public interest, security and patrimony and was receipient of the Gawad Mabini Award with the rank of Grand Cross (or Dakilang Kamanong) for distinguished service to the country both at home and abroad by the President of the Republic of the Philippines.

Before entring public service, Dr. Aquino held important roles in the fields of economics and business in the private sector as Vice President for Business Economics and Director of the Strategic Business Economics Program of UA&P. He returned to private practice as strategy consultant to companies and economic policy adviser to government entities. He is the Chairman of NOW Corporation and Independent Director of A Brown Company, both publicly listed at the Philippine Stock Exchange. He obtained his Doctorate in Management from IESE Business School, University of Navarre (Spain) in 1980, an MS in Industrial Economics from presently the University of Asia and the Pacific in 1972 and an AB in Economics from the School of Economics, University of the Philippines in 1970.

He obtained a Doctorate in Management from IESE Business School, University of Navarre (Spain) in 1980, an MS in Industrial Economics from presently the University of Asia and the Pacific in 1972 and an AB in Economics from the School of Economics, University of the Philippines in 1970.

Arturo B. Diago, Jr. 72, Filipino, became a director of the Company in August 2017. Mr. Diago has been the Treasurer of Cyan Management Corporation since 1988, Teleperformance, Inc. since 1996, Lacturan Holdings, Inc. since 1997, Mantrade Development Corporation since 2003 and Canlubang Golf Corporation since 2007. Mr. Diago has been the Vice-President-Comptroller of MG Exeo Network, Inc. since 1991. He has been an Executive Vice President and Treasurer of Directories Philippines Corporation since 1989. He served as the Chief Officer for Administrative and Corporate Service of Pilipino Telephone Corporation until December 31, 2000. Mr. Diago served as the President of Lodestar Investment Holdings Corp. since May 2006. He held various positions in the Alcantara Group of Companies involved in manufacturing, marketing and shipping operations. He has been the Vice Chairman of Asian Media Development Group, Inc. since 2003. Mr. Diago serves as a Director of Directories Philippines Corporation and MG Exeo Network Inc., among other corporations. He has been a Director of Alsons Consolidated Resources, Inc. since August 24, 2017. He serves as a Director of Cebuana Lhuillier Bank, Cybersoft Information Technology, Inc., 911 Alarm, Inc. and Vinnell

Belvoir Corp. He served as a Director of Lodestar Investment Holdings Corp. from March 10, 2006 to December 2007 and its Globalport 900, Inc. (a/k/a MIC Holdings Corp.). Mr. Diago served as a Director of PLDT Communications and Energy Ventures, Inc. (Former Name: Pilipino Telephone Corporation) from April 24, 1991 to May 9, 2011. He obtained his Master's Degree in Business Management from the Asian Institute of Management and his Bachelor of Science Degree in Commerce from the De La Salle University. He also attended the Strategic Business Economics Program of the Center for Research and Communication (now University of Asia and the Pacific).

b. The Executive Officers

The following Company executive officers do not own more than 2% of ACR:

Table 6 – Executive Officers

Office	Name	Nationality
Director, President, Chairman of the Board	Nicasio I. Alcantara	Filipino
Director and Treasurer	Editha I. Alcantara	Filipino
Director, Executive Vice President, Chief Operating Officer	Tirso G. Santillan, Jr.	Filipino
Corporate Secretary	Ana Maria Margarita A. Katigbak	Filipino
Chief Financial Officer	Alexander Benhur M. Simon	Filipino
Assistant Corporate Secretary	Jonathan F. Jimenez	Filipino
Chief Investment and Strategy Officer	Antonio Miguel B. Alcantara	Filipino

Ana Maria Margarita A. Katigbak, 54, Filipino, has been the Corporate Secretary of the Company since June 24, 2021. She received her BACL and law degree from the University of the Philippines. She is a member of the Philippine Bar and a senior partner of Castillo Laman Tan Pantaleon and San Jose Law Offices. In addition to serving as a Corporate Secretary for the Company, he also serves as a Director of Mabuhay Holdings Corporation since 2007.

Alexander Benhur M. Simon, 59, Filipino, became the Company's Vice President and Chief Financial Officer on February 1, 2021. Mr. Simon previously served as Chief Finance Officer of Global Business Power Holdings Corporation, a subsidiary of Metro Pacific Group, and SMC Global Power Holdings Corporation, a subsidiary of San Miguel Corporation. He obtained his Bachelor of Science Degree in Management Engineering from Ateneo de Manila University, Master of Business Administration from Pepperdine University in California, USA, and Master of Applied Business Economics from the Center for Research and Communication.

Jonathan F. Jimenez, 55, Filipino, was appointed as the Assistant Corporate Secretary of the Company on April 1, 2022. He is a member of the Philippine bar and a Juris Doctor (Law) graduate of the Ateneo de Manila University in 1992. Atty. Jimenez has a long-standing career of 23 years in the Alcantara Group. He first joined the Alcantara Group in October 1998 where he served as Legal Counsel of Lima Land, Inc. for 15 years. In October 2013, he transferred to Alsons Land Corporation prior to moving to Conal Corporation in March 2014 as Legal Counsel and now serves as the Corporate Secretary of the Group's other Businesses

Antonio Miguel B. Alcantara, 38, Filipino, was appointed as Deputy Chief Executive Officer of Power Business Unit effective January 1, 2022. Prior to this appointment, he was the Company's Chief Investment & Strategy Officer since February 1, 2021 where helped developed and implemented strategic investment opportunities and business direction that ensure financial growth of the Group. He led the acquisition of the 103MW Diesel Fired Power Plant in Northern Mindanao (Mapalad Power Corporation) where he currently serves as Director. Mr. Alcantara has also assisted the Chairman in monitoring investment performance, explore new investment opportunities and monitor progress of projects. He earned his Bachelor of Science in Business Administration degree major in Finance and Marketing at Northeastern University, Boston, Massachusets USA and his masters degree at Babson College, F.W. Olin Graduate School of Business, Wellesley, MA where he graduated as Magna Cum Laude.

2. Family Relationship of Directors and Officers

Mr. Nicasio I. Alcantara, Mr. Tomas I. Alcantara, Mr. Alejandro I. Alcantara and Ms. Editha I. Alcantara are siblings, while Mr. Antonio Miguel B. Alcantara is the son of Mr. Alendaro I, Alcantara.

3. Independent Directors

The following are the Company's independent directors. They are neither officers nor substantial shareholders of ACR:

a. Jacinto C. Gavino, Jr.
b. Jose Ben R. Laraya
c. Thomas G. Aquino

4. Warrants and Options Outstanding

There are no warrants or options granted by the Company to any of its Directors or executive Officers.

5. Pending Legal Proceedings

None of the directors and officers was involved in any bankruptcy proceedings as of March 31, 2023 and during the past five years. Neither have they been convicted by final judgment in any criminal proceedings or been subject to any order, judgment or decree of competent jurisdiction, permanently or temporarily enjoining, barring, suspending, or otherwise limiting their involvement in any type of business, securities, commodities or banking activities, nor found in action by any court of administrative bodies to have violated a securities or commodities law.

6. Significant employees

There are no persons other than the executive officers that are expected by the Company to make a significant contribution to the business.

7. Legal Proceedings where Property is the Subject

There are no material pending legal proceedings to which the Company or any of its subsidiaries or affiliates is a party or of which any of their property is the subject.

Item 11. **EXECUTIVE COMPENSATION**

A director's compensation represents a per diem of ₱30,000 for every attendance of a Board meeting, and ₱15,000 for every attendance of a meeting of the Executive and Corporate Governance Committee (Executive Committee) and the Audit Committee.

The aggregate amounts paid by the Company to its Directors and Executive Officers as a group were ₱2,565,000, ₱3,300,000 and ₱2,955,000 for the years 2022, 2021 and 2020, respectively. For 2022, the Company estimates that it will pay an aggregate amount of ₱3,630,000 as compensation to its Directors and Executive Officers.

Table 7 - Summary of Compensation of Directors and Executive Officers

Name and Principal Position	Year (With 2023 Estimates)	Bonus (₱)	Other Annual Compensation Income (₱)
1. Nicasio I. Alcantara	2023	₱ -	₱315,000
Chairman and President	2022	-	180,000
	2021	-	210,000
	2020		-
2. Editha I. Alcantara	2023	-	390,000
Director & Treasurer	2022	-	255,000
	2021	-	315,000
	2020		300,000
3. Tirso G. Santillan, Jr.	2023	-	315,000
Director, EVP & COO	2022	-	180,000
	2021	-	255,000
	2020		300,000
4. Tomas I. Alcantara	2023	-	315,000
Director	2022	-	180,000
	2021	-	240,000
	2020	-	225,000
5. Jose Ben R. Laraya	2023	-	390,000
Director	2022	-	255,000
	2021	-	315,000
	2020	-	300,000
6. Ramon T. Diokno	2023	-	315,000
Director	2022	-	255,000
	2021	-	270,000
	2020	-	285,000
7. Thomas G. Aquino	2023	-	315,000
Director	2022	-	255,000
	2021	-	270,000
	2020	-	225,000
8. Jacinto C. Gavino, Jr.	2023	-	315,000
Director	2022	-	255,000
	2021	-	300,000
	2020	-	270,000
9. Alejandro I. Alcantara	2023	-	240,000
	2022	-	180,000
	2021	-	240,000
	2020	-	210,000
10. Arturo B. Diago, Jr.	2023	-	240,000
	2022	-	180,000
	2021	-	240,000
	2020	-	210,000

11. Honorio A. Poblador III	2022 2021 2020 2019	- - - -	240,000 180,000 240,000 210,000
All other Officers and Directors as a group unnamed	2023 2022 2021 2020	- - - -	240,000 210,000 420,000 240,000

Other Annual Compensation received from ACR represents per diems given for every attendance in a Board, an Executive Committee (Excom) meeting or an Audit Committee meeting. The disclosure on the compensation of Key Management Personnel is presented in Note 20 of the consolidated financial statements.

The Company and the executive officers are not involved in any of the following transactions:

1. Standard arrangement and any material arrangements;
2. Employment contract (between the registrant and named executive officers);
3. Compensatory plan or arrangement;
4. Outstanding warrants or options;
5. Adjustments or amendments on the stock warrants or options.

The members of the Compensation Committee of the Company are as follows:

Position	Name
Chairman	Nicasio I. Alcantara
Member	Honorio A. Poblador III
Member (Independent Director)	Jose Ben R. Laraya
Member	Tirso G. Santillan, Jr.

Employment Contracts and Termination of Employment and Change-in-Control Arrangements

The above named executive officers of the Company are not employees of ACR and are not covered by any existing employment contracts. They only receive per diems if they attend a meeting of the Board, or its Executive, or Audit, Committee.

Warrants and Options Outstanding: Repricing

There are no outstanding warrants or options held by the directors or executive officers of the Company.

Item 12. **SECURITIES OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT**

1. Security Ownership of Certain Record and Beneficial Owners

As of December 31, 2022, Alsons Consolidated Resources, Inc. knows of no one who beneficially owns in excess of 5% of its common stock except as set forth in the following table:

Table 8 - Beneficial Owners of Voting Securities

Title of Class	Name and address of Record Owner	Relationship with Issuer	Name of Beneficial Owner and Relationship with record owner	Citizenship	Number of Shares Held	%
Common	**Alsons Corporation**[1] **(AC)** Alsons Bldg., 2286 Don Chino Roces Avenue, Makati City	Affiliate	Alsons Corporation[2]	Filipino	2,592,524,072	41.21%
Common	**Alsons Power Holdings Corp**[1]**. (APHC)** Alsons Bldg., 2286 Don Chino Roces, Avenue Makati City	Affiliate	Alsons Power Holdings Corporation[2]	Filipino	1,249,999,599	19.87%
Common	**Alsons Development & Investment Corp**[1]**. (ALDEVINCO)** 329 Bonifacio St., Davao City	Affiliate	Alsons Development and Investment Corporation[2]	Filipino	1,188,524,026	18.89%
Common	**PCD Nominee Corporation**[3] **(Fil)** MSE Bldg., Ayala Ave., Makati City	None	Various[4]	Filipino	1,173,942,150	18.66%

[1] The President and CEO of the Corporation, Nicasio I. Alcantara, is the Chairman of the Board of Directors of the Company.

[2] The respective Boards of Directors of each of AC, APHC and Aldevinco has power to decide how the shares are to be voted.

[3] The PCD Nominee Corporation is not related to the Company.

[4] There are no holders of more than 5% of common stock under PCD. The clients of the various PCD participants have the power to decide how the Company's shares are to be voted.

2. Security Ownership of Management

The following table shows the securities beneficially owned by all directors, nominees and executive officers of ACR as of March 31, 2023:

Table 9 - Security Ownership of Management

Directors:

Title of Class	Name of Beneficial Owner	Amount and Nature of Beneficial Ownership	Citizenship	Registered (r) or Beneficial (b)	Percent of Ownership
Common	Nicasio I. Alcantara	100	Filipino	r	0.00%
Common	Editha I. Alcantara	100,000	Filipino	r	0.00%
Common	Tomas I. Alcantara	1	Filipino	r	0.00%
Common	Alejandro I. Alcantara	1	Filipino	r	0.00%
Common	Ramon T. Diokno	1	Filipino	r	0.00%
Common	Jose Ben R. Laraya	100	Filipino	r	0.00%
Common	Jacinto C. Gavino, Jr	1	Filipino	r	0.00%
Common	Honorio A. Poblador III	100	Filipino	r	0.00%
Common	Thomas G. Aquino	100	Filipino	r	0.00%
Common	Tirso G. Santillan, Jr.	1	Filipino	r	0.00%
	Total	100,405			0.00%

Officers:

Title of Class	Name of Beneficial Owner	Amount and Nature of Beneficial Ownership	Citizenship	Registered (r) or Beneficial (b)	Percent of Ownership
Common	Nicasio I. Alcantara	100	Filipino	R	0.00%
Common	Editha I. Alcantara	100,000	Filipino	R	0.00%
Common	Tirso G. Santillan, Jr.	1	Filipino	R	0.00%
	Total	100,101			0.00%

3. Voting Trust Holder of 5% or More

No person holds five percent (5%) or more of the issued and outstanding shares of stock of the Company under voting trust or similar agreement.

4. Changes in Control

There are no arrangements which may result in a change in control of the registrant.

Item 13. **CERTAIN RELATIONSHIP AND RELATED TRANSACTIONS**

During the last three (3) years, the Company was not a party in any transaction in which a Director or Executive Officer of the Company, any nominee for election as a Director, or any security holder owning more than 5% of any class of the Company's issued and outstanding shares and/or his/her immediate family member had a material interest thereon.

In the normal conduct of business, the following are among the other transactions with its affiliates and related parties disclosed in the audited financial statements under Notes 17 (Loans Payable), 18 Long-term Debt) and 20 (Related Party):

- In October 2015, the Company subscribed to 22 million redeemable preferred shares of Alsons Development and Investment Corporation (ALDEVINCO), a shareholder, through a conversion of its advances to ALDEVINCO amounting to ₱2.2 billion. These shares have a par value of ₱100 per share and a cumulative dividend of 4% per annum, and are nonparticipating. The Parent Company accounts for its investment in redeemable preferred shares as part of AFS investment in the Financial Statements.

- On March 21, 2013, ALDEVINCO and ACIL (collectively, AG) and Ayala Land, Inc. (ALI) entered into a joint venture agreement, where ALI would own 60%, and AG would own 40%, of the outstanding capital stock of a joint venture corporation, Aviana Development Corporation (ADC), which would develop the Lanang property in Davao City. Thereafter, ALDEVINCO assigned to ACR all of its rights and obligations in the agreement. On September 17, 2013, ADC was incorporated, and ACR has subscribed to, and now owns, 34% of ADC's outstanding capital stock.

There were no transactions to which the Company was a party during the past two (2) fiscal years where a director, executive officer, nominee for director, or stockholder owning more than 10% of the outstanding shares of the Company had a direct interest.

The Company retains the law firm of Castillo Laman Pantaleon and San Jose for legal services, where Atty. Ana A. Katigbak Lim is a Partner. In 2022, and 2021, ACR paid this law firm fees of ₱360,000.00 for each year. No special engagement was made during the years covered. The Company believes that these fees are reasonable for the services rendered.

List all parents of the registrant showing the basis of control and as to each parent, the percentage of voting securities owned or other basis of control by its immediate parent, if any.

With the Company's issuance of the voting preferred shares, the Company's ultimate parent company is Alsons Corporation or AC, which owns 68.63% of all the common and the preferred shares. The Company's outstanding common shares, which are all listed in the Philippine Stock Exchange, are owned and controlled by the following Companies: Alsons Corporation - 41.21%; Alsons Power Holdings Corporation – 19.87%; and Alsons Development & Investment Corporation - 18.89%.

PART IV – CORPORATE GOVERNANCE

Item 14. CORPORATE GOVERNANCE

The Company complies with all Corporate Governance requirements imposed by the Securities & Exchange Commission, and submits to the Commission such reports, disclosures, and other documents required by the Commission, and the applicable codes, and manuals, on Corporate Governance on or before the due date of the same.
A. Evaluation System

The Company continuously determines compliance by the Board of Directors and top-level management with Company's Manual of Corporate Governance by reviewing the said Manual, and the current Corporate Governance Code of the Commission, before each meeting of the Board, and before each meeting of its committees.

The Company also periodically reviews the charter, and functions, of the Board and its Committees, namely the Executive & Corporate Governance Committee, the Audit, Risk Oversight, and Related Party Transaction Committee, the Nomination & Election Committee, the Compensation Committee, and the Retirement Committee, to determine whether the appropriate committee should meet, and if so, determine the agenda for the said meeting.

Thus, the evaluation system established by the Company to determine compliance with the Company's Manual on Corporate Governance, the Commission's applicable Code of Corporate Governance, the charter of the Board or Committee, is a thorough and comprehensive review of the

Company's activities before each Board or Committee meeting, and the presentation to the Board or Committee of the necessary activity for said compliance.

The Company used the following criteria in evaluating or assessing the Directors:

Demonstration of knowledge, skills, and experience to be a valuable resource in the Board's fulfillment of its responsibilities;

(a) Possession of strong up-to-date understanding of the business of the Company and its wholly owned subsidiaries;
(b) Introduction of useful outside information and perspective to Board and Committee deliberations;
(c) Participation in, and is engagement at, meetings of the Board and Committees;
(d) Contributions to Board discussions are forward- looking, constructive, timely, independent, and to the point;
(e) Demonstration of a cooperative attitude and willingness to compromise in order to promote Board cohesion;
(f) Possession of understanding and sensitivity to the fiduciary, ethical, legal responsibilities of the Board;
(g) ppropriate representation of the Company when interacting with members of the public; and (i) Overall, valuable to the Board, and/or Company.

Rating Range

The Company provided a rating range of: "1" being equivalent to "Always/almost always"; "2" being equivalent to "Usually; "3" being equivalent to "Sometimes; "4 " being equivalent to "Rarely"; "5 " being equivalent to "Almost never/Never", and "0 " being equivalent to "Don't know". Raters were allowed to provide a decimal in increments of 0.25 in each of their ratings.

Procedure

After the rescheduled annual shareholders' meeting in 2020, before the subsequent meeting of the Audit Committee, and the following Board meeting, the Company conducted a thorough and comprehensive review of the Company's compliance with its Manual on Corporate Governance, which involved an internal assessment of the performance of the Board, its Chairman, its individual Directors, and the Board's committees using the above criteria. Since the internal assessment was performed in the midst of the pandemic, the Company relied on video and telephone conferences, and dispensed with written evaluation sheets to receive the in-house appraisal of the performances of the available Directors, the Board as a whole, and two (2) of the Board's Committees, the Audit Risk Oversight and Related Party Transaction Committee, and the Executive and Corporate Governance Committee.

Appraisal Results and Performance Report

Using the above-enumerated criteria, the results of the in-house and internal appraisal, evaluation, and assessment were as follows: the available Directors earned an average rating of 1.21; the two (2) Committees earned an average rating of 1.24; and overall, the Board earned a rating of 1.25."

B. Compliance with Adopted Leading Practices

Similar to the continuous evaluation system to determine compliance with the Company's Manual on Corporate Governance, the Commission's applicable Code of Corporate Governance, and/or the charter of the Board or Committee, adopted leading practices on good Corporate Governance are always discussed during Board meetings, or Committee meetings, as the Directors are always trying to improve the Company's operations, and goal-oriented activities. After the presentation by the management of the item in the agenda, a discussion ensues on how the Company could improve, or what measures need to be taken to achieve a better outcome.

Past discussions resulted in the current practice of checking current Company performance against an evolving five-year – or even a longer term – plan. The Directors also query management on the methods to achieve established targets in the long-term plans. The Board has even conducted a workshop to tackle issues arising from efforts to achieve targets that were set during an earlier, and less volatile, period.

C. Deviations from the Manual

As reported to the Commission, and as set forth in various disclosures and filings at ww.acr.com.ph, the Board has established its Executive and Corporate Governance Committee to, among others, assist the Board in the performance of its corporate governance responsibilities. The Committee has five members, and three of those are independent directors.

Since the Corporate Governance Committee is also the Executive Committee, its head is the Chairman of the Board, and is not an Independent Director. Nonetheless, the overall Principle 3 and Recommendation 3.3 of the Manual, and of the Code, are still being achieved since the said Committee continues to assists the Board in performing its corporate governance responsibilities. No sanctions are envisioned for this fully justified deviation.

In its 2020 Corporate Governance Manual, the Company addresses the situation where the Chairman of its Board, Mr. Nicasio I. Alcantara, is also the Company's Chief Executive Officer (CEO). The Company has stated:

> "The Board, taking into consideration the Company's size, risk profile and complexity of operations, may decide that separate individuals should hold the positions of Chairman and CEO, with each having clearly defined responsibilities."

While the Board has not yet decided that separate individuals should hold the positions of Chairman and CEO. Nonetheless, this has not compromised the Board's independence since the Chairman and CEO still has just one vote. Thus, Principle 5 of the Manual, and of the Code, is still being observed. Moreover, the responsibilities of the President and Chief Executive Officer are clearly defined in the Revised Corporation Code, the Company's articles, and by-laws, and the 2020 Manual on Corporate Governance, and these are different from the responsibilities of the Chairman. No sanctions are envisioned for this fully justified deviation.

D. Plans to Improve Corporate Governance

The Company has been discussing the feasibility of separating the Executive & Corporate Governance Committee into two separate committees: the Executive Committee, and the Corporate Governance Committee. With this separation, the chair of the Corporate Governance Committee would be an Independent Director, as envisioned in the Company's Manual on Corporate Governance, and the Commission's applicable Code of Corporate Governance. The Chairman of the Board of Directors would then remain as the Chairman of the Executive Committee, which is in accordance with the said Manual, and Code.

A Corporate Governance Committee meeting separately from the Executive Committee, and chaired by an Independent Director, would then be able to better address the various issues arising from the operations of the Company, and that of its subsidiaries.

The Company is also considering an update of the respective charters of the committees. Such updated charters should provide a clear guidance to each committee on their functions, purposes, and objectives.

PART VI- EXHIBITS AND SCHEDULES

Item 15. EXHIBITS AND REPORTS

15.1 Consolidated Financial Statements

The Audited Consolidated Financial Statements for the years ended December 31, 2022 and 2021 are attached as Exhibit 1:

- Management's Responsibility to the Financial Statements
- Independent Auditor's Report
- Consolidated Balance Sheets December 31, 2022 and 2021
- Consolidated Statements of Income for the three years ended December 31, 2022, 2021 and 2020
- Consolidated Statements of Comprehensive Income for the three years ended December 31, 2022, 2021 and 2020
- Consolidated Statements of Cash Flows for the three years ended December 31, 2022, 2021 and 2020.
- Notes to Consolidated Financial Statements

15.2 Supplementary Schedules

Independent Auditor's Report on Supplementary Schedules SRC Annex 68-E Schedules

Financial Assets – (Cash equivalents, Short-term cash investments, and Available for Sale Financial Assets)
Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders
Amounts receivable from related parties which are eliminated during the consolidation of financial statements
Long-term Debt
Indebtedness to Related Parties
Guarantees of Securities of Other Issuers
Capital Stock
Schedule of Retained Earnings Available for Dividend Declaration

15.3 Reports on SEC Form 17-C

- Report on SEC Form 17-C filed during the year ended December 31, 2022 is attached together with this report and presented in Exhibit 6:

SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Makati on __________.

ALSONS CONSOLIDATED RESOURCES, INC.
Issuer

Pursuant to the requirements of the Securities Regulation Code, this annual report has been signed by the following persons in the capacities and on the date indicated.

By:

Nicasio I. Alcantara Chairman and President	Date: 03.31.2023	Tirso G. Santillan, Jr. Executive Vice-President and Chief Operating Officer	Date: 03.31.2023
Editha I. Alcantara Treasurer	Date: 03.31.2023	Alexander Benhur M. Simon VP and Group Chief Finance Officer	Date: 03.31.2023
Ana Maria Margarita Katigbak Corporate Secretary	Date: 03.31.2023		

SUBSCRIBED AND SWORN to before me this 3 1 day of MAR 2023 affiants exhibiting to me competent evidence of their respective identity as follows:

NAMES	IDENTIFICATION NO.	DATE & PLACE OF ISSUE
Nicasio I. Alcantara	P9170862B	03/15/2022 / DFA Manila
Tirso G. Santillan, Jr.	DL#N17-72-000977	Valid until 02/12/2028 LTO QC
Editha I. Alcantara	P5005115B	03/02/2020 / DFA Manila
Alexander Benhur M. Simon	DL #N15-83-033925	valid until 08/06/2024
Ana Maria Margarita Katigbak	P7145377B	07/07/2021/DFA Manila

Notary Public

Doc. No. 216
Page No. 45
Book No. 13
Series of 2023

VILMA HILDA D. VILLANUEVA-FABELLA NOTARY PUBLIC PARAÑAQUE CITY

ATTY. VILMA HILDA VILLANUEVA-FABELLA
NOTARY PUBLIC
Until December 31, 2024
IBP No. 272742/1-05-2023/PPLM
PTR No. 3190126/1-09-2023/Parañaque
Roll No. 41901
Not. Com. No. 119-2023/1-09-2023

ALSONS CONSOLIDATED RESOURCES, INC.
INDEX TO CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES
FORM 17-A, Item 7

INDEX TO EXHIBITS

Form 17-A

* These Exhibits are either not applicable to the Company or require no answer.
** There were no changes or additions to those already provided in our SEC Form 11-A and in our succeeding filing.

Exhibit 1

AUDITED FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021
And Years Ended December 31,2022, 2021 and 2020

COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

						5	9	3	6	6

COMPANY NAME

ALSONS CONSOLIDATED RESOURCES, INC. AND SUBSIDIARIES

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

Alsons Building, 2286 Chino Roces Avenue, Makati City, Metro Manila, Philippines

Form Type	Department requiring the report	Secondary License Type, If Applicable
AAFS	CRMD	NA

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number	Mobile Number
legal@alcantaragroup.com	(02) 8982-3000	09178581642

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
449	May 20	December 31

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Jose D. Saldivar, Jr.	jsaldivar@alcantaragroup.com	(02) 8982 - 3000	N/A

CONTACT PERSON's ADDRESS

Alsons Building, 2286 Chino Roces Avenue, Makati City, Metro Manila, Philippines

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

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

Alsons Consolidated Resources, Inc.
(Listed in the Philippine Stock Exchange Trading Symbol "ACR")
2nd Floor, Alsons Building
2286 Chino Roces Ext., (formerly P. Tamo Ext.,) Makati City
1231 Metro Manila Philippines
Tel. Nos.: (632) 982-3000 Fax Nos.: (632) 982-3077
Website: www.acr.com.ph

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

SECURITIES AND EXCHANGE COMMISSION,
Secretariat Building, PICC Complex
Roxas Boulevard, Pasay City

The management of Alsons Consolidated Resources, Inc., is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached therein, for the years ended December 31, 2022 and 2021, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the 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.

The Board of Directors is responsible for overseeing the Company's financial reporting process.

The Board of Directors reviews and approves the consolidated financial statements including the schedules attached therein, and submits the same to the stockholders.

SyCip Gorres Velayo & Co., the independent auditors appointed by the stockholders, has audited the consolidated financial statements of the company in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such audit.

NICASIO I. ALCANTARA	TIRSO G. SANTILLAN, JR.	ALEXANDER BENHUR M. SIMON
Chairman and President	Executive Vice-President	Vice President and Group Chief Finance Officer

Signed this 23rd of March 2023.

SUBSCRIBED AND SWORN to before me this 23 MAR 2023 affiants exhibiting to me their Identifications, as follows:

Name	Identification No.	Date and Place of Issue
Nicasio I. Alcantara	P9170862B	Valid Until 03-14-2032 /DFA
Tirso G. Santillan, Jr.	N17-72-000977	Valid Until 02-12-2023 LTO QC
Alexander Benhur M. Simon	N15-83-033925	Valid Until 08-06-2024 /LTO

Doc No. 185
Page No. 38
Book No. 13
Series of 2023

VILMA HILDA D. VILLANUEVA-FABELLA NOTARY PUBLIC PARAÑAQUE CITY

ATTY. VILMA HILDA VILLANUEVA-FABELLA
NOTARY PUBLIC
Until December 31, 2024
IBP No. 272742/1-05-2023/PPLM
PTR No. 3190126/1-09-2023/Parañaque
Roll No. 41901
Not. Com. No. 119-2023/1-09-2023

SGV
Building a better working world

SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
Philippines

Tel: (632) 8891 0307
Fax: (632) 8819 0872
ey.com/ph

INDEPENDENT AUDITOR'S REPORT

The Stockholders and the Board of Directors
Alsons Consolidated Resources, Inc.
Alsons Building, 2286 Chino Roces Avenue
Makati City, Metro Manila, Philippines.

Opinion

We have audited the consolidated financial statements of Alsons Consolidated Resources, Inc. and its subsidiaries (the Group), which comprise the consolidated statements of financial position as at December 31, 2022 and 2021, and the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2022, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2022 and 2021, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2022 in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Impairment Testing of Goodwill

Under PFRSs, the Group is required to annually test the amount of goodwill for impairment. As at December 31, 2022, the carrying value of the Group's goodwill amounted to ₱527 million, which is considered significant to the consolidated financial statements. In addition, management's assessment process requires significant judgment and is based on assumptions which are subject to higher level of estimation uncertainty due to the current economic conditions which have been impacted by the coronavirus pandemic, specifically the contracted and dispatchable capacities, tariff rates and discount rates.

The Group's disclosures about goodwill are included in Note 14 to the consolidated financial statements.

Audit Response

We involved our internal specialist in evaluating the methodology and the assumptions used, specifically on discount rates. We compared the key assumptions used, such as contracted and dispatchable capacities against the historical performance of the cash-generating units (CGUs), industry/market outlook and other relevant external data, taking into consideration the impact associated with the coronavirus pandemic. For tariff rates, we compared the rates used against the rates in the provisionally approved power sales agreements, ancillary services procurement agreements and other relevant external data. We tested the parameters used in the determination of the discount rates against market data. We also reviewed the Group's disclosures about those assumptions to which the outcome of the impairment test is most sensitive; specifically, those that have the most significant effect on the determination of the recoverable amount of goodwill.

Valuation of Unquoted Investment in Alsons Development & Investment Corporation (Aldevinco)

The Group's unquoted equity investments classified as financial assets at fair value through other comprehensive income (FVOCI) include an investment in unquoted preferred shares of Aldevinco amounting to ₱2,200 million, comprising 5% of total consolidated assets as at December 31, 2022. The valuation of this investment is significant to our audit because it is inherently subjective as it involves the use of valuation inputs that are not market observable. Management also applied judgment in selecting the valuation technique and the assumptions to be used. These assumptions include the fair values of the investee's identifiable assets, such as the fair values of real estate inventories, appraised values of real estate properties and fair values of investments in listed and unlisted equity securities and the discounts applied for lack of marketability and lack of control.

The Group's disclosures about its investment in unquoted equity securities designated at FVOCI are included in Note 13 to the consolidated financial statements.

Audit Response

We involved our internal specialist in evaluating the valuation technique and assumptions used. We compared the key assumptions such as fair values of real estate inventories against estimated selling prices less cost to sell; fair values of real estate properties against appraisal reports; fair values of listed equity securities against quoted prices; fair values of unlisted equity securities against adjusted net asset values of the investee companies; and discount for lack marketability and lack of control against market information. We also reviewed the Group's disclosures about those assumptions to which the outcome of the valuation is most sensitive; specifically, those that have the most significant effect on the determination of the fair value of the unquoted equity investment.

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2022, but does not include the consolidated financial statements and our auditor's report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2022 are expected to be made available to us after the date of this auditor's report.

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

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

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

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Manolito R. Elle.

SYCIP GORRES VELAYO & CO.

Manolito R. Elle
Partner
CPA Certificate No. 106471
Tax Identification No. 220-881-929
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
SEC Partner Accreditation No. 106471-SEC (Group A)
Valid to cover audit of 2022 to 2026 financial statements of SEC covered institutions
SEC Firm Accreditation No. 0001-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
BIR Accreditation No. 08-001998-128-2023, January 25, 2023, valid until January 24, 2026
PTR No. 9564613, January 3, 2023, Makati City

March 23, 2023

ALSONS CONSOLIDATED RESOURCES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	December 31	
	2022	2021
ASSETS		
Current Assets		
Cash and cash equivalents (Note 7)	**₱2,796,280,747**	₱2,864,190,106
Short-term cash investments (Note 7)	**123,724,552**	112,434,574
Trade and other receivables (Notes 8 and 20)	**5,986,468,079**	4,833,860,679
Inventories - at cost (Note 9)	**1,037,141,653**	1,517,325,850
Real estate inventories (Note 10)	**622,840,466**	632,070,639
Prepaid expenses and other current assets (Notes 15 and 18)	**697,187,726**	1,244,315,920
Total Current Assets	**11,263,643,223**	11,204,197,768
Noncurrent Assets		
Noncurrent portion of trade receivables (Note 8)	**3,323,416**	3,511,969
Contract assets (Note 8)	**1,684,163,954**	1,732,320,376
Investments in real estate (Notes 10 and 30)	**410,914,921**	513,872,270
Investments in associates (Note 11)	**2,305,803,186**	2,275,982,933
Property, plant and equipment (Note 12)	**27,741,914,110**	28,094,837,067
Equity investments designated at fair value through other comprehensive income (FVOCI) [Note 13]	**2,355,339,743**	2,361,796,426
Advances to contractors	**456,601,567**	149,040,874
Goodwill (Note 14)	**527,187,320**	692,187,320
Net retirement benefits assets (Note 28)	**22,385,884**	20,416,872
Deferred income tax assets - net (Note 29)	**23,985,449**	43,020,477
Other noncurrent assets (Note 18)	**1,001,225,019**	665,274,120
Total Noncurrent Assets	**36,532,844,569**	36,552,260,704
TOTAL ASSETS	**₱47,796,487,792**	₱47,756,458,472
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and other current liabilities (Note 16)	**₱2,580,667,584**	₱4,330,960,272
Loans payable (Note 17)	**3,194,099,417**	1,570,535,030
Short-term notes payable (Note 17)	**1,576,622,383**	1,943,104,063
Income tax payable	**69,658,316**	60,228,044
Current portion of long-term debts (Note 18)	**2,367,618,137**	1,713,027,825
Total Current Liabilities	**9,788,665,837**	9,617,855,234
Noncurrent Liabilities		
Long-term debts - net of current portion (Note 18)	**17,687,397,843**	18,874,181,664
Net retirement benefits liabilities (Note 28)	**69,819,334**	75,405,409
Lease liabilities - net of current portion (Note 30)	**18,036,134**	7,808,237
Decommissioning liabilities (Notes 12 and 19)	**395,092,476**	425,824,476
Deferred credit (Note 33)	**295,026,290**	168,848,386
Deferred income tax liabilities - net (Note 29)	**633,199,351**	634,422,250
Total Noncurrent Liabilities	**19,098,571,428**	20,186,490,422
Total Liabilities	**28,887,237,265**	29,804,345,656

(Forward)

	December 31	
	2022	2021
Equity (Note 21)		
Capital stock	**₱6,346,500,000**	₱6,344,483,333
Equity reserves	**2,560,906,702**	2,532,325,677
Retained earnings:		
Unappropriated	**2,518,585,684**	2,031,472,491
Appropriated	**1,100,000,000**	1,100,000,000
Attributable to equity holders of the Parent Company	**12,525,992,386**	12,008,281,501
Non-controlling interests (Notes 1 and 21)	**6,383,258,141**	5,943,831,315
Total Equity	**18,909,250,527**	17,952,112,816
TOTAL LIABILITIES AND EQUITY	**₱47,796,487,792**	₱47,756,458,472

See accompanying Notes to Consolidated Financial Statements.

ALSONS CONSOLIDATED RESOURCES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME

	Years Ended December 31		
	2022	2021	2020
REVENUE FROM CONTRACTS WITH CUSTOMERS (Notes 6 and 33)	**₱11,989,232,129**	₱10,046,853,824	₱9,464,452,238
COSTS AND EXPENSES			
Cost of services (Note 22)	**(7,765,115,552)**	(6,255,304,967)	(4,687,943,817)
Cost of real estate sold (Note 10)	**(9,230,173)**	–	–
General and administrative expenses (Note 23)	**(847,947,716)**	(678,039,319)	(649,838,838)
	(8,622,293,441)	(6,933,344,286)	(5,337,782,655)
OTHER INCOME (CHARGES)			
Finance charges (Note 26)	**(1,650,401,744)**	(1,716,943,551)	(2,110,565,816)
Equity in net earnings of associates (Note 11)	**54,720,253**	72,357,699	63,584,408
Interest income (Notes 7 and 15)	**24,781,780**	16,473,016	41,965,781
Others - net (Note 27)	**424,259,077**	922,876	39,611,892
	(1,146,640,634)	(1,627,189,960)	(1,965,403,735)
INCOME BEFORE INCOME TAX	**2,220,298,054**	1,486,319,578	2,161,265,848
PROVISION FOR INCOME TAX (Note 29)			
Current	**326,898,946**	191,481,168	277,479,277
Deferred	**18,255,276**	(25,844,681)	15,856,510
	345,154,222	165,636,487	293,335,787
NET INCOME	**₱1,875,143,832**	₱1,320,683,091	₱1,867,930,061
Net income attributable to:			
Equity holders of the Parent Company	**₱617,343,193**	₱404,555,589	₱325,106,338
Non-controlling interests	**1,257,800,639**	916,127,502	1,542,823,723
	₱1,875,143,832	₱1,320,683,091	₱1,867,930,061
Basic/diluted earnings per share attributable to equity holders of the Parent Company (Note 21)	**₱0.097**	₱0.064	₱0.051

See accompanying Notes to Consolidated Financial Statements.

ALSONS CONSOLIDATED RESOURCES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31		
	2022	2021	2020
NET INCOME	**₱1,875,143,832**	₱1,320,683,091	₱1,867,930,061
OTHER COMPREHENSIVE INCOME (LOSS)			
Items that will not be reclassified to profit or loss:			
Actuarial gains (losses) on defined benefit plan (Note 28)	**12,682,775**	27,644,200	(7,698,446)
Tax effect (Note 29)	**443,147**	(2,394,447)	3,594,955
	13,125,922	25,249,753	(4,103,491)
Net changes in fair values of equity investments designated at FVOCI (Note 13)	**(6,456,683)**	16,695,982	(5,565,778)
	6,669,239	41,945,735	(9,669,269)
Items that will be reclassified to profit or loss:			
Translation adjustments	**26,037,973**	16,439,296	(11,716,374)
TOTAL OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX	**32,707,212**	58,385,031	(21,385,643)
TOTAL COMPREHENSIVE INCOME	**₱1,907,851,044**	₱1,379,068,122	₱1,846,544,418
Total comprehensive income attributable to:			
Equity holders of the Parent Company	**₱645,924,218**	₱457,756,436	₱309,909,379
Non-controlling interests	**1,261,926,826**	921,311,686	1,536,635,039
	₱1,907,851,044	₱1,379,068,122	₱1,846,544,418

See accompanying Notes to Consolidated Financial Statements.

ALSONS CONSOLIDATED RESOURCES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2022, 2021 AND 2020

	Attributable to Equity Holders of the Parent Company										
		Equity Reserves									
							Retained Earnings (Note 21)				
	Capital Stock (Note 21)	Remeasurement Gains (Losses) on Defined Benefit Plan (Notes 21 and 28)	Unrealized Gains (Losses) on FVOCI (Notes 13 and 21)	Cumulative Translation Adjustments (Note 21)	Other Equity Reserves (Note 21)	Sub-total	Unappropriated	Appropriated	Total	Non-controlling Interests (Note 1)	Total Equity
BALANCES AS AT DECEMBER 31, 2019	**₱6,335,683,333**	**(₱7,338,937)**	**(₱41,503,044)**	**₱1,688,543,008**	**₱854,620,762**	**₱2,494,321,789**	**₱1,562,270,564**	**₱1,100,000,000**	**₱11,492,275,686**	**₱3,362,420,875**	**₱14,854,696,561**
Net income	–	–	–	–	–	–	325,106,338	–	325,106,338	1,542,823,723	1,867,930,061
Other comprehensive loss	–	(180,377)	(5,565,778)	(9,450,804)	–	(15,196,959)	–	–	(15,196,959)	(6,188,684)	(21,385,643)
Total comprehensive income (loss)	–	(180,377)	(5,565,778)	(9,450,804)	–	(15,196,959)	325,106,338	–	309,909,379	1,536,635,039	1,846,544,418
Collection of subscriptions receivable	4,400,000	–	–	–	–	–	–	–	4,400,000	–	4,400,000
Cash dividends declaration (Note 21)	–	–	–	–	–	–	(130,230,000)	–	(130,230,000)	(871,000,000)	(1,001,230,000)
BALANCES AS AT DECEMBER 31, 2020	6,340,083,333	(7,519,314)	(47,068,822)	1,679,092,204	854,620,762	2,479,124,830	1,757,146,902	1,100,000,000	11,676,355,065	4,028,055,914	15,704,410,979
Net income	–	–	–	–	–	–	404,555,589	–	404,555,589	916,127,502	1,320,683,091
Other comprehensive loss	–	20,124,134	16,695,982	16,380,731	–	53,200,847	–	–	53,200,847	5,184,184	58,385,031
Total comprehensive income (loss)	–	20,124,134	16,695,982	16,380,731	–	53,200,847	404,555,589	–	457,756,436	921,311,686	1,379,068,122
Collection of subscriptions receivable	4,400,000	–	–	–	–	–	–	–	4,400,000	–	4,400,000
Conversion of advances to equity by non-controlling interest (Notes 1 and 16)	–	–	–	–	–	–	–	–	–	1,879,463,700	1,879,463,700
Cash dividends declaration (Note 21)	–	–	–	–	–	–	(130,230,000)	–	(130,230,000)	(884,999,985)	(1,015,229,985)
BALANCES AS AT DECEMBER 31, 2021	6,344,483,333	12,604,820	(30,372,840)	1,695,472,935	854,620,762	2,532,325,677	2,031,472,491	1,100,000,000	12,008,281,501	5,943,831,315	17,952,112,816
Net income	–	–	–	–	–	–	617,343,193	–	617,343,193	1,257,800,639	1,875,143,832
Other comprehensive income	–	8,999,735	(6,456,683)	26,037,973	–	28,581,025	–	–	28,581,025	4,126,187	32,707,212
Total comprehensive income	–	8,999,735	(6,456,683)	26,037,973	–	28,581,025	617,343,193	–	645,924,218	1,261,926,826	1,907,851,044
Collection of subscriptions receivable	2,016,667	–	–	–	–	–	–	–	2,016,667	–	2,016,667
Cash dividends declaration (Note 21)	–	–	–	–	–	–	(130,230,000)	–	(130,230,000)	(822,500,000)	(952,730,000)
BALANCES AS AT DECEMBER 31, 2022	**₱6,346,500,000**	**₱21,604,555**	**(₱36,829,523)**	**₱1,721,510,908**	**₱854,620,762**	**₱2,560,906,702**	**₱2,518,585,684**	**₱1,100,000,000**	**₱12,525,992,386**	**₱6,383,258,141**	**₱18,909,250,527**

See accompanying Notes to Consolidated Financial Statements.

ALSONS CONSOLIDATED RESOURCES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31		
	2022	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**₱2,220,298,054**	₱1,486,319,578	₱2,161,265,848
Adjustments for:			
Finance charges (Note 26)	**1,650,401,744**	1,716,943,551	2,110,565,816
Depreciation and amortization (Note 25)	**1,442,958,108**	1,522,032,734	1,717,075,162
Impairment of goodwill (Notes 14 and 23)	**165,000,000**	–	114,500,000
Equity in net earnings of associates (Note 11)	**(54,720,253)**	(72,357,699)	(63,584,408)
Interest income (Notes 7 and 18)	**(24,781,780)**	(16,473,016)	(41,965,781)
Movements in net retirement assets and retirement benefits liabilities (Notes 24 and 28)	**5,673,142**	(7,434,561)	26,035,778
Unrealized foreign exchange gain - net	**(3,625,652)**	(6,513,998)	(246,007)
Gain on sale of property, plant and equipment (Note 27)	**(705,124)**	(2,975,284)	(252,403)
Provision for decommissioning liabilities (Notes 19 and 27)	**–**	–	4,173,144
Operating income before working capital changes	**5,400,498,239**	4,619,541,305	6,027,567,149
Decrease (increase) in:			
Trade and other receivables	**(457,330,996)**	(829,477,544)	(483,980,045)
Contract assets	**9,296,921**	199,994,639	(400,661,501)
Real estate inventories	**9,230,173**	–	–
Inventories	**480,184,197**	(678,667,903)	(195,718,056)
Prepaid expenses and other current assets	**566,385,969**	(121,509,536)	119,934,900
Increase (decrease) in accounts payable and other current liabilities	**(1,140,667,744)**	725,157,949	476,242,857
Cash generated from operations	**4,867,596,759**	3,915,038,910	5,543,385,304
Income taxes paid including creditable withholding taxes	**(438,169,492)**	(141,388,071)	(272,374,980)
Net cash flows from operating activities	**4,429,427,267**	3,773,650,839	5,271,010,324
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to:			
Property, plant and equipment, including advances to contractors (Notes 12 and 35)	**(1,397,819,955)**	(493,496,209)	(1,638,975,875)
Computer software	**(661,289)**	(2,627,220)	(660,000)
Investments in real estate (Note 10)	**(5,127,010)**	(208,811,239)	–
Proceeds from government grant (Note 33)	**126,177,904**	168,848,386	–
Dividends received from associate (Note 11)	**24,900,000**	24,900,000	33,200,018
Interest received	**24,781,780**	16,473,016	41,965,781
Withdrawal of (additions to) short-term cash investments (Note 7)	**(11,289,978)**	(6,561,015)	75,758,527
Proceeds from disposals of property, plant and equipment	**2,725,076**	3,884,598	1,179,501
Advances made to related parties	**(631,231,851)**	(441,330,914)	(295,000,866)
Additions to other noncurrent assets	**(105,738,206)**	(37,508,953)	–
Net cash flows used in investing activities	**(1,973,283,529)**	(976,229,550)	(1,782,532,914)

(Forward)

	Years Ended December 31		
	2022	2021	2020
CASH FLOWS FROM FINANCING ACTIVITIES			
Availment of loans and long-term debts (Notes 17, 18 and 35)	**₱7,379,099,417**	₱3,378,400,000	₱9,901,316,612
Payments of:			
Loans and long-term debts (Note 35)	**(6,707,426,710)**	(3,617,686,550)	(10,665,064,107)
Interest expense (Notes 30 and 35)	**(1,522,627,562)**	(1,660,106,861)	(2,010,047,427)
Dividends (Notes 21 and 35)	**(1,520,674,997)**	(740,829,990)	(660,830,010)
Debt issue costs (Note 18)	**(19,563,313)**	–	(94,827,513)
Principal portion of lease liabilities (Note 30)	**(9,927,571)**	(13,945,715)	(10,275,720)
Proceeds from receipt of (additions to) debt reserve account (Notes 15 and 18)	**(126,429,485)**	11,581,510	(60,169,254)
Net cash flows used in financing activities	**(2,527,550,221)**	(2,642,587,606)	(3,599,897,419)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(71,406,483)**	154,833,683	(111,420,009)
EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**3,497,124**	6,461,517	(245,724)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**2,864,190,106**	2,702,894,906	2,814,560,639
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 7)	**₱2,796,280,747**	₱2,864,190,106	₱2,702,894,906

See accompanying Notes to Consolidated Financial Statements.

ALSONS CONSOLIDATED RESOURCES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. General Information

Corporate Information
Alsons Consolidated Resources, Inc. (ACR or Parent Company) is a stock corporation organized on December 24, 1974 as Victoria Gold Mining Corporation to engage in the business of exploration of oil, petroleum and other mineral products. The corporate name was changed to Terra Grande Resources, Inc. in March 1995 and to Alsons Consolidated Resources, Inc. in June 1995 to mark the entry of the Alcantara Group. ACR's primary purpose was consequently changed to that of an investment holding company and oil exploration was relegated as a secondary purpose.

ACR's ultimate parent company is Alsons Corporation (AC), a company incorporated in the Philippines.

The registered office address of ACR is Alsons Building, 2286 Chino Roces Avenue, Makati City, Metro Manila, Philippines.

The consolidated financial statements include the accounts of ACR and the subsidiaries (collectively referred to as "the Group") listed in the table below:

		Percentage of Ownership			
		2022		2021	
Subsidiaries	Nature of business	**Direct**	**Indirect**	Direct	Indirect
Alsons Thermal Energy Corporation (ATEC)	Investment holding	**50.00***		50.00*	–
Sarangani Energy Corporation (Sarangani)	Power generation	–	**37.50**	–	37.50
ACES Technical Services Corporation (ACES)	Management services	–	**50.00**	–	50.00
San Ramon Power Inc. (SRPI)	Power generation	–	**50.00**	–	50.00
Conal Holdings Corporation (CHC)	Investment holding	**100.00**	–	100.00	–
Alsing Power Holdings, Inc. (APHI)	Investment holding	**20.00**	**80.00**	20.00	80.00
Western Mindanao Power Corporation (WMPC)	Power generation	–	**55.00**	–	55.00
Southern Philippines Power Corporation (SPPC)	Power generation	–	**55.00**	–	55.00
Mapalad Power Corporation (MPC)	Power generation	–	**100.00**	–	100.00
Alto Power Management Corporation (APMC)	Management services	–	**60.00**	–	60.00
APMC International Limited (AIL)	Management services	–	**100.00**	–	100.00
Alsons Renewable Energy Corporation (AREC)	Investment holding	**80.00**	–	80.00	–
Siguil Hydro Power Corporation (Siguil)	Power generation	–	**80.00**	–	80.00
Kalaong Power Corporation (Kalaong)	Power generation	–	**80.00**	–	80.00
Bago Hydro Resources Corporation (Bago)	Power generation	–	**80.00**	–	80.00
Sindangan Zambo-River Power Corp. (Sindangan)	Power generation	–	**80.00**	–	80.00
Alsons Power International Limited (APIL)	Power generation	**100.00**	–	100.00	–
Alsons Land Corporation (ALC)	Real estate	**99.55**	–	99.55	–
MADE (Markets Developers), Inc. (MADE)	Distribution	**80.44**	–	80.44	–
Kamanga Agro-Industrial Ecozone Development Corporation (KAED)	Real estate	**100.00**	–	100.00	–
Alsons Power Supply Corporation (APSC)	Customer service	**100.00**	–	100.00	–

**50% ownership interest plus 1 share of the voting and total outstanding capital stock.*

Except for AIL and APIL, which are incorporated in the British Virgin Islands (BVI), all of the subsidiaries are incorporated in the Philippines.

Power and Energy

ATEC and Subsidiaries

ATEC. On November 23, 2015, ACR organized ATEC primarily to develop and invest in energy projects, including but not limited to the exploration, development and utilization of renewable energy resources with total capital infusion amounting to ₱1 million.

On October 13, 2016, ACR and ATEC executed an assignment of share agreement wherein the Parent Company assigned and transferred its ownership interests in ACES to ATEC for a total consideration of ₱20 million. Accordingly, ACES became wholly owned subsidiary of ATEC.

On May 24, 2017, ACR and ATEC executed an assignment of share agreement wherein ACR assigned and transferred its ownership interests in SRPI to ATEC amounting to ₱1.2 million for a total consideration of ₱0.3 million, net of subscriptions payable amounting to ₱0.9 million. Accordingly, SRPI became a wholly owned subsidiary of ATEC. Subsequently, on May 31, 2017, ACR and ATEC executed a deed of assignment of advances wherein ACR assigned to ATEC its advances to SRPI totaling to ₱231 million.

On November 27, 2017, the Parent Company sold its 50% ownership interest less 1 share of the voting and total outstanding capital stock in ATEC equivalent to 14,952,678 common shares to Global Business Power Corporation (GBPC) for a total consideration amounting to ₱2,378 million, inclusive of retention receivable amounting to ₱100 million to be received upon issuance by the Bureau of Internal Revenue (BIR) of the Certificate of Authorizing Registration. The Parent Company recognized a gain amounting to ₱709 million, net of transaction costs totaling to ₱169 million (see Note 21). Subsequently, on December 1, 2017, the Parent Company, GBPC and ATEC executed a deed of assignment of advances wherein the Parent Company assigned and transferred to GBPC its right to collect 50% of its advances to ATEC amounting to ₱1,879 million (see Note 16). The Parent Company has determined that it has retained control over ATEC since it has the power to direct the relevant activities of ATEC by virtue of a contractual agreement.

On June 1, 2021, the Parent Company and GBPC subscribed to additional common shares amounting to ₱1,879 million each, which was settled through the conversion of advances to ATEC.

Sarangani. CHC organized Sarangani on October 15, 2010 as a wholly owned subsidiary to construct, commission and operate power generating plant facilities of electricity in Maasim, Sarangani Province. On June 27, 2011, ACR acquired full control of Sarangani through an agreement with CHC, wherein CHC assigned all its shares to ACR. On December 10, 2012, ACR entered into a shareholders agreement with Toyota Tsusho Corporation (TTC), a company incorporated in Japan, wherein TTC subscribed and paid ₱355 million worth of Sarangani shares representing 25% of the total equity of Sarangani. In accordance with the shareholders agreement, ACR increased its investment in Sarangani to 75% of the total equity of Sarangani by converting its advances and additional cash infusion.

The construction of the Sarangani's SM200 project is in two phases. Construction of Phase 1 (105 MW) of the Project commenced in January 2013 and was completed in April 2016. The construction of Phase 2 (105 MW) commenced in January 2017 and was completed in October 2019.

In 2015, ACR made additional cash infusion and conversion of advances totaling to ₱572 million, primarily to meet the funding requirements of Sarangani's SM200 project.

On April 20, 2016, ACR subscribed to ATEC's increase in authorized capital stock to the amount of ₱2,989 million worth of shares of stock. The subscription was paid by way of ACR's investment in Sarangani and cash amounting to ₱14 million.

On February 6, 2017, ATEC's Board of Directors (BOD) authorized the conversion its advances to Sarangani amounting to ₱3,375 million into equity by way of subscription to the increase in authorized capital stock of Sarangani. The Philippine SEC approved Sarangani's increase in authorized capital stock on March 20, 2017. Also, TTC subscribed to additional common shares amounting to ₱1,125 million which was settled through cash infusion. As at December 31, 2022 and 2021, Sarangani is 75% owned by ATEC.

SRPI. ACR organized and incorporated SRPI on July 22, 2011 as a wholly owned subsidiary. SRPI was incorporated primarily to acquire, construct, commission, operate and maintain power-generating plants and related facilities for the generation of electricity. SRPI has obtained its Environmental Compliance Certificate (ECC) on March 20, 2012 for the planned 105 MW coal fired power plant to be located in Zamboanga Ecozone. As at March 23, 2023, the Company has not started the construction of the ZAM 100 power plant. The proposals for the Engineering, Procurement and Construction (EPC) rebidding were submitted on August 30, 2018. The selected EPC contractor remains committed to the implementation of the SRPI Project, with regular updating of project requirements to maintain readiness for implementation upon execution of the EPC contract and issuance of NTP (Notice to Proceed).The issuance of the NTP is expected in the fourth quarter of 2024, corresponding to a Commercial Operations Date (COD) in March 2027.

ACES. ACR organized and incorporated ACES on July 7, 2011 primarily to provide operations and maintenance services to the Group's coal power plants.

CHC and Subsidiaries. The BOD of Northern Mindanao Power Corporation (NMPC), a subsidiary under CHC, approved on April 25, 2008 the amendments to NMPC's Articles of Incorporation to shorten its corporate life up to November 15, 2009. After November 15, 2009, NMPC was dissolved. Consequently, NMPC's remaining assets and liabilities have all been transferred to CHC's books as at December 31, 2009. CHC is responsible for the final liquidation of NMPC's net assets and the payment to the non-controlling shareholders. In 2013, CHC has fully liquidated the net distributable assets of NMPC and paid the non-controlling shareholders.

CHC organized and incorporated MPC on July 13, 2010 as a wholly owned subsidiary to rehabilitate and operate the 103 mega-watts (MW) Bunker-Fired Iligan Diesel Power Plants (IDPPs) I and II located in Iligan City. On June 27, 2011, ACR acquired full control of MPC through an agreement with CHC, wherein CHC assigned all shares to ACR. The deed of sale of IDPP with Iligan City Government was signed on February 27, 2013. On August 1, 2013, ACR transferred MPC to CHC for a total consideration of ₱0.3 million. MPC entered into Power Supply Agreements (PSAs) with various distribution utilities and electric cooperatives (see Note 33). On September 6, 2013, MPC started operating 98 MW of the 103 MW Bunker-Fired IDPPs. MPC completed the rehabilitation and operated the balance of 5 MW in 2014.

On the other hand, SPPC and WMPC are bunker C-fired diesel generator power plants.

AREC and Subsidiaries

AREC. On September 18, 2014, ACR organized AREC primarily to develop and invest in energy projects including but not limited to the exploration, development and utilization of renewable energy resources with total capital infusion amounting to ₱31 million.

On July 10, 2015, ACR and AREC executed an assignment of share agreement wherein ACR assigned and transferred its ownership interests in Siguil and Kalaong to AREC. Accordingly, Siguil and Kalaong became subsidiaries of AREC. Also, ACR sold its 20% interest to ACIL, Inc., an entity under common control. Accordingly, ACR's interest in AREC was reduced from 100% to 80%.

Siguil and Kalaong. ACR organized and incorporated Siguil and Kalaong on July 22, 2011 as wholly owned subsidiaries. Siguil and Kalaong were incorporated primarily to develop and invest in energy projects including but not limited to the exploration, development and utilization of renewable energy resources. Siguil's 15 MW Hydro Power Project is in Maasim, Sarangani while Kalaong's 22 MW Hydro Power Project is in Bago, Negros Oriental. These projects are expected to augment power supply in the cities of General Santos and Bacolod, respectively, once they are completed. In July 2019, Siguil has commenced its construction and expected to be completed in the fourth quarter of 2023. As at March 23, 2023, Siguil and Kalaong have not yet started commercial operations.

Bago and Sindangan. AREC organized and incorporated Bago and Sindangan on February 26, 2018 and August 31, 2018, respectively, as wholly owned subsidiaries of AREC. Bago and Sindangan were incorporated primarily to develop and invest in energy projects including but not limited to the exploration, development and utilization of renewable energy resources. Bago's 42 MW Hydro Power Project is in Negros Occidental while Sindangan's 20 MW Hydro Power Project is in Siayan and Duminag, Zamboanga Del Norte. These projects are expected to augment power supply in the provinces of Negros Occidental and Zamboanga Del Norte, respectively, once they are completed. As at March 23, 2023, Bago and Sindangan have not yet started commercial operations.

Property Development
ALC. On November 25, 1994, ACR incorporated ALC to acquire, develop, sell and hold for investment or otherwise, real estate of all kinds, sublease office spaces and manufacture door and house frames.

KAED. On September 3, 2010, ACR incorporated KAED to establish, develop, operate and maintain an agro-industrial economic zone and provides the required infrastructure facilities and utilities such as power and water supply and distribution system, sewerage and drainage system, waste management system, pollution control device, communication facilities and other facilities as may be required for an agro-industrial economic zone.

Other Investments
MADE. MADE, which is in the distribution business, has incurred significant losses in prior years resulting in capital deficiency. Because of the recurring losses, MADE decided to cease operations effective April 30, 2006 and terminated its employees. These factors indicate the existence of a material uncertainty which may cast significant doubt on the MADE's ability to continue as a going concern. As at March 23, 2023, MADE has no plans to liquidate but new business initiatives are being pursued which will justify resumption of its trading operations.

APSC. ACR organized and incorporated APSC on October 13, 2016 primarily to provide services necessary or appropriate in relation to the supply and delivery of electricity.

Approval and Authorization for the Issuance of the Consolidated Financial Statements
The consolidated financial statements were authorized for issuance by the BOD on March 23, 2023, upon the recommendation for approval by the Audit Committee.

2. Basis of Preparation and Statement of Compliance

Basis of Preparation
The consolidated financial statements of the Group have been prepared on a historical cost basis, except for equity investments designated at fair value through other comprehensive income (FVOCI) that have been measured at fair value. The consolidated financial statements are presented in Philippine peso, the functional and presentation currency of the Parent Company. All amounts are rounded to the nearest peso, except as otherwise indicated.

The accompanying consolidated financial statements have been prepared under the going concern assumption. The Group believes that its businesses would remain relevant despite challenges posed by the rising inflations, ongoing pandemic and geopolitical uncertainties. Despite the adverse impact of these challenges on short-term business results, long-term prospects remain attractive.

Statement of Compliance

The consolidated financial statements of the Group have been prepared in compliance with Philippine Financial Reporting Standards (PFRSs).

Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries as at December 31 of each year (see Note 1).

The Group controls an investee if and only if the Group has:

- power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee),
- exposure, or rights, to variable returns from its involvement with the investee, and
- the ability to use its power over the investee to affect its returns.

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

- the contractual arrangement with the other vote holders of the investee
- rights arising from other contractual arrangements
- the Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributable to equity holders of the parent of the Group and to non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The financial statements of subsidiaries are prepared for the same reporting year using uniform accounting policies as those of the Parent Company.

A change in ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognizes the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognized in profit or loss. Any investment retained is recognized at fair value.

Non-controlling interests represent the portion of profits or losses and net assets of subsidiaries not held by the equity holders of the Parent Company and are presented separately in the consolidated statement of income and consolidated statement of comprehensive income and within equity in the consolidated statement of financial position, separately from equity attributable to the equity holders of the Parent Company.

Material Partly-Owned Subsidiaries

The tables below show details of materially partly-owned subsidiaries of ACR either directly or indirectly:

Name of Subsidiary	Place of Incorporation and Operation	Principal Activity	Proportion Ownership Interest and Voting Rights Held by Non-controlling Interests		
			2022	2021	2020
ATEC	Philippines	Holding	**50.0%**	50.0%	50.0%
Sarangani	Philippines	Power generation	**62.5%**	62.5%	62.5%
ACES	Philippines	Management services	**50.0%**	50.0%	50.0%
SRPI	Philippines	Power generation	**50.0%**	50.0%	50.0%

Accumulated balances of material non-controlling interests:

	2022	2021
	Amounts in Thousands	
Accumulated balances	**₱6,618,651**	₱6,132,115

Total comprehensive income and dividends declared of material non-controlling interests:

	2022	2021	2020
		Amounts in Thousands	
Total comprehensive income	**₱1,174,036**	₱908,494	₱1,487,214
Dividends declared	**(687,500)**	(758,300)	(740,000)

The summarized financial information in respect of the subsidiaries that have material non-controlling interests (before intra-group eliminations) is set out below.

Summarized statements of financial position of ATEC, including its subsidiaries as at December 31 are as follows:

	2022	2021
	Amounts in Thousands	
Current assets	**₱4,300,451**	₱5,615,349
Noncurrent assets	**25,313,395**	26,356,311
Current liabilities	**(4,426,085)**	(5,610,843)
Noncurrent liabilities	**(11,550,850)**	(13,483,101)
Equity	**₱13,636,911**	₱12,877,716

Summarized statements of comprehensive income of ATEC, including its subsidiaries for the years ended December 31 are as follows:

	2022	2021	2020
	Amounts in Thousands		
Revenue and other income	**₱8,752,775**	₱6,872,757	₱6,383,464
Expenses	**(6,663,762)**	(5,246,321)	(3,829,879)
Income tax	**(245,556)**	(185,021)	(171,354)
Net income	**1,843,457**	1,441,415	2,382,231
Other comprehensive income (loss)	**15,738**	15,888	(6,906)
Total comprehensive income	**₱1,859,195**	₱1,457,303	₱2,375,325

Summarized statements of cash flows of ATEC, including its subsidiaries for the years ended December 31 are as follows:

	2022	2021	2020
	Amounts in Thousands		
Operating	**₱3,522,513**	₱3,825,154	₱5,047,568
Investing	**(155,496)**	(85,629)	(989,078)
Financing	**(3,970,870)**	(3,598,620)	(4,058,851)
Net increase (decrease) in cash and cash equivalents	**(₱603,533)**	₱140,905	(₱361)

There are no significant restrictions on the subsidiaries to transfer funds to the Parent Company in the form of dividends, payment of advances, among others.

3. Changes in Accounting Policies and Disclosures

New Standards Effective Starting January 1, 2022

The accounting policies adopted are consistent with those of the previous financial year, except that the Group has adopted the following new pronouncements starting January 1, 2022. Adoption of these pronouncements did not have any significant impact on the Group's financial position or performance, unless otherwise indicated.

- 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 Group adopted the amendments beginning January 1, 2022. The amendments did not have a material impact on the Group.

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

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

  The Group adopted the amendments beginning January 1, 2022. The amendments did not have a material impact on the Group.

- 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 Group adopted the amendments beginning January 1, 2022. The amendments did not have a material impact on the Group.

- *Annual Improvements to PFRSs* 2018-2020 Cycle

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

    The amendment permits a subsidiary that elects to apply paragraph D16(a) of PFRS 1 to measure cumulative translation differences using the amounts reported in the parent's consolidated financial statements, based on the parent's date of transition to PFRS, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of PFRS 1.

    The Group adopted the amendments beginning January 1, 2022. The amendments did not have a material impact on the Group.

  - Amendments to PFRS 9, *Financial Instruments, Fees in the '10 per cent' test for derecognition of financial liabilities*

    The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.

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

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

The Group adopted the amendments beginning January 1, 2022. The amendments did not have a material impact on the Group.

Future Changes in Accounting Policies

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

Effective beginning on or after January 1, 2023

- Amendments to PAS 1 and PFRS Practice Statement 2, *Disclosure of Accounting Policies*

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

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

  The amendments to the Practice Statement provide non-mandatory guidance. Meanwhile, the amendments to PAS 1 are effective for annual periods beginning on or after January 1, 2023. Early application is permitted as long as this fact is disclosed. The Group is currently assessing the impact of the amendment on the consolidated financial statements.

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

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

  An entity applies the amendments to changes in accounting policies and changes in accounting estimates that occur on or after January 1, 2023 with earlier adoption permitted. The amendments are not expected to have a material impact on the Group.

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

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

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

  An entity applies the amendments to transactions that occur on or after the beginning of the earliest comparative period presented for annual reporting periods on or after January 1, 2023. The amendments are not expected to have a material impact on the Group.

Effective beginning on or after January 1, 2024

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

  The amendments clarify:

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

  The amendments are effective for annual reporting periods beginning on or after January 1, 2024 and must be applied retrospectively. The amendments are not expected to have a material impact on the Group.

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

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

  The amendments are effective for annual reporting periods beginning on or after January 1, 2024 and must be applied retrospectively. Earlier adoption is permitted and that fact must be disclosed. The amendments are not expected to have a material impact on the Group.

Effective beginning on or after January 1, 2025

- PFRS 17, *Insurance Contracts*

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

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

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

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

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

The adoption will not materially affect the Group.

Deferred effectivity

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

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

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

4. Summary of Significant Accounting and Financial Reporting Policies

<u>Current versus Noncurrent Classification</u>
The Group presents assets and liabilities in the consolidated statements of financial position based on current or noncurrent classification.

An asset is current when it is:

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

All other assets are classified as noncurrent.

A liability is current when it is:

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

The Group classifies all other liabilities as noncurrent.

Deferred tax assets and liabilities and retirement benefits assets and liabilities are classified as noncurrent assets and liabilities, respectively.

Fair Value Measurement
The Group measures financial instruments, such as derivatives, at fair value at each statement of financial position date. Also, fair values of financial and non-financial instruments are disclosed in Note 32.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the 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 by the Group.

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

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

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

Assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level of 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 of input that is significant to the fair value measurement is directly or indirectly observable; and
- Level 3 - Valuation techniques for which the lowest level of input that is significant to the fair value measurement is unobservable.

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

The Group determines the policies and procedures for both recurring and non-recurring fair value measurements. For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy.

Cash and Cash Equivalents
Cash include cash on hand and in banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less from dates of acquisitions and are subject to an insignificant risk of changes in value.

Short-term Cash Investments
Short-term cash investments are short-term, highly liquid investments that are convertible to known amounts of cash with original maturities of more than three months but less than one year from the date of acquisition and that are subject to an insignificant risk of change in value.

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

Financial Assets
Initial recognition and measurement of financial assets
Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, FVOCI and fair value through profit or loss (FVPL). The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them.

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

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

Subsequent measurement of financial assets
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 investments)
- Financial assets at FVPL

The Group has financial instruments classified as financial assets at FVOCI but has no financial assets at FVPL.

Financial assets at amortized cost
This category is the most relevant to the Group. The Group measures financial assets at amortized cost if both of the following conditions are met:

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

Financial assets at amortized cost are subsequently measured using the effective interest method and are subject to impairment. Interest income is recognized as the interest accrues using EIR. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

The Group's financial assets at amortized cost include cash and cash equivalents, short-term cash investments, receivables, debt reserve accounts, due from related parties, contract assets and retention receivable.

Financial assets designated at FVOCI (equity investments). Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity investments designated at FVOCI when they meet the definition of equity under PAS 32, *Financial Instruments, Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognized as other income in profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity investments designated at FVOCI are not subject to impairment assessment.

The Group elected to classify irrevocably its quoted and unquoted equity investments under this category.

Financial Liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at FVPL, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of other financial liabilities, net of directly attributable transaction costs.

The Group's financial liabilities include accounts payables and other current liabilities (excluding statutory payables), loans payable, short-term notes payable, long-term debt and lease liabilities.

Subsequent measurement

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as interest expense in profit or loss.

Impairment of Financial Assets

The Group recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at FVPL. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. 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. (a) 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 12 months (a 12-month ECL). (b) 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 timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to debtors and the economic environment. For receivables from real estate sales, ECL is computed using vintage analysis.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual cash flows in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

For cash and cash equivalents, short-term cash investments and debt reserve accounts, the Group applies the low credit risk simplification. The probability of default and loss given defaults are publicly available and are considered to be low credit risk investments. It is the Group's policy to measure ECLs on such instruments on a 12-month basis. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL. To estimate the ECL, the Group uses the ratings published by a reputable rating agency.

For other financial assets such as due from related parties and retention receivables, 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 expected 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 remaining life of the exposure, irrespective of the timing of default (a lifetime ECL).

Derecognition of Financial Assets and Liabilities

Financial assets

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

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

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

Financial liability
A financial liability is derecognized when the obligation under the liability is discharged, 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 an 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 profit or loss.

Modification of Financial Assets
The Group derecognizes a financial asset when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new asset, with the difference between its carrying amount and the fair value of the new asset recognized as a derecognition gain or loss in profit or loss, to the extent that an impairment loss has not already been recorded.

The Group considers both qualitative and quantitative factors in assessing whether a modification of financial asset is substantial or not. When assessing whether a modification is substantial, the Group considers the following factors, among others:

- Change in currency
- Introduction of an equity feature
- Change in counterparty
- If the modification results in the asset no longer considered SPPI

The Group also performs a quantitative assessment similar to that being performed for modification of financial liabilities. In performing the quantitative assessment, the Group considers the new terms of a financial asset to be substantially different if the present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the present value of the remaining cash flows of the original financial asset.

When the contractual cash flows of a financial asset are renegotiated or otherwise modified and the renegotiation or modification does not result in the derecognition of that financial asset, the Group recalculates the gross carrying amount of the financial asset as the present value of the renegotiated or modified contractual cash flows discounted at the original EIR (or credit-adjusted EIR for purchased or originated credit-impaired financial assets) and recognizes a modification gain or loss in the consolidated statement of income.

When the modification of a financial asset results in the derecognition of the existing financial asset and the subsequent recognition of a new financial asset, the modified asset is considered a 'new ' financial asset. Accordingly, the date of the modification shall be treated as the date of initial recognition of that financial asset when applying the impairment requirements to the modified financial asset. The newly recognized financial asset is classified as Stage 1 for ECL measurement purposes, unless the new financial asset is deemed to be originated as credit impaired (POCI).

Financial liabilities
A financial liability (or a part of a financial liability) is derecognized when the obligation under the liability is discharged, 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 or a part of it are substantially modified, such an exchange or modification is treated as a derecognition of the original financial liability and the recognition of a new financial liability, and the difference in the respective carrying amounts is recognized in the statement of income.

Exchange or modification of financial liabilities
The Group considers both qualitative and quantitative factors in assessing whether a modification of financial liabilities is substantial or not. The terms are considered substantially different if the present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the present value of the remaining cash flows of the original financial liability. However, under certain circumstances, modification or exchange of a financial liability may still be considered substantial, even where the present value of the cash flows under the new terms is less than 10% different from the present value of the remaining cash flows of the original financial liability. There may be situations where the modification of the financial liability is so fundamental that immediate derecognition of the original financial liability is appropriate (e.g., restructuring a financial liability to include an embedded equity component).

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the fair value of the new liability is recognized in profit or loss.

When the exchange or modification of the existing financial liability is not considered as substantial, the Group recalculates the gross carrying amount of the financial liability as the present value of the renegotiated or modified contractual cash flows discounted at the original EIR and recognizes a modification gain or loss in profit or loss.

If modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognized as part of the gain or loss on the extinguishment. If the modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the financial instrument and are amortized over the remaining term of the modified financial instrument.

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

<u>Derivative Financial Instrument</u>
A derivative is a financial instrument or other contract with all three of the following characteristics:

a. its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a nonfinancial variable that the variable is not specific to a party to the contract (sometimes called the "underlying");
b. it requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors; and,
c. it is settled at a future date.

Derivative instruments (including bifurcated embedded derivatives) are initially recognized at fair value on the date in which a derivative transaction in entered into or bifurcated, and are subsequently re-measured at fair value. Changes in fair value of derivative instruments not accounted for as hedges are recognized immediately in the consolidated statement of income. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Embedded derivatives
The Group assesses whether embedded derivatives are required to be separated from host contracts when the Group first becomes party to the contract. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required. An embedded derivative is separated from the host contract and accounted for as a derivative if all of the following conditions are met: (a) the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract; (b) a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and (c) the hybrid or combined instrument is not measured at fair value with changes in fair value reported in the consolidated statement of income. Subsequent reassessment is prohibited unless there is a change in the terms of the contract that significantly modifies the cash flows that otherwise would be required under the contract, in which case reassessment is required. The Group determines whether a modification to cash flows is significant by considering the extent to which the expected future cash flows associated with the embedded, the host contract or both have changed and whether the change is significant relative to the previously expected cash flows on the contract.

The Group has no embedded derivatives which are required to be bifurcated.

Classification of Financial Instruments between Debt and Equity
A financial instrument is classified as debt if it provides for a contractual obligation to:

- deliver cash or another financial asset to another entity;
- exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Group; or
- satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

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

Inventories
These consist of coal, fuel and other inventories which are valued at the lower of cost and net realizable value (NRV). Cost of inventories is determined using the moving-average method for coal and fuel inventory and first-in, first-out (FIFO) cost method for other inventories. NRV is the current replacement cost.

When the circumstances that previously caused the inventories to be written down below cost no longer exist, or when there is clear evidences of an increase in NRV because of changes in economic circumstances, the amount of write-down is reversed. The reversal cannot be greater than the amount of the original write-down.

Real Estate Inventories
Real estate inventories representing real estate (residential lots) opened up for sale are carried at the lower of cost and NRV. The cost includes acquisition cost of the land, direct development cost incurred, including borrowing costs and any other directly attributable costs of bringing the assets to its intended use. NRV is the estimated selling price in the ordinary course of business, less estimated cost to sell. A write-down of inventories is recognized in consolidated statement of income when the cost of the real estate inventories exceeds its NRV.

Investments in Real Estate
Investments in real estate comprise land, building and improvements which are not occupied substantially for use by, or in operations of the Group, nor for sale in the ordinary course of business, but are held primarily to earn rental income and for capital appreciation. Cost includes acquisition cost of the land and any other directly attributable costs of bringing the asset to its intended use.

Subsequent to initial recognition, investments in real estate, except land, are measured at cost less accumulated depreciation and impairment loss. Land is carried at cost less any impairment in value.

Building and improvements are depreciated using the straight-line method over the estimated useful life of five (5) years to fifteen (15) years.

Investments in real estate are derecognized when either these have been disposed of or when the investment in real estate is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment in real estate are recognized in the consolidated statement of income in the year of retirement or disposal.

Transfers are made to investments in real estate when, and only when, there is a change in use, evidenced by ending of owner-occupation or commencement of an operating lease to another party. Transfers are made from investments in real estate when, and only when, there is a change in use, evidenced by commencement of owner-occupation or commencement of development with a view to sale. These transfers are recorded using the carrying amount of the investments in real estate at the date of change in use.

Investments in Associates
An associate is an entity in which the Group has significant influence and which is neither a subsidiary nor a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over these policies.

The consideration made in determining significant influence is similar to those necessary to determine control over subsidiaries.

The Group's investments in associates are accounted for under the equity method of accounting. Under the equity method, the investments in associates are carried in the consolidated statement of financial position at cost plus post-acquisition changes in the Group's share of net assets of the associates, less any impairment in value. Goodwill relating to an associate is included in the carrying amount of the investment and is not amortized. After application of the equity method, the Group determines whether it is necessary to recognize any additional impairment loss with respect to the Group's net investment in the associate. The consolidated statement of income reflects the Group's share of the financial performance of the associates. Unrealized gains and losses from transactions with the associates are eliminated to the extent of the Group's interest in the associates. The reporting dates of the associates and the Group are identical and the associates' accounting policies conform to those used by the Group for like transactions and events in similar circumstances.

An investment in an associate is accounted for using the equity method from the date when it becomes an associate. On acquisition of the investment, any difference between the cost of the investment and the investor's share in the net fair value of the associate's identifiable assets, liabilities and contingent liabilities is accounted for as follows:

a. Goodwill relating to an associate is included in the carrying amount of the investment. However, amortization of that goodwill is not permitted and is therefore not included in the determination of the Group's share in the associate's profit or losses.
b. Any excess of the Group's share in the fair value of the associate's identifiable assets, liabilities, and contingent liabilities over the cost of the investment is included as income in the determination of the investor's share of the associate's profit or loss in the period in which the investment is acquired.

Also, appropriate adjustments to the Group's share of the associate's profit or loss after acquisition are made to account , if any, for the depreciation of the depreciable assets based on their fair values at the acquisition date and for impairment losses recognized by the associate, such as for goodwill or property, plant and equipment.

When the Group's interest in an investment in associate is reduced to zero, additional losses are provided only to the extent that the Group has incurred obligations or made payments on behalf of the associate to satisfy obligations of the investee that the Group has guaranteed or otherwise committed. If the associate subsequently reports profits, the Group resumes recognizing its share of the profits if it equals the share of net losses not recognized.

The Group discontinues the use of the equity method from the date when it ceases to have significant influence over an associate and accounts for the investment in accordance with PFRS 9 from that date, provided the associate does not become subsidiary or a joint venture. Upon loss of significant influence over the associate, the Group measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognized in the consolidated statement of income.

Property, Plant and Equipment

The Group's property, plant and equipment consist of land, buildings, leasehold improvements, machinery and equipment, construction in progress and right-of-use asset that do not qualify as investment properties.

Property, plant and equipment, except for land, are carried at cost less accumulated depreciation and accumulated impairment losses, if any. Land is carried at cost less any impairment in value. The initial cost of property, plant and equipment comprises its construction cost or purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use, including borrowing costs. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the property, plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in the consolidated statement of income as incurred. The present value of the expected cost for the decommissioning of the asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

Land is carried at cost less any impairment losses.

Depreciation of an item of property, plant and equipment begins when it becomes available for use, i.e., when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Depreciation ceases at the earlier of the date that the item is classified as held for sale (or included in a disposal group that is classified as held for sale) and the date the item is derecognized.

Property, plant and equipment are depreciated using the straight-line method over their expected economic useful lives. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The components of the power plant complex and their related estimated useful lives are as follows:

	Number of Years
Main engine, transmission lines and sub-station	12 - 28
Plant mechanical, electrical, switchyard and desulfurization equipment	28
Plant structures and others	28

Other property, plant and equipment are depreciated using the straight-line method over the following estimated useful lives:

	Number of Years
Buildings	10
Leasehold improvements	5 or term of the lease, whichever period is shorter
Machinery and other equipment:	
Machinery and equipment	5 - 10
Office furniture, fixtures and equipment	3 - 5
Transportation equipment	3 - 5

Construction in progress represents properties under construction and is stated at cost. Cost includes cost of construction and other direct costs. Construction in progress is depreciated when the asset is available for use.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising from derecognition of the property, plant and equipment (difference between the net disposal proceeds and carrying amount of the asset) is included in the consolidated statement of income in the period the property, plant and equipment is derecognized.

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year-end, and adjusted prospectively if appropriate.

Fully depreciated assets are retained in the accounts until these are no longer in use.

<u>Government Grant</u>

Government grants are recognized as deferred credit where there is reasonable assurance that the grant will be received, and all attached conditions will be complied with. With the grant relates to an expense item, it is recognized as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognized as income in profit or loss within the depreciation and amortization on a straight-line basis over expected useful life of the related asset.

When the Group receives grants of non-monetary assets, the asset and the grant are recorded at nominal amounts and released to profit or loss over the expected useful life of the asset, based on the pattern of consumption of the benefits of the underlying asset by equal annual instalments.

Business Combinations and Goodwill
Business combinations are accounted for using the acquisition method.

Initial measurement
The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the Group elects to measure the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets.

Acquisition-related costs incurred such as finder's fees; advisory, legal, accounting, valuation and other professional or consulting fees; general administrative costs, including the costs of maintaining an internal acquisitions department or business development offices are expensed and included as part of "General and administrative expenses" account in the consolidated statement of income.

When the Group acquires a business, it assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree. If the business combination is achieved in stages, the previously held equity interest in the acquiree is remeasured at its acquisition date fair value and any resulting gain or loss is recognized in the consolidated statement of income.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of PFRS 9 is measured at fair value with the changes in fair value recognized either in the consolidated statement of income. If the contingent consideration is not within the scope of PFRS 39, it is measured in accordance with appropriate PFRSs. Contingent consideration that is classified as equity is not remeasured until it is finally settled within equity.

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

If the initial accounting for business combination can be determined only provisionally by the end of the period by which the combination is effected because either the fair values to be assigned to the acquiree's identifiable assets, liabilities or contingent liabilities or the cost of the combination can be determined only provisionally, the Group accounts for the combination using provisional values. Adjustments to these provisional values because of completing the initial accounting shall be made within 12 months from the acquisition date. The carrying amount of an identifiable asset, liability or contingent liability that is recognized as a result of completing the initial accounting shall be calculated as if the asset, liability or contingent liability's fair value at the acquisition date had been recognized from that date. Goodwill or any gain recognized shall be adjusted from the acquisition date by an amount equal to the adjustment to the fair value at the acquisition date of the identifiable asset, liability or contingent liability being recognized or adjusted.

Subsequent measurement
Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. For purposes of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units (CGUs), or groups of CGUs, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or group of units. Each unit or group of units to which the goodwill is allocated:

- represents the lowest level within the Group at which the goodwill is monitored for internal management purposes; and
- is not larger than a segment based on the Group's format determined in accordance with PFRS 8, *Operating Segments.*

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

When subsidiaries are sold, the difference between the selling price and the net assets plus cumulative translation differences and goodwill is recognized as income or loss in the consolidated statement of income.

Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of the CGU or group of CGUs to which the goodwill relates. Where the recoverable amount of the CGU or group of CGUs is less than the carrying amount of the CGU or group of CGUs to which goodwill has been allocated, an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods. The Group performs its impairment test of goodwill annually every December 31.

Computer Software
Computer software (included as part of "Other noncurrent assets" account) is initially recognized at cost. Following initial recognition, computer software is carried at cost less accumulated amortization and accumulated impairment losses, if any.

The software cost is amortized on a straight-line basis over its useful economic life of three (3) years and assessed for impairment whenever there is an indicator that the computer software may be impaired. The amortization commences when the computer software is available for use. The amortization period and method for the computer software are reviewed at each reporting date.

Changes in the expected useful life is accounted for by changing the amortization period as appropriate, and treated as changes in accounting estimates. The amortization expense is recognized in the consolidated statement of income.

Impairment of Nonfinancial Assets

The Group assesses at each reporting date whether there is an indication that a nonfinancial asset may be impaired. If any such indication exists and when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's cash-generating unit's fair value less cost to sell or 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. When the carrying amount of an asset 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 pretax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset. In determining fair value less cost to sell, recent market transactions are taken into account, if available. If no such transaction can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples and other available fair value indicators. Any impairment loss is recognized in the consolidated statement of income in those expense categories consistent with the function of the impaired asset.

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

The Group determines whether it is necessary to recognize an additional impairment loss on the Group's investments in associates after application of the equity method. The Group determines at each statement of financial position date whether there is any objective evidence that the investments in associates are impaired. If this is the case, the Group calculates the amount of impairment as being the difference between the fair value of the investment in associate and the acquisition cost (adjusted for post-acquisition changes in the Group's share of the financial performance of the associates) and recognizes the difference in the consolidated statement of income.

Capital Stock

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

Redeemable Preferred Shares

In determining whether a preferred share is a financial liability or an equity investment, the Group assesses the particular rights attaching to the share to determine whether it exhibits the fundamental characteristic of a financial liability. A preferred share that provides for mandatory redemption by the Group for a fixed or determinable amount at a fixed or determinable future date, or gives the holder the right to require the Group to redeem the instrument at or after a particular date for a fixed or determinable amount, is a financial liability. Redeemable preferred shares is presented as equity when the option for redeeming the redeemable preferred shares is at the issuer's discretion and the price of redemption is to be decided by the BOD.

Retained Earnings
Retained earnings include accumulated profits attributable to the equity holders of the Parent Company reduced by dividends declared. Retained earnings may also include effect of changes in accounting policy as may be required by the standard's transitional provisions. When the retained earnings account has a debit balance, it is called "deficit". A deficit is not an asset but a deduction from equity.

Unappropriated retained earnings represent that portion which is free and can be declared as dividends to stockholders. Appropriated retained earnings are restricted for specific purposes that are approved by the BOD and are not available for dividend distributions.

Cash Dividend and Non-cash Distribution to Equity Holders of the Parent Company
The Parent Company recognizes a liability to make cash or non-cash distributions to equity holders of the Parent Company when the distribution is authorized and the distribution is no longer at the discretion of the Parent Company. A distribution is authorized when it is approved by the BOD. A corresponding amount is recognized directly in equity.

Non-cash distributions are measured at the fair value of the assets to be distributed with fair value re-measurement recognized directly in equity. Upon distribution of non-cash assets, any difference between the carrying amount of the liability and the carrying amount of the assets distributed is recognized in the consolidated statement of income.

Revenue Recognition
Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group has concluded that it is the principal in its revenue arrangements because it controls the goods or services before transferring them to the customer.

Energy sales. Revenue from contracts with customers is recognized whenever the Group's power generation capacity is contracted and/or the electricity generated by the Group is transmitted through the transmission line designated by the buyer for a consideration. The Group has concluded that it is acting as a principal in all its revenue arrangements since it is the primary obligor in all the revenue arrangements, has pricing latitude and is also exposed to credit risks.

The contracted capacity as agreed in the PSA and the energy delivered to customers are separately identified. These two performance obligations are combined and considered as one performance obligation since these are not distinct within the context of PFRS 15 as the buyer cannot benefit from the contracted capacity without the corresponding energy and the buyer cannot obtain energy without contracting a capacity. The combined performance obligation qualifies as a series of distinct goods or services that are substantially the same and have the same pattern of transfer since the delivery of energy every month are distinct services which are all recognized over time and have the same measure of progress.

Meanwhile, revenue from sale of electricity through ancillary services to the National Grid Corporation of the Philippines (NGCP) is recognized monthly based on the capacity scheduled and/or dispatched and provided.

Real estate sales. The Group derives its real estate sales from sale of lots. Revenue from the sale of these real estate projects under pre-completion stage are recognized over time during the construction period (or percentage of completion) since based on the terms and conditions of its contract with the buyers, the Group's performance does not create an asset with an alternative use and the Group has an enforceable right to payment for performance completed to date.

Contract balances
Receivables. A receivable represents the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due).

Contract assets. Contract assets pertain to the Group's conditional right over the consideration for the completed performance for which revenue was already recognized but not yet billed to the customers. The amounts recognized as contract assets from energy sales will be reduced gradually at the time the related amount billed, billable and/or collected from the customers under the contract is greater than the revenue earned and recognized.

Contract liabilities. A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognized when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognized as revenue when the Group performs its obligations under the contract. The contract liabilities also include payments received by the Group from the customers for which revenue recognition has not yet commenced.

Cost to obtain a contract. The Group pays sales commission and transportation to its marketing agents on the sale of real estate units. The Group has elected to apply the optional practical expedient for costs to obtain a contract which allows the Group to immediately expense sales commissions (included under "Operating expenses") because the amortization period of the asset that the Group otherwise would have used is one (1) year or less.

Costs and Expenses
Costs and expenses are recognized in the consolidated statement of income when a decrease in future economic benefit related to a decrease of an asset or an increase of a liability has arisen that can be measured reliably. Costs and expenses are recognized in the consolidated statement of income on the basis of systematic and rational allocation procedures when economic benefits are expected to arise over several accounting periods and the association with income can only be broadly or indirectly determined; or immediately when expenditure produces no future economic benefits or when, and to the extent that, future economic benefits do not qualify, cease to qualify, for recognition in the consolidated statement of financial position as an asset.

Retirement Benefits
The Group, excluding SPPC, WMPC, APMC, APSC and Sarangani, has an unfunded, noncontributory defined benefit retirement plan covering all qualified employees. SPPC, WMPC, APMC, APSC and Sarangani have a funded, noncontributory defined benefit retirement plan covering all qualified employees. The Group's obligation and costs of retirement benefits are actuarially computed by professionally qualified independent actuary using the projected unit credit method. Actuarial gains and losses are recognized in full in the period in which these occur in OCI.

Defined benefit costs comprise the following:

- Service cost
- Net interest on the net retirement benefits obligation or asset
- Remeasurements on the net retirement benefits obligation or asset

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in the consolidated statement of income. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuaries.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as part of retirement cost in the consolidated statement of income.

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in other comprehensive income in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods.

The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets (if any), adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

Plan assets are assets that are held by a long-term employee benefit fund. Plan assets are not available to the creditors of the Group, nor can they be paid directly to the Group. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations). If the fair value of the plan assets is higher than the present value of the defined benefit obligation, the measurement of the resulting defined benefit asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The Group's right to be reimbursed of some or all of the expenditure required to settle a defined benefit obligation is recognized as a separate asset at fair value when and only when reimbursement is virtually certain.

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

Leases

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

Group as a lessee

Except for short-term leases and leases of low-value assets, the Group recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets

The Group recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use 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 right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, lease payments made at or before the commencement date less any lease incentives received and estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use assets are depreciated on a straight-line basis over the shorter of their estimated useful life and lease term as follows.

Lease Asset	Useful Life (Lease Term in years)
Building	5
Port	10
Land	3-50

Right-of-use assets are subject to impairment under the policy "Impairment of nonfinancial assets".

Lease liabilities
At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognized as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liability 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 and leases of low-value assets
The Group applies the short-term lease recognition exemption to its short-term leases (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). It also applies the leases of low-value assets recognition exemption to leases of office equipment that are considered of low value (i.e., below ₱250,000). Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

Group as a lessor
Leases in which the Group does not transfer substantially all the risks and rewards incidental to the ownership of an asset are classified as operating leases. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income.

Rental income is recognized on a straight-line method over the term of the lease agreements. Contingent rents are recognized as revenue in the period in which they are earned.

On the other hand, if the Group transfers substantially all the risks and rewards incidental to the ownership of an asset, the lease is classified as finance lease. Factors that would, individually, or in combination, would normally lead to a lease being classified as a finance lease:

- The lease transfers ownership of the asset to the lessee by the end of the lease term
- The lessee has the option to purchase the asset at a price that is expected to be sufficiently lower than the fair value at the date the option becomes exercisable for it to be reasonably certain, at the inception date, that the option will be exercised
- The lease term is for the major part of the economic life of the asset even if title is not transferred
- At the inception date, the present value of the lease payments amounts to at least substantially all of the fair value of the asset
- The asset is of such a specialised nature that only the lessee can use it without major modifications

The Group recognizes net investment in the lease representing lease payments not yet received at commencement date, including any residual value guarantees provided by the lessee, exercise price of option if the lessee is reasonably certain to exercise that option and payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease. The Group derecognizes the carrying amount of the underlying leased asset and recognizes in profit or loss any difference between the fair value of the leased asset, or, if lower, at the present value of minimum lease payments accruing to the Group and the cost or carrying amount, if different, of the leased item.

<u>Foreign Currency-denominated Transactions and Translations</u>
Transactions denominated in foreign currency are recorded in Philippine peso by applying to the foreign currency amount the exchange rate between the Philippine peso and the foreign currency at the date of transaction. Monetary assets and liabilities denominated in foreign currencies are restated using the closing rate of exchange at the statement of financial position date. Nonmonetary items denominated in foreign currency are translated using the exchange rates as at the date of initial transaction. All exchange rate differences are taken to the consolidated statement of income.

<u>Borrowing Costs</u>
Borrowing costs are capitalized if they are directly attributable to the acquisition or construction of a qualifying asset. Capitalization of borrowing costs commences when the activities to prepare the asset are in progress and expenditures and borrowing costs are being incurred. Borrowing costs are capitalized until the assets are substantially ready for their intended use. If the carrying amount of the asset exceeds its recoverable amount, an impairment loss is recorded. Borrowing costs consist of interest and other costs that the Group incurs in connection with the borrowing of funds.

Borrowing costs not qualified for capitalization are expensed as incurred.

<u>Taxes</u>
Current income tax
Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the tax authority. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the statement of financial position date. Current income tax for current and prior periods shall, to the extent unpaid, be recognized as a liability and is presented as "Income tax payable" in the consolidated statement of financial position. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess shall be recognized as an asset and is presented as part of "Other current assets" in the consolidated statement of financial position.

Deferred income tax
Deferred income tax is provided using the 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, except:

- When the deferred income tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of transaction, affects neither the accounting profit nor taxable income; or
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognized for all deductible temporary differences, carryforward benefits of unused tax credits from excess minimum corporate income tax (MCIT) over regular corporate income tax (RCIT) [excess MCIT] and net operating loss carryover (NOLCO).

Deferred income tax assets are recognized to the extent that it is probable that taxable income will be available against which the deductible temporary differences and carryforward benefits of excess MCIT and NOLCO can be utilized, except as summarized below.

- When the deferred income tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable income; or
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred income tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable income will be available against which the temporary differences can be utilized.

The carrying amount of deferred income tax assets is reviewed at the end of each statement of financial position 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 assets to be utilized.

Unrecognized deferred income tax assets are reassessed at each statement of financial position date and are recognized to the extent that it has become probable that future taxable income will allow the deferred tax assets to be recovered.

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

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 or directly in equity.

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

Value-added tax
Revenues, expenses, and assets are recognized net of the amount of value-added tax (VAT), if applicable.

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

Provisions
General
Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the consolidated statement of income, net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability.

Where discounting is used, the increase in the provisions due to the passage of time is recognized as an interest expense.

Decommissioning liabilities
The decommissioning liabilities arose from the WMPC's, SPPC's and Sarangani's obligations, under the ECC, to decommission or dismantle their power plant complexes at the end of their operating lives. A corresponding asset is recognized as part of property, plant and equipment. Decommissioning costs are provided at the present value of expected costs to settle the obligation using estimated cash flows. The cash flows are discounted at a current pre-tax rate that reflects the risks specific to the decommissioning liabilities. The unwinding of the discount is expensed as incurred and recognized in the consolidated statement of income as an interest expense. The estimated future costs of decommissioning are reviewed annually and adjusted prospectively. Changes in the estimated future costs or in the discount rate applied are added or deducted from the cost of the power plant complex. The amount deducted from the cost of the power plant complex, shall not exceed its carrying amount. If the decrease in the liability exceeds the carrying amount of the asset, the excess shall be recognized immediately in the consolidated statement of income.

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

Basic/Diluted Earnings Per Share
Basic/diluted earnings per share (EPS) is determined by dividing net income by the weighted average number of shares issued and outstanding after giving retroactive adjustment for any stock dividends and stock splits declared during the period. The Group has no financial instrument or other contract that may entitle its holder to common shares that would result to diluted EPS.

Business Segments
Operating segments are components of the Group: (a) that engage in business activities from which the Group may earn revenues and incur losses and expenses (including revenues and expenses relating to transactions with other components of the Group); (b) whose operating results are regularly reviewed by the Group's chief operating decision maker (CODM) to make decisions about resources to be allocated to the segment and assess its performance; and (c) for which discrete financial information is available. The Group's CODM is the Parent Company's BOD. The Parent Company's BOD regularly reviews the operating results of the business units to make decisions on resource allocation and assess performance.

The Group conducts its business activities into two main business segments: (1) Power and Energy and (2) Property Development. The Group's other activities consisting of product distribution and investment holding activities are shown in aggregate as "Other Investments".

Segment assets and liabilities
Segment assets include all operating assets used by a segment and consist principally of operating cash and cash equivalents, short-term cash investments, trade and other receivables, investments in real estate and real estate inventories, and property, plant and equipment, net of allowances and provision. Segment liabilities include all operating liabilities and consist principally of accounts payable and other liabilities. Segment assets and liabilities do not include deferred income taxes, investments and advances, and borrowings.

Inter-segment transactions
Segment revenue, segment expenses and segment performance include transfers among business segments. The transfers, if any, are accounted for at competitive market prices charged to unaffiliated customers for similar products. Such transfers are eliminated in consolidation.

Events After the End of Reporting Period
Events after the end of the reporting period that provide additional information about the Group's financial position at the end of the reporting period (adjusting events) are reflected in the consolidated financial statements. Events after the end of the reporting period that are not adjusting events are disclosed in the notes to consolidated financial statements when material.

5. Significant Judgments, Accounting Estimates and Assumptions

The preparation of the consolidated financial statements requires management to make judgments, accounting estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

Management believes the following represent a summary of these significant judgments, estimates and assumptions and related impact and associated risks in the consolidated financial statements.

Judgments
In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations, which has the most significant effect on the amounts recognized in the consolidated financial statements.

Evaluating revenue from contracts with customers
The Group applied the following judgements in the determination of the amount and timing of revenue recognition:

- *Identifying performance obligations*
  Under PFRS 15, for energy sales, the contracted capacity as agreed in the PSA and the energy delivered to customers are separately identified. These two performance obligations are combined and considered as one performance obligation since these are not distinct within the context of PFRS 15 as the buyer cannot benefit from the contracted capacity without the corresponding energy and the buyer cannot obtain energy without contracting a capacity. The combined performance obligation qualifies as a series of distinct goods or services that are substantially the same and have the same pattern of transfer since the delivery of energy every month are distinct services which are all recognized over time and have the same measure of progress.

- *Determining method to estimate variable consideration and assessing the constraint*
  Some contracts with customers provide unspecified quantity of energy, provisional Energy Regulatory Commission (ERC) rates, volume or prompt payment discounts and foreign exchange and consumer price index (CPI) adjustments in the monthly billing. Under PFRS 15, such provisions give rise to variable consideration. In estimating the variable consideration, the Group is required to use either the expected value method or the most likely amount method based on which method better predicts the amount of consideration to which it will be entitled. The expected value method of estimation takes into account a range of possible outcomes while the most likely amount is used when the outcome is binary. The variable consideration is estimated at contract inception and constrained until the associated uncertainty is subsequently resolved.

  For prompt payment discount, the Group determined that the most likely method is the appropriate method to use in estimating the variable consideration given that there are few possible outcomes.

  Foreign exchange adjustments in monthly fixed/variable overhead and fee for actual energy delivered (fuel cost, subject to consumer price index and forex adjustments) will be constrained since the amount of consideration is highly susceptible to factors outside the Group's influence (e.g., market movements for forex and consumer price index, and actual demand of the customer for energy) and the contract has a large number and broad range of possible consideration amounts. Reassessment will be made as the contract progresses.

  Amount for the variable consideration will be included in the specific month the adjustments had occurred.

- *Allocation of variable consideration*
  Variable consideration may be attributable to the entire contract or to a specific part of the contract. Revenue streams which are considered as series of distinct goods or services that are substantially the same and have the same pattern of transfer, the Group allocates the variable amount that is no longer subject to constraint to the satisfied portion (i.e., month) which forms part of the single performance obligation.

- *Timing of revenue recognition*
  The Group concluded that revenue from energy sales is to be recognized over time because the customers simultaneously receives and consumes the benefits as the Group supplies power.

- *Identifying methods for measuring progress of revenue recognized over time*
  The Group determined that the output method is the best method in measuring progress as actual electricity is supplied to customers. The Group recognizes revenue based on:

  a. For fixed capacity payments, the Group allocates the transaction price on a straight-line basis over the contract term; and
  b. For the variable energy payment, actual kilowatt hours consumed which are billed on a monthly basis.

Distinction between real estate inventories and investments in real estate
The Group determines whether a property will be classified as real estate inventories or investments in real estate as follows:

- Real estate inventory comprises property that is held for sale in the ordinary course of business. Principally, this is residential property that the Group develops and intends to sell before or on completion of construction.
- Investments in real estate comprise land and building which are not occupied substantially for use by, or in the operations of the Group, nor for sale in the ordinary course of business, but are held primarily to earn rental income and for capital appreciation.

The total carrying values of the Group's investments in real estate and real estate inventories as of December 31, 2022 and 2021 are disclosed in Note 10.

Assessment of leases where the Group is a lessor
The Group has various lease agreements as a lessor. The Group assesses whether it retains all the significant risks and rewards of ownership of the leased properties and thus, accounted for the lease agreements as operating leases at inception of the lease. However, if the Group has determined that the lessee has obtained all the significant risks and rewards of ownership of the leased properties, the Group accounted the lease agreement as finance lease at inception of the lease. The following factors were considered when the Group has transferred all the significant risks and rewards incidental to the ownership of the leased properties - (a) the lessee has the option to purchase the asset at a price that is expected to be sufficiently lower than the fair value at the date the option becomes exercisable for it to be reasonably certain, at the inception date, that the option will be exercised; and (b) at the inception date, the present value of the lease payments amounts to at least substantially all of the fair value of the asset, among others (see Note 30).

Accounting for contingent assets
The Group evaluates contingent assets that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group.

Contingent assets are assessed continually to ensure that developments are appropriately reflected in the consolidated financial statements. If it has become virtually certain that an inflow of economic benefits will arise, the asset and the related income are recognized in the consolidated financial statements of the period in which the change occurs. If an inflow of economic benefits has become probable, an entity discloses the contingent assets.

As of December 31, 2022 and 2021, management believes that the Group's claim from National Power Corporation (NPC) is not yet virtually certain as it requires further resolution as to whether the claim will be included in the obligations assumed by another government agency, including the appropriation of funds to settle the amount of the claim.

Hence, the contingent asset has not yet been recognized but only disclosed as of December 31, 2022 and 2021 (see Note 8).

Estimates and Assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the statement of financial position date, that have a significant risk causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Provision for expected credit losses on trade receivables and contract assets

The Group uses a provision matrix to calculate ECLs for trade receivables and contract assets. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns. The provision matrix is initially based on the Group's historical observed default rates. The Group calibrates the matrix to adjust the historical credit loss experience with forward-looking information. At every reporting date, the historical observed default rates are updated and changes in forward-looking estimates are analyzed.

The assessment of the correlation between observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of the customer's actual default in the future. The carrying values of trade receivables and contract assets as of December 31, 2022 and 2021 are disclosed in Note 8.

Assessment of expected credit losses on other financial assets at amortized cost

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

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

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

The Group also considers financial assets at day one to be the latest point at which lifetime ECL should be recognized unless it can demonstrate that this does not represent a significant risk in credit risk such as when non-payment was an administrative oversight rather than resulting from financial difficulty of the borrower.

The Group has assessed that the ECL on other financial assets at amortized cost is not material because the transactions with respect to these financial assets were entered into by the Group only with reputable banks and companies with good credit standing and relatively low risk of defaults. Accordingly, no provision for ECL on other financial assets at amortized cost was recognized as of December 31, 2022 and 2021. The carrying amounts of other financial assets at amortized cost, such as cash and cash equivalents, short-term cash investments, due from related parties, retention and other receivables and debt reserve accounts as of December 31, 2022 and 2021 are disclosed in Notes 7, 8, 15, 20 and 31.

Estimation of NRV of inventories
Inventories are valued at the lower of cost and NRV. For inventories, allowance for inventory obsolescence and losses are maintained at a level considered adequate to provide for potentially nonvaluable items. The level of allowance is based on the turnover/movement of specific inventories and other physical factors affecting usefulness of specific inventories.

For coal, fuel, chemicals and other inventories, the actual cost of inventories used are fully reimbursable based on the Group's agreements with the customers.

For real estate inventories, determining the net realizable value requires the determination of cash flows from the expected sale of the asset less cost of marketing. The determination of net realizable value requires the Group to make estimates and assumptions that may materially affect the consolidated financial statements such as the estimated selling prices of the real estate inventories and estimated cost of marketing. Future events could cause the Group to conclude that these assets are impaired. Any resulting additional impairment loss could have a material impact on the Group's financial position and performance.

The carrying values of inventories as at December 31, 2022 and 2021 are disclosed in Note 9 while the carrying values of real estate inventories as at December 31, 2022 and 2021 are disclosed in Note 10.

Estimation of useful lives of property, plant and equipment and investments in real estate
The useful lives of the property, plant and equipment and investments in real estate are estimated based on the period over which the property, plant and equipment are expected to be available for use and on the collective assessment of industry practice, internal technical evaluation and experience with similar assets.

The estimated useful lives of property, plant and equipment and investments in real estate are reviewed periodically and updated if expectations differ materially from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the property, plant and equipment and investments in real estate. It is possible that future financial performance could be materially affected by changes in the estimates brought about by changes in factors mentioned above. The amounts and timing of recording of expenses for any period would be affected by changes in these factors and circumstances. A reduction in the estimated useful lives of the property, plant and equipment and investments in real estate would increase the recorded expenses and decrease the carrying values of the property, plant and equipment and investments in real estate.

The total carrying values of depreciable property, plant and equipment and investments in real estate (excluding land and construction in progress) as at December 31, 2022 and 2021 are disclosed in Notes 10 and 12.

Impairment of nonfinancial assets (except goodwill)
An impairment review is performed on the Group's nonfinancial assets such as property, plant and equipment (including advances to contractors), investments in real estate and investments in associates, when certain impairment indicators are present. These factors include, among others:

- Significant underperformance relative to the future sales performance and projected operating results; and
- Significant negative industry or market trends.
- Market capitalization is lower than carrying value of the Group's equity.

Impairment exists when the carrying value exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value-in-use.

The Group is required to make estimates and assumptions that can materially affect the consolidated financial statements when determining the value-in-use of nonfinancial assets, which require the determination of future cash flows expected to be generated from the continued use and ultimate disposition of such assets. Future events could cause the Group to conclude that such financial assets are impaired. Any resulting impairment loss could have a material adverse impact on the Group's financial position and performance.

Based on management's evaluation as of December 31, 2022 and 2021, the Group's nonfinancial assets are not impaired. The carrying values of these nonfinancial assets are disclosed in Note 10, 11 and 12.

Impairment of goodwill
The Group determines whether goodwill is impaired at least on an annual basis, or more frequently, if events or changes in circumstances indicate that it may be impaired. This requires an estimation of the value-in-use of the cash-generating units to which the goodwill is allocated. Estimating the value-in-use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

The Group recognized impairment loss amounting to ₱165 million in 2022 and ₱115 million in 2020 (nil in 2021) due to the decline in the recoverable amount of goodwill attributable to the cash-generating units. The carrying amount of goodwill as at December 31, 2022 and 2021 is disclosed in Note 14.

Valuation of unquoted equity investments designated as financial assets at FVOCI
In valuing the Group's unquoted investments at FVOCI especially the Group's investment in Aldevinco in compliance with PFRS 9, management applied judgment in selecting the valuation technique and used assumptions in estimating the fair value of its equity investments considering the information available to the Group. The carrying amount of the Group's unquoted equity investment in Aldevinco, including its key assumptions used in the valuation are disclosed in Notes 13 and 32.

Estimation of retirement benefits cost and obligation
The determination of the retirement benefits cost and obligation is dependent on the selection of certain assumptions used by the actuary in calculating such amounts. Those assumptions, which include among others, discount rates and future salary increase, are described in Note 28. While the Group believes that the assumptions are reasonable and appropriate, significant differences in the actual experience or significant changes in the assumptions may materially affect the retirement obligations.

Total carrying values of the total net retirement assets of the Group and total net retirement liabilities of the Group as at December 31, 2022 and 2021 are disclosed in Note 28.

Estimation of decommissioning liabilities
The decommissioning liabilities arose from WMPC's, SPPC's and Sarangani's obligations, under the ECC, to decommission or dismantle the power plant complexes at the end of their operating lives. Assumptions and estimates are made in relation to discount rates, the expected cost to dismantle and remove the power plant complexes from the sites and the expected timing of these costs. Changes in the estimated future costs or in the discount rate applied are added or deducted from the costs of the power plant complexes. The carrying amounts of decommissioning liabilities as at December 31, 2022 and 2021 are disclosed in Note 19.

Estimation and recognition of deferred income tax assets and liability
The Group's assessment on the recognition of deferred income tax assets on deductible temporary differences is based on the forecasted taxable income of the following year. This forecast is based on the Group's past results and future expectations on revenues and expenses.

The carrying amounts of deferred income tax assets are disclosed in Note 29. Also, the Group has unrecognized NOLCO, excess MCIT and deductible temporary differences as at December 31, 2022 and 2021 as disclosed in Note 29.

The deferred income tax liability on cumulative translation adjustments was not recognized because the Parent Company is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Legal contingencies
The Group is involved in certain legal proceedings. The estimate of the probable costs for the assessment and resolution of these possible claims has been developed in consultation with outside counsel handling the defense in these matters and is based upon thorough analysis of potential results. There are no provisions for probable losses arising from contingencies recognized in the Group's consolidated financial statements as management believes that the resolution will not materially affect the Group's financial position and performance (see Note 34).

6. Segment Information

Segment Information
For management purposes, the Group organized its business activities in two main business segments: (1) Power and Energy segment, which consists of development and investment in energy projects, mainly coal, diesel and renewable projects; and (2) Property Development segment, which consists of investments in real estate developments. The Group's other activities consisting mainly of investment holding activities are shown in aggregate as "Other investments".

The Parent Company's BOD is the Group's CODM and monitors the operating results of its business segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on profit or loss and is measured consistently with profit or loss in the consolidated financial statements.

Inter-segment revenues are eliminated upon consolidated and reflected in the "Adjustments and eliminations" column. All other adjustments and eliminations are part of detailed reconciliations presented further in the tables below.

Information with regard to the Group's significant business segments are shown below:

	2021					
	Power And Energy	**Property Development**	**Other Investments**	**Total**	**Adjustments and Eliminations**	**Consolidated**
			(Amounts in Thousands)			
Earnings Information						
Revenues						
External customer	**₱12,168,157**	**₱25,118**	**₱–**	**₱12,193,275**	**(₱204,043)**	**₱11,989,232**
Inter-segment	**–**	**4,092**	**499,034**	**503,126**	**(503,126)**	**–**
Total revenues	**12,168,157**	**29,210**	**499,034**	**12,696,401**	**(707,169)**	**11,989,232**
Interest income	**16,544**	**1,013**	**7,225**	**24,782**	**–**	**24,782**
Finance charges	**1,291,070**	**–**	**359,332**	**1,650,402**	**–**	**1,650,402**
Provision for income tax	**341,194**	**21,198**	**1,355**	**363,747**	**(18,593)**	**345,154**
Segment profit (loss)	**1,879,488**	**390,468**	**153,344**	**2,423,300**	**(548,156)**	**1,875,144**
Other Information						
Investments in associates and due from related parties	**₱192,184**	**₱939,821**	**₱8,049,896**	**₱9,181,901**	**(₱3,794,260)**	**₱5,387,641**
Segment assets	**37,618,717**	**2,432,755**	**18,056,469**	**58,107,941**	**(10,311,453)**	**47,796,488**
Segment liabilities	**21,239,717**	**334,627**	**10,529,919**	**32,104,263**	**(3,217,026)**	**28,887,237**
Depreciation and amortization	**1,396,046**	**530**	**1,844**	**1,398,420**	**44,538**	**1,442,958**
Income from finance leases	**–**	**417,129**	**–**	**417,129**	**–**	**417,129**
Income from operating leases	**–**	**10,283**	**–**	**10,283**	**–**	**10,283**
Impairment of goodwill	**(165,000)**	**–**	**–**	**(165,000)**	**–**	**(165,000)**
Equity in net earnings of associates	**–**	**–**	**–**	**54,720**	**–**	**54,720**
Capital expenditures	**(1,397,820)**	**–**	**–**	**(1,397,820)**	**–**	**(1,397,820)**
Cash Flow Information						
Net cash flows from (used in):						
Operating activities	**4,482,606**	**(48,247)**	**(1,279,684)**	**3,154,675**	**1,379,528**	**4,534,203**
Investing activities	**(681,579)**	**107,908**	**915,032**	**341,361**	**(2,419,818)**	**(2,078,457)**
Financing activities	**(3,717,085)**	**–**	**372,064**	**(3,345,021)**	**817,868**	**(2,527,153)**

	2021					
	Power And Energy	Property Development	Other Investments	Total	Adjustments and Eliminations	Consolidated
			(Amounts in Thousands)			
Earnings Information						
Revenues						
External customer	₱10,092,494	₱3,137	₱–	₱10,095,631	(₱48,777)	₱10,046,854
Inter-segment	–	193	628,212	628,405	(628,405)	–
Total revenues	10,092,494	3,330	628,212	10,724,036	(677,182)	10,046,854
Interest income	9,681	2,234	4,558	16,473	–	16,473
Finance charges	(1,386,640)	–	(330,304)	(1,716,944)	–	(1,716,944)
Provision for income tax	(248,813)	23,423	(2,101)	(227,491)	61,855	(165,636)
Segment profit (loss)	1,640,283	(6,967)	215,933	1,849,249	(528,566)	1,320,683
Other Information						
Investments in associates and due from related parties	468,879	1,051,266	7,396,492	8,916,637	(4,190,048)	4,726,589
Segment assets	38,476,104	2,554,264	17,154,447	58,184,815	(10,428,357)	47,756,458
Segment liabilities	(23,046,955)	(842,821)	(9,644,506)	(33,534,282)	3,729,936	(29,804,346)
Depreciation and amortization	1,474,961	496	2,038	1,477,495	44,538	1,522,033
Income from operating leases	–	7,657	–	7,657	–	7,657
Equity in net earnings of associates	–	–	72,358	72,358	–	72,358
Capital expenditures	(493,496)	–	–	(493,496)	–	(493,496)
Cash Flow Information						
Net cash flows from (used in):						
Operating activities	4,230,416	(22,670)	(1,109,507)	3,098,239	675,412	3,773,651
Investing activities	(774,325)	(116,345)	443,763	(446,907)	(529,323)	(976,230)
Financing activities	(3,272,721)	25	770,194	(2,502,502)	(140,086)	(2,642,588)

	2020					
	Power And Energy	Property Development	Other Investments	Total	Adjustments and Eliminations	Consolidated
			(Amounts in Thousands)			
Earnings Information						
Revenues						
External customer	₱9,509,894	₱3,362	₱–	₱9,513,256	(₱48,804)	₱9,464,452
Inter-segment	–	1,161	733,929	735,090	(735,090)	–
Total revenues	9,509,894	4,523	733,929	10,248,346	(783,894)	9,464,452
Interest income	30,166	707	11,561	42,434	(468)	41,966
Finance charges	(1,550,847)	–	(534,274)	(2,085,121)	(25,445)	(2,110,566)
Provision for income tax	(293,424)	–	(3,177)	(296,601)	3,265	(293,336)
Segment profit (loss)	2,475,054	(21,366)	122,387	2,576,075	(708,145)	1,867,930
Other Information						
Investments in associates and due from related parties	420,344	902,040	7,876,006	9,198,390	(5,275,120)	3,923,270
Segment assets	37,689,926	2,404,891	15,837,636	55,932,453	(9,517,706)	46,414,747
Segment liabilities	(26,337,574)	(699,382)	(8,421,939)	(35,458,895)	4,748,559	(30,710,336)
Depreciation and amortization	1,669,929	670	1,916	1,672,515	44,560	1,717,075
Income from operating leases	–	6,337	–	6,337	–	6,337
Impairment of goodwill	(114,500)	–	–	(114,500)	–	(114,500)
Equity in net earnings of associates	–	–	63,584	63,584	–	63,584
Capital expenditures	(1,638,976)	–	–	(1,638,976)	–	(1,638,976)
Cash Flow Information						
Net cash flows from (used in):						
Operating activities	5,373,879	289,183	(1,433,380)	4,229,682	1,041,328	5,271,010
Investing activities	(1,773,497)	(95,128)	407,052	(1,461,573)	(320,960)	(1,782,533)
Financing activities	(3,365,175)	(1,175)	492,311	(2,874,039)	(725,858)	(3,599,897)

The following illustrate the reconciliations of reportable segment profit (loss) to the Group's corresponding amounts shown in the consolidated financial statements:

	2022	2021	2020
		(Amounts in Thousands)	
Segment profit (loss)	**₱2,423,300**	₱1,849,249	₱2,576,075
Adjustments and eliminations	**(548,156)**	(528,566)	(708,145)
Consolidated profit or loss	**₱1,875,144**	₱1,320,683	₱1,867,930

The following illustrate the reconciliations of reportable segment assets and liabilities to the Group's corresponding amounts shown in the consolidated financial statements:

	2022	2021	2020
		(Amounts in Thousands)	
Assets			
Total assets for reportable segments	**₱48,926,040**	₱49,268,178	₱46,734,062
Investments in shares of stock of subsidiaries and associates and due from related parties	**9,181,901**	8,916,637	9,198,391
Eliminations	**(10,311,453)**	(10,428,357)	(9,517,706)
Consolidated assets	**₱47,796,488**	₱47,756,458	₱46,414,747
Liabilities			
Total liabilities for reportable segments	**₱5,706,871**	₱7,772,700	₱4,740,069
Long-term debts	**20,055,016**	20,587,209	21,993,282
Due to related parties	**2,420,603**	1,843,414	6,667,151
Loans payable	**3,194,099**	1,570,535	1,382,668
Deferred income tax liabilities - net	**346,148**	503,584	777,462
Income tax payable	**69,658**	60,228	73,559
Interest payable	**311,868**	274,995	303,119
Eliminations	**(3,217,025)**	(2,808,319)	(5,226,974)
Consolidated liabilities	**₱28,887,238**	₱29,804,346	₱30,710,336

The Group operates and derives principally all of its revenues from domestic operations. Thus, geographical business information relating to revenue from external customers and non-current assets are not presented.

Revenue from two major customers amounted to ₱3,729,688 in 2022, ₱2,990,199 in 2021 and ₱3,435,999 in 2020 for the first major customer and ₱1,203,020 in 2022, ₱1,277,164 in 2021, and ₱786,574 in 2020 for the second major customer, respectively, arising both from "Power and Energy segment".

7. Cash and Cash Equivalents and Short-term Cash Investments

	2022	2021
Cash on hand	**₱535,739**	₱537,126
Cash in banks	**2,319,040,951**	2,295,314,393
Cash equivalents	**476,704,057**	568,338,587
	₱2,796,280,747	₱2,864,190,106

Cash in banks earn interest at the respective bank deposit rates. Cash equivalents are made for varying periods of up to three months, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

Short-term cash investments amounting to ₱124 million and ₱112 million as at December 31, 2022 and 2021, respectively, consist of money market placements with maturities of more than three months but less than one year with interest rates ranging 3.00% to 4.10% in 2022 and 2021. Interest income from cash and cash equivalents and short-term cash investments amounted to ₱20 million, ₱11 million and ₱25 million in 2022, 2021 and 2020, respectively.

8. Trade and Other Receivables

	2022	2021
Trade:		
Power	**₱2,715,503,375**	₱2,213,099,407
Real estate	**90,889,133**	81,126,457
Product distribution and others	**31,730,458**	31,730,458
Contract assets (Note 33)	**1,773,555,974**	1,782,852,895
Retention receivable	**14,655,481**	14,655,481
Due from related parties and others (Note 20)	**3,190,005,549**	2,551,160,264
	7,816,339,970	6,674,624,962
Less noncurrent portion of:		
Trade receivables	**(3,323,416)**	(3,511,969)
Contract assets	**(1,684,163,954)**	(1,732,320,376)
	(1,687,487,370)	(1,735,832,345)
	6,128,852,600	4,938,792,617
Allowance for expected credit loss	**(142,384,521)**	(104,931,938)
	₱5,986,468,079	₱4,833,860,679

Power
These receivables are noninterest-bearing and are generally on 30 days term.

In 2021, the Group has provided financial reliefs to certain electric cooperatives and distribution utilities as a response to the effect of the COVID-19 pandemic. These relief measures included restructuring of existing receivables and extension of payment terms. The modifications in the contractual cash flows as a result of the reliefs did not have significant impact on the consolidated financial statements.

Claim from NPC
SPPC has a claim from NPC pertaining to the portion of accounts that was disputed by NPC and was eventually decided by the Supreme Court in 2016 in favor of SPPC, holding NPC liable to pay SPPC for the additional 5 MW from 2005 to 2010. The claim consists of long-outstanding receivable amounting to ₱89 million and unrecognized receivable of $6 million (₱322 million) and ₱69 million as at December 31, 2022 and 2021.

On October 14, 2020, SPPC filed a Motion to Resolve with the Commission on Audit (COA) requesting COA to immediately resolve the Petition for Money Claim.

On February 11, 2022, the COA issued its decision granting SPPC's Petition for Money Claim as against the NPC. In addition, the parties to submit a memorandum or comment on whether or not the obligation of NPC under the Energy Conversion Agreement is among the obligations assumed by PSALM, which remains pending as of to date.

Accordingly, SPPC has not yet recognized the claim from NPC since management believes that the claim is not yet virtually certain as it requires further resolution, including the appropriation of funds to settle the amount of the claim.

Real Estate
These pertain to receivables from venturers and customers from the sale of residential and commercial lots and units. Real estate receivables are generally noninterest-bearing and have terms of less than one year, except for installment receivables amounting to ₱63 million and ₱52 million as at December 31, 2022 and 2021, respectively, which are collectible in monthly installment over a period of two (2) to ten (10) years and bear interest rates ranging from 18% to 21% computed on the outstanding balance of the principal. Title on the lots sold is passed on to the buyer only upon full settlement of the contract price. The noncurrent portion of the installment receivables amounted to ₱3 million and ₱4 million as at December 31, 2022 and 2021, respectively.

Real estate receivables include the Group's share on the sale of the developed residential and commercial lots and golf club shares in the Eagle Ridge Golf and Residential Estates jointly developed with Sta. Lucia Realty and Development, Inc. (SLRDI) (see Notes 10 and 33).

Product Distribution and Others
These pertain to receivables from the supply of goods and merchandise to customers. Product distribution and other receivables are noninterest-bearing and generally have a term of less than one year. Outstanding receivables amounting to ₱32 million were fully provided with allowance for expected credit losses as at December 31, 2022 and 2021.

Retention Receivables
Retention receivables pertain to the outstanding balances from Aboitiz Land, Inc. (Aboitiz) for the sale of Lima Land Inc. (LLI), which will be collected upon accomplishment of certain milestones.

Due from Related Parties and Other Receivables

Terms and conditions of the "Due from related parties" are disclosed in Note 20. Other receivables primarily include advances to employees, receivables from contractors, receivables from insurance claims and receivables from venturers.

Allowance for Expected Credit Loss

Composition of allowance for expected credit loss is as follows (see Note 31):

	Power	Real Estate	Product Distribution	Others	Total
Balances as at December 31, 2020	₱33,467,626	₱13,163,091	₱31,730,458	₱5,074,645	₱83,435,820
Provisions (Note 23)	21,496,118	–	–	–	21,496,118
Balances as at December 31, 2021	54,963,744	13,163,091	31,730,458	5,074,645	104,931,938
Provisions (Note 23)	37,452,583	–	–	–	37,452,583
Balances as at December 31, 2022	**₱92,416,327**	**₱13,163,091**	**₱31,730,458**	**₱5,074,645**	**₱142,384,521**

9. Inventories - at Cost

	2022	2021
Coal	**₱477,814,305**	₱879,308,974
Spare parts	**440,570,159**	527,187,701
Fuel	**75,196,075**	67,665,470
Oil, lubricants and chemicals	**27,909,004**	33,358,028
Operating supplies, consumables and others	**15,652,110**	9,805,677
	₱1,037,141,653	₱1,517,325,850

Cost of inventories used amounted to ₱5,389 million in 2022, ₱3,882 million in 2021 and ₱2,417 million in 2020 (see Note 22).

10. Real Estate Inventories and Investments in Real Estate

Real Estate Inventories - at cost

	2022	2021
Eagle Ridge Project (General Trias, Cavite) (Note 33)	**₱607,656,947**	₱616,887,120
Campo Verde Project (Lipa and Malvar, Batangas) (Note 33)	**15,183,519**	15,183,519
	₱622,840,466	₱632,070,639

The movements in real estate inventories held for sale are as follows:

As at December 31, 2022:

	Eagle Ridge Project	Campo Verde Project	Total
Balances at beginning of year	**₱616,887,120**	**₱15,183,519**	**₱632,070,639**
Cost of real estate sales	**(9,230,173)**	**–**	**(9,230,173)**
Balances at end of year	**₱607,656,947**	**₱15,183,519**	**₱622,840,466**

As at December 31, 2021:

	Eagle Ridge Project	Campo Verde Project	Total
Balances at beginning and end of year	₱616,887,120	₱15,183,519	₱632,070,639

Investments in Real Estate

	2022	2021
KAED Property (Maasim, Sarangani)	**₱214,189,968**	₱322,176,574
ALC Property (Pasong Tamo, Makati)	**139,251,985**	134,222,728
Batangas Project (Lipa and Malvar, Batangas)	**52,787,031**	52,787,031
Laguna Project (Cabuyao, Laguna)	**4,685,937**	4,685,937
	₱410,914,921	₱513,872,270

A summary of the movements in investments in real estate is set out below:

	December 31, 2022		
	Land	**Building and Improvements**	**Total**
Cost			
Balances at beginning of year	**₱504,649,547**	**₱33,851,968**	**₱538,501,515**
Additions	**–**	**5,127,010**	**5,127,010**
Derecognition (Note 30)	**(107,986,606)**	**–**	**(107,986,606)**
Balances at end of year	**396,662,941**	**38,978,978**	**435,641,919**
Accumulated Depreciation			
Balances at beginning of year	**–**	**24,629,245**	**24,629,245**
Depreciation (Note 25)	**–**	**97,753**	**97,753**
Balances at end of year	**–**	**24,726,998**	**24,726,998**
Net Book Value	**₱396,662,941**	**₱14,251,980**	**₱410,914,921**

	December 31, 2021		
	Land	Building and Improvements	Total
Cost			
Balances at beginning of year	₱296,249,501	₱33,440,775	₱329,690,276
Additions	208,400,046	411,193	208,811,239
Balances at end of year	504,649,547	33,851,968	538,501,515
Accumulated Depreciation			
Balances at beginning of year	–	24,575,168	24,575,168
Depreciation (Note 25)	–	54,077	54,077
Balances at end of year	–	24,629,245	24,629,245
Net Book Value	₱504,649,547	₱9,222,723	₱513,872,270

Fair Value

The fair values of investments in real estate amounting to ₱1,477 million and ₱1,814 million as of December 31, 2022 and 2021, respectively, are based on the appraisal report prepared by an SEC-accredited and independent appraiser company. The basis of fair values are as follows:

	Amount (in millions)	Approach	Significant unobservable input
Land	**2022: ₱1,446** 2021: ₱1,783	Market approach - Under this approach, a property's fair value is estimated based upon prices paid in actual market transactions and current listings. Listings and sold properties are compared to the subject in key units of comparison. Appropriate adjustments are made for differences between the subject and comparable property listings, resulting in adjusted sales values for each of the comparable property listings.	**2022: ₱1,137 - ₱200,000 per square meter** 2021: ₱1,167 - ₱200,000 per square meter
Buildings	**2022: ₱31** 2021: ₱31	Cost approach - Under this approach, calculation of the current replacement or reproduction cost of a property and making deductions for physical deterioration and all other relevant forms of obsolescence is made	**2022: ₱6,305 per square meter** 2021: ₱6,305 per square meter

Significant increases (decreases) in the estimated price per square meter in isolation would result in a significantly higher (lower) fair value. The Group has determined that the highest and best use of these properties is its current use.

Rental income on investment properties relating to operating leases amounted to ₱10 million in 2022, ₱8 million in 2021 and ₱6 million in 2020. Direct operating expenses consisting of taxes and licenses, utilities and maintenance arising from investments in real estate that generated rental income amounted to ₱3 million in 2022, ₱3 million in 2021, and ₱2 million in 2020. Direct operating expenses consisting mostly of taxes and licenses arising from investments in real estate that did not generate rental income amounted to ₱1 million in 2022, 2021 and 2020. Additions to investments in real estate are intended for capital appreciation.

11. Investments in Associates

	Percentage of Ownership			
	2022	2021	**2022**	2021
At equity:				
Acquisition costs:				
Indophil Resources Philippines, Inc. (IRPI)	**2.00**	2.00	**₱1,216,310,412**	₱1,216,310,412
Aviana Development Corporation (Aviana)	**34.00**	34.00	**963,311,802**	963,311,802
RCPHI	**31.24**	31.24	**80,851,701**	80,851,701
T'boli Agro-Industrial Development, Inc.	**22.32**	22.32	**66,193,299**	66,193,299
			2,326,667,214	2,326,667,214
Accumulated equity in net earnings:				
Balances at beginning of year			**96,360,719**	48,903,020
Share in net earnings for the year			**54,720,253**	72,357,699
Dividends declared for the year			**(24,900,000)**	(24,900,000)
Balances at end of year			**126,180,972**	96,360,719
Accumulated impairment loss at beginning and end of the year			**(147,045,000)**	(147,045,000)
			₱2,305,803,186	₱2,275,982,933

IRNL and IRPI

The Parent Company purchased 29,149,000 shares of IRNL in the amount of ₱1,316 million in 2010. Together with the ownership interests of APIC and AC through a series of subscription agreements, the Alcantara Group was the largest shareholder of IRNL at 19.99%. By virtue of the Agreement for the Joint Voting of IRNL shares with APIC and AC, the Parent Company has concluded that it has significant influence over IRNL through its representation in the BOD of IRNL. Accordingly, the Parent Company treated its investment in IRNL as part of "Investments in associates" using the equity method in the 2014 consolidated financial statements. The Parent Company had determined that the acquisition cost of IRNL includes goodwill amounting to ₱785 million.

On January 23, 2015, IRNL implemented the Scheme of Arrangement between APIC and IRNL shareholders wherein APIC acquired all of the remaining outstanding shares from existing shareholders of IRNL. Accordingly, IRNL became a subsidiary of APIC starting January 2015.

In July 2015, APIC was no longer part of the Alcantara Group as it was bought by a third party. Accordingly, the Joint Voting Agreement of IRNL shares between the Parent Company, APIC and AC was deemed terminated.

On December 11, 2015, the Parent Company and AC entered into Deed of Assignment of Shares (share swap) agreements with APIC, whereby the Parent Company and AC assigned and transferred to APIC all their interests in IRNL in exchange for ownership interests in IRPI. Accordingly, the Parent Company recognized the investment in IRPI amounting to ₱1,213 million representing the carrying value of the investment at the date of the share swap agreement.

The transfer of the Parent Company's investment in IRNL to investment in IRPI resulted in the Parent Company still exercising significant influence over IRPI due to its representation in the BOD of IRPI and representation in the BOD and Operating Committee of the operating subsidiary of IRPI. Accordingly, ACR treats its investment in IRPI as part of "Investments in associates" using the equity method in the consolidated financial statements.

On September 30, 2019, the Parent company increased its investment in IRPI amounting to ₱3 million to maintain its percentage of share over IRPI of 2% as the latter increased its authorized capital stock.

Aviana

On March 21, 2013, Aldevinco and ACIL, Inc. (collectively referred to as "AG") and Ayala Land, Inc. (Ayala Land) entered into a joint venture agreement, where Ayala Land shall own 60% and AG shall own 40% of the outstanding capital stock of Aviana to undertake the development of the Lanang property of the Parent Company in Davao City. On September 17, 2013, Aviana was incorporated as a joint venture corporation. The Parent Company subscribed to the 296 preferred shares and 32 common shares for 32.8% ownership in Aviana. In December 2015, the Parent Company subscribed to additional 332,200 preferred shares and 35,800 common shares of Aviana through the conversion of the Parent Company's advances amounting to ₱36 million. In August 2015, the Parent Company subscribed to additional 261,450 preferred shares and 29,050 common shares of Aviana for ₱22 million. The additional subscription to shares of Aviana in 2015 increased the Parent Company's interest in Aviana to 34%.

Summarized Financial Information

Shown in the table below are the financial information of the following material associates as at December 31 and the reconciliation with the carrying amount of the investments in the consolidated financial statements.

	IRPI			Aviana		
	2022	2021	2020	**2022**	2021	2020
Current assets	**₱3,592,002**	₱3,228,244	₱2,773,302	**₱2,639,921**	₱3,026,422	₱2,567,199
Noncurrent assets	**18,836,087**	18,836,087	18,836,087	**2,133,382**	2,087,367	2,307,902
Current liabilities	**(241,569)**	(241,625)	(241,691)	**(2,145,432)**	(2,500,446)	(2,380,787)
Noncurrent liabilities	**(402,402)**	(395,567)	–	**(337,256)**	(410,413)	(423,259)
Equity	**21,784,118**	21,427,139	21,367,698	**2,290,615**	2,202,930	2,071,055
Equity interests of the Parent Company	2%	2%	2%	34%	34%	34%
Share in net assets of the acquiree	**₱435,682**	₱428,543	₱427,354	**₱778,809**	₱748,996	₱704,159
Goodwill, translation adjustments and others	**780,035**	787,767	788,956	**311,277**	310,677	308,056
Carrying value of investments	**₱1,215,717**	₱1,216,310	₱1,216,310	**₱1,090,086**	₱1,059,673	₱1,012,215
Revenue and other income	**₱1,476**	₱2,681	₱907	**₱1,009,659**	₱ 1,716,887	₱1,242,362
Net income (loss)	**(29,642)**	1,482	(236)	**162,686**	212,817	187,013
Total comprehensive income (loss)	**(29,642)**	1,482	(236)	**162,686**	212,817	187,013
Share in net earnings (losses)	**(592)**	–	(5)	**55,312**	72,358	63,584
Dividends received	–	–	–	**24,900**	24,900	38,100

There are no significant restrictions on the ability of the associates to transfer funds to the Parent Company in the form of dividends, payment of advances, among others.

The financial information of the other immaterial associates was not presented since these are dormant entities and the related investments were fully provided with allowance.

12. Property, Plant and Equipment

As at December 31, 2022:

	Land (Note 18)	Buildings and Leasehold Improvements	Main Engine, Plant Structures and Others	Plant Mechanical, Electrical, Switchyard and Desulfurization Equipment	Machinery and Other Equipment (Note 18)	Construction in Progress	Right-of-use Assets - (Note 30)	Total
Cost								
Balances at beginning of year	₱376,182,019	₱199,579,185	₱30,911,973,871	₱7,270,736,802	₱1,461,410,724	₱2,673,299,998	₱48,953,104	₱42,942,135,703
Additions	–	1,864,569	92,198,158	5,767,088	148,144,834	836,692,834	53,092,474	1,137,759,957
Disposals	(100,000)	–	–	(395,553)	(17,324,220)	–	(19,430,584)	(37,250,357)
Capitalized depreciation	–	–	–	–	–	6,359,852	–	6,359,852
Adjustment to decommissioning liability (Note 19)	–	–	(45,863,679)	(3,387,062)	–	–	–	(49,250,741)
Balances at end of year	376,082,019	201,443,754	30,958,308,350	7,272,721,275	1,592,231,338	3,516,352,684	82,614,994	43,983,280,327
Accumulated Depreciation								
Balances at beginning of year	–	189,576,063	9,666,911,807	4,074,944,767	868,909,590	–	46,956,409	14,847,298,636
Depreciation for the year (Note 25)								
Expensed	–	625,136	1,170,760,982	176,945,119	79,875,745	–	11,205,239	1,439,412,221
Capitalized	–	–	–	–	–	–	6,359,852	6,359,852
Disposals	–	–	–	–	(15,799,821)	–	(19,430,584)	(35,230,405)
Balances at end of year	–	190,201,199	10,837,672,789	4,251,889,886	932,985,514	–	45,090,916	16,257,840,304
Net Book Value	₱376,082,019	₱11,242,555	₱20,120,635,561	₱3,020,831,389	₱659,245,824	₱3,516,352,684	₱37,524,078	₱27,741,914,110

As at December 31, 2021:

	Land (Note 18)	Buildings and Leasehold Improvements	Main Engine, Plant Structures and Others	Plant Mechanical, Electrical, Switchyard and Desulfurization Equipment	Machinery and Other Equipment (Note 18)	Construction in Progress	Right-of-use Assets (Note 30)	Total
Cost								
Balances at beginning of year	₱376,182,019	₱199,073,194	₱30,770,855,218	₱7,244,960,502	₱1,427,079,573	₱2,065,408,796	₱35,274,144	₱42,118,833,446
Additions	–	803,103	114,769,001	25,776,300	40,738,933	595,618,162	15,003,137	792,708,636
Disposals	–	(297,112)	–	–	(6,407,782)	–	(1,324,177)	(8,029,071)
Capitalized depreciation	–	–	–	–	–	12,273,040	–	12,273,040
Adjustment to decommissioning liability (Note 19)	–	–	26,349,652	–	–	–	–	26,349,652
Balances at end of year	376,182,019	199,579,185	30,911,973,871	7,270,736,802	1,461,410,724	2,673,299,998	48,953,104	42,942,135,703
Accumulated Depreciation								
Balances at beginning of year	–	189,376,438	8,460,965,005	3,906,981,690	742,556,150	–	23,182,154	13,323,061,437
Depreciation for the year (Note 25)								
Expensed	–	199,625	1,205,946,802	167,963,077	132,149,020	–	12,825,392	1,519,083,916
Capitalized	–	–	–	–	–	–	12,273,040	12,273,040
Disposals	–	–	–	–	(5,795,580)	–	(1,324,177)	(7,119,757)
Balances at end of year	–	189,576,063	9,666,911,807	4,074,944,767	868,909,590	–	46,956,409	14,847,298,636
Net Book Value	₱376,182,019	₱10,003,122	₱21,245,062,064	₱3,195,792,035	₱592,501,134	₱2,673,299,998	₱1,996,695	₱28,094,837,067

As at December 31, 2022 and 2021, the cost of fully depreciated property, plant and equipment that are still in use amounted to ₱1,924 million and ₱1,822 million, respectively.

Certain property and equipment are held as collaterals for long-term debt (see Note 18).

Construction-in-Progress
Included in construction in progress as at December 31, 2022 and 2021 are the capitalized costs related to the 15 MW run-of-river hydro power plant project of Siguil located at Sitio Siguil, Brgy. Tinoto, Maasim, Sarangani. The costs include project site preparation, legal fees and other direct costs attributable to bringing the asset to the condition necessary for it to be capable of operating in the manner intended by management. Total project costs expected to be incurred amounted to ₱1,019 million and US$13 million. The project is expected to be completed in the fourth quarter of 2023.

Capitalized Borrowing Costs
Capitalized borrowing costs relating to plant structure amounted to ₱167 million in 2022, ₱139 million in 2021 and ₱65 million in 2020 for specific borrowings (see Note 18).

The rates used to determine the amount of borrowing costs eligible for capitalization are 8.09% to 8.66% in 2022 and 5.02% to 9.16% in 2021, which are the effective interest rates of the specific borrowings.

13. Equity Investments Designated at FVOCI

As of December 31, this account consists of:

	2022	2021
Quoted		
Balance at beginning of year	**₱139,627,658**	₱122,931,676
Fair value gain (loss) during the year	**(6,456,683)**	16,695,982
Balance at end of year	**133,170,975**	139,627,658
Unquoted		
Balance at beginning and end of year	**2,222,168,768**	2,222,168,768
	₱2,355,339,743	₱2,361,796,426

The investment in unquoted securities consists of investment in 22 million preferred shares of Aldevinco amounting to ₱2,200 million as of December 31, 2022 and 2021. The fair value of the investment in unquoted equity securities was based on the adjusted net asset value (NAV) approach. Under the NAV approach, the fair value was derived by determining the fair value of each identifiable assets and liabilities of the investee company. Significant assumptions included in the NAV calculation are as follows:

- Fair values of real estate inventories against estimated selling prices less cost to sell;
- Fair values of real estate properties against appraisal reports;
- Fair values of listed equity securities against quoted prices;
- Fair values of unlisted equity securities against adjusted net asset values of the investee companies; and
- Discount for lack of control and lack of marketability.

The movements in net unrealized losses on equity investments designated at FVOCI follows:

	2022	2021
Balance at beginning of year	**₱30,372,840**	₱47,068,822
Fair value loss (gain)	**6,456,683**	(16,695,982)
Balance at end of year	**₱36,829,523**	₱30,372,840

14. Goodwill

Goodwill acquired through business combinations has been allocated to the power generation CGUs consisting of the operations of SPPC and WMPC. As at December 31, 2022 and 2021, the carrying amount of goodwill attributable to WMPC amounted to ₱527 million and ₱577 million, respectively, while the goodwill attributable to SPPC amounted to nil and ₱115 million, respectively.

The Group recognized impairment loss amounting to ₱165 million in 2022 and ₱115 million in 2020 due to the decline in the recoverable amounts allocated to the CGU as there were reductions in dispatchable reserves forecast and increase in discount rates (see Note 23). No impairment loss was recognized in 2021.

Key assumptions used in value-in-use calculations
The calculation of value-in-use for both CGUs are most sensitive to the following assumptions:

Contracted and dispatchable capacities. Contracted capacity reflects the agreed capacity with electric cooperatives and distribution utility customers based on PSA and other relevant agreements while dispatchable capacity reflects management's estimate of actual energy to be delivered during the forecast periods, which include the contract period and assumed renewals. Contracted and dispatchable capacities over the forecast periods are based on historical performance of the CGUs, industry/market outlook and other relevant external data, taking into consideration the impact associated with the coronavirus pandemic. The contracted and dispatchable capacities used in the value-in-use computation are shown below.

	2022		2021	
	Contracted Capacity	**Dispatchable Capacity**	Contracted Capacity	Dispatchable Capacity
WMPC	**51MW**	**39MW-45MW**	51MW	46MW
SPPC	**–**	**–**	83MW	83MW

Tariff rates. Tariff rates, comprising capital recovery fee, fixed and variable operation and maintenance fee, actual fuel cost and other variable energy fees, pertain to the rates used in determining the amount of energy fees to be billed to electric cooperatives and distribution utilities. The tariff rates used in the value-in-use computation are based on management's forecast, and provisionally approved PSAs, agreed Ancillary Services Procurement Agreement (ASPA) and other relevant agreements.

Discount rates. Discount rates reflect management's estimate of the risks specific to the CGUs. The discount rates used for the CGUs are based on weighted average cost of capital. This rate was further adjusted to reflect the market assessment of any risk specific to the generating unit for which estimates of cash flows have not been adjusted. The pre-tax discount rate is 21.94% in 2022 and 12.9% to 16.0% in 2021, respectively.

Sensitivity to Changes in Assumptions
Management believes that the value-in-use is most sensitive to WMPC's non-renewal of ASPA contract after its expiration since this would result in further impairment (see Note 33).

15. Prepaid Expenses and Other Current Assets

	2022	2021
Debt reserve accounts (Note 18)	**₱403,844,969**	₱896,985,111
Prepayments and deposits	**204,510,760**	279,615,899
Creditable withholding taxes	**65,268,847**	46,011,072
Input VAT	**23,563,150**	21,703,838
	₱697,187,726	₱1,244,315,920

Debt reserve account and short-term investments earn interest at prevailing short-term deposit rates.

Interest income earned from debt reserve account and short-term investments amounting to ₱5 million, ₱5 million and ₱17 million in 2022, 2021 and 2020, respectively.

16. Accounts Payable and Other Current Liabilities

	2022	2021
Accounts payable	**₱1,009,141,245**	₱1,671,933,818
Accrued expenses (Note 28)	**528,466,985**	537,217,861
Interest payable (Note 18)	**311,868,413**	274,995,147
Output tax and withholding tax payable	**278,791,415**	249,091,451
Dividends payable (Notes 21 and 35)	**180,038,321**	749,999,985
Nontrade payables	**74,489,665**	668,010,685
Current portion of lease liabilities (Note 30)	**10,070,821**	2,130,447
Other current liabilities	**187,800,719**	177,580,878
	₱2,580,667,584	₱4,330,960,272

Accounts payable are noninterest-bearing and are normally on a 60 to 75 days term.

Accrued expenses represent accruals for vacation and sick leaves, overhead fees and utilities. Accrued expenses are normally settled within a year.

Nontrade payables pertains to retention payables to contractors which will be paid upon completion of documentary requirements, advances from customers and deposits from third parties.

Interest payable is normally settled semi-annually throughout the financial year.

Other current liabilities include statutory payables, such as SSS, HDMF and PhilHealth premiums, and other liabilities to the government. Other current liabilities are noninterest-bearing and have an average term of 30 days.

17. Loans Payable and Short-term Notes Payable

Loans Payable

Parent Company

In 2022 and 2021, the Parent Company availed of unsecured short-term loans from local banks totalling ₱2,794 million and ₱1,378 million, respectively. These loans are subject to annual fixed interest rates ranging from 1.75% to 3.00% per annum and are payable on various dates within one year. As at December 31, 2022 and 2021, outstanding short-term loans amounted to ₱2,794 million and ₱1,571 million, respectively.

Sarangani

In 2022, Sarangani availed of short-term debts from local banks totalling ₱1,500 million to be used as working capital, with nominal interest rate ranging from 2.875% to 6.20%. As at December 31, 2022, outstanding short-term loans amounted to ₱400 million.

Interest expense from short-term loans amounted to ₱76 million in 2022, ₱65 million in 2021 and ₱31 million in 2020 (see Note 26). Interest payable amounted to ₱20 million and ₱5 million as of December 31, 2022 and 2021, respectively (see Note 16).

Short-term Notes Payable

Parent Company

In 2022, the Parent Company has listed a total of ₱1,885 million worth of commercial papers with a tenor of 182 to 364 days. These were issued at discounted amounts with net proceeds amounting to ₱1,796 million.

In 2021, the Parent Company has listed a total of ₱2,000 million worth of commercial papers with a tenor of 182 to 364 days. These were issued at discounted amounts with net proceeds amounting to ₱1,944 million.

In 2020, the Parent Company has listed a total of ₱2,394 million worth of commercial papers with a tenor of 182 to 364 days.

Outstanding balance from the commercial papers amounted to ₱1,577 million and ₱1,943 million as at December 31, 2022 and 2021, respectively.

Interest expense from short-term notes payable amounted to ₱106 million in 2022, ₱48 million in 2021 and ₱148 million in 2020 (see Note 26).

18. Long-term Debts

This account consists of Philippine peso-denominated obligations as follows:

	2022	2021
Parent Company		
Peso-denominated fixed rate corporate note	**₱5,162,850,000**	₱5,188,925,000
Peso-denominated fixed rate corporate note	**777,150,000**	781,075,000
Sarangani		
Peso-denominated floating rate debt	**4,561,496,000**	5,500,006,000
Peso-denominated floating rate debt	**8,628,900,000**	9,445,800,000

(Forward)

	2022	2021
Siguil		
Peso-denominated floating rate debt	**₱1,200,000,000**	₱–
	20,330,396,000	20,915,806,000
Less unamortized transaction costs	**(275,380,020)**	(328,596,511)
	20,055,015,980	20,587,209,489
Less current portion	**(2,367,618,137)**	(1,713,027,825)
Noncurrent portion	**₱17,687,397,843**	₱18,874,181,664

Movement in the unamortized transaction costs are as follows:

	2022	2021
Balances at beginning of year	**₱328,596,511**	₱399,992,258
Additions	**19,563,313**	–
Amortization (Note 26)	**(72,779,804)**	(71,395,747)
Balances at end of year	**₱275,380,020**	₱328,596,511

Parent Company
The loans of the Parent Company consist of the following:

Omnibus Notes Facility and Security Agreement (ONFSA) - On November 23, 2020, ACR entered into a facility agreement with various noteholders with aggregate principal amount of ₱6,000 million divided into two (2) tranches: (a) Tranche A with principal amount of ₱5,215 million, subject to fixed interest rate of 5% and payable within five (5) years from the drawdown date and (b) Tranche B with principal amount of ₱785 million, subject to fixed interest rate of 6% and are payable semi-annually based on graduated rates of 0.5% of the principal in the first year, 22.5% in the 2nd to 6th year and 77% of the principal in the year of maturity, which is on the 7th year. Proceeds of the loan shall be used to prepay ACR's fixed rate corporate notes facility, partly finance the investments in renewable energy projects and for general corporate purposes. ACR had drawn the entire loan facility amounting to ₱6,000 million in 2020.

ACR shall maintain certain financial ratios such as debt-to-equity ratio of not more than 3.0 on the first and 2nd year, 2.75 on the 3rd year, 2.5 on the 4th year and 2.33 on the 5th year and until maturity, and debt service coverage ratio of not less than 1.1 at all times during the duration of the loan. As at December 31, 2021, ACR is in compliance with the debt covenants. Throughout the term of the loan, ACR is required to maintain a debt service reserve account with a balance of not less than the aggregate amount of principal and interest falling due and payable under the agreement on the immediately succeeding repayment date. As at December 31, 2022 and 2021, the remaining balance of debt reserve account amounted to ₱404 million and ₱175 million, respectively (see Note 15). Interest income earned from debt reserve account amounted to ₱5 million, ₱5 million and ₱4 million in 2022, 2021 and 2020, respectively.

The ONFSA is collateralized through the Share Collateral Security Agreement. Share collateral means (i) the share certificates, (ii) the shares legally and/or beneficially owned or to be owned by ACR in CHC, APHI and AREC, and any additional shares that shall be acquired in the future by ACR, (iii) the deposits for future subscription paid by ACR in CHC, APHI and AREC, and (iv) all the rights, title and interest of ACR to the share collateral.

Details of the Parent Company's long-term debts are as follows:

	2022	2021
Long term debts	**₱5,940,000,000**	₱5,970,000,000
Less unamortized debt issue costs	**(55,992,604)**	(75,156,202)
	5,884,007,396	5,894,843,798
Less current portion of long-term debt	**(465,485,366)**	(10,836,402)
Balances at end of year	**₱5,418,522,030**	₱5,884,007,396

Movement in the unamortized transaction costs of the long-term debts as follows:

	2022	2021
Balances at beginning of year	**₱75,156,202**	₱93,428,435
Amortization of transaction costs (Note 26)	**(19,163,598)**	(18,272,233)
Balances at end of year	**₱55,992,604**	₱75,156,202

Interest expense recognized amounted to ₱162 million in 2022, ₱210 million in 2021 and ₱377 million in 2020 (see Note 26). Interest payable amounted to ₱24 million and ₱24 million as at December 31, 2022 and 2021, respectively (see Note 16).

Sarangani
The loans of Sarangani consist of the following:

a. *Phase 1 of SM 200 project*

On December 12, 2012, Sarangani obtained a financing facility consisting of a syndicated term loan in the aggregate principal amount of ₱9,300 million broken down as follows: (1) Series 1 Loan in the principal amount of up to ₱8,600 million for the construction of the Phase 1 105-MW coal-fired power plant and its common or shared areas and facilities; and (2) Series 2 Loan in the principal amount of up to ₱700 million for the construction of the transmission line. The loans are payable based on graduated rates of the total principal over a thirteen-year period after a three-year grace period. Sarangani should pay interest semi-annually at the rate equal to the higher of (a) Philippine Dealing System Treasury Fixing (PDST - F) benchmark bid yield for five-year treasury securities plus 3.5% spread per annum, or (b) 7.5% floor rate, for the first five (5)-year period commencing from the date of initial borrowing; and thereafter, to be adjusted based on the higher of (a) interpolated PDST-F benchmark bid yield for eight and one-half (8-½)-year treasury securities plus 2.75% spread per annum, or (b) interest rate applicable on the initial borrowing.

Under the Omnibus Loan and Security Agreement, Sarangani shall create and constitute in favor of the collateral trustee real estate mortgage, which includes nine parcels of land registered in the name of Sarangani. The nine parcels of land have an aggregate area of 297,000 square meters and comprise the plant site of the Project amounted to ₱84.70 million (see Note 12). Further, chattel mortgage shall consist of machinery, office and transportation equipment with a cost of ₱736 million as at December 31, 2022 and 2021 (see Note 12).

Sarangani is subject to certain negative covenants which require prior approval of the creditors for specified corporate acts, such as change of business or scope of Phase 1, change of ownership or management, dividend declarations, issuance of shares, amendment of articles of incorporation and by-laws and quasi-reorganization, incurrence of additional debt and sale or disposal of a substantial portion of their assets, among others. As at December 31, 2022 and 2021, Sarangani is in compliance with the loan covenants.

Sarangani shall also maintain certain financial ratios such as debt-to-equity ratio of not more than 2.33 and debt service coverage ratio of at least 1.10. As at December 31, 2022 and 2021, Sarangani was able to meet the required financial ratios (see Note 31).

The OLSA contains an embedded prepayment option where Sarangani may prepay the loan in whole or in part provided certain conditions are met. Sarangani assessed that the prepayment option is not required to be separated from the host contract.

In addition to the collaterals, the shares of stock in Sarangani registered under the names of ATEC and TTC representing 100% of the outstanding capital stock of Sarangani have been pledged in favor of the collateral trustee.

Details of the Sarangani's long-term debts related to Phase 1 of the Project are as follows:

As at December 31, 2022:

	Series I	**Series II**	**Total**
Long-term debts	**₱4,261,686,000**	**₱299,810,000**	**₱4,561,496,000**
Less unamortized debt issue costs	**(33,487,202)**	**(2,752,287)**	**(36,239,489)**
	4,228,198,798	**297,057,713**	**4,525,256,511**
Less current portion of long-term debt - net of unamortized transaction costs	**(944,039,363)**	**(66,609,793)**	**(1,010,649,156)**
	₱3,284,159,435	**₱230,447,920**	**₱3,514,607,355**

As at December 31, 2021:

	Series I	Series II	Total
Long-term debts	₱5,136,846,000	₱363,160,000	₱5,500,006,000
Less unamortized debt issue costs	(49,403,562)	(3,952,424)	(53,355,986)
	5,087,442,438	359,207,576	5,446,650,014
Less current portion of long-term debt - net of unamortized transaction costs	(859,238,099)	(62,155,403)	(921,393,502)
	₱4,228,204,339	₱297,052,173	₱4,525,256,512

Interest incurred and amortized debt issue cost are as follows:

	2022	2021	2020
Interest expense (Note 26)	**₱473,404,758**	₱537,071,612	₱609,512,629
Amortization of debt issue costs (Note 26)	**17,116,497**	18,144,611	22,606,472
	₱490,521,255	₱555,216,223	₱632,119,101

Interest payable as at December 31, 2022 and 2021 amounted to ₱83 million and ₱100 million, respectively (see Note 16).

b. *Phase 2 of SM200 project*

On April 4, 2017, Sarangani obtained a financing facility consisting of a syndicated term loan in the aggregate principal amount of ₱10,500.00 million broken down as follows: (1) Series 1 Loan in the principal amount of up to ₱8,500.00 million for the construction of the 105-MW coal-fired power plant; and (2) Series 2 Loan in the principal amount of up to ₱2,000.00 million for the construction of the transmission lines. The loans are payable based on graduated rates of the total principal over a ten-year period. Sarangani should pay interest semi-annually at the rate equal to the higher of (a) PDST-R2 benchmark bid yield for five-year treasury securities plus applicable spread equal to 2.75% per annum divided by 0.99 for the first three-and-a-half years, thereafter, to be adjusted to 2.25% per annum divided by 0.99, or (b) 6% floor rate, for the first five (5)-year period commencing from the date of initial borrowing; and thereafter, the higher of (a) interest rate applicable on the initial borrowing, or (b) PDST-R2 benchmark bid yield for five-year treasury securities plus applicable spread on banking day prior to the first day of the 11th interest period.

Under the OLSA, Sarangani shall create and constitute in favor of the collateral trustee real estate mortgage, which includes 14 parcels of land registered in the name of Sarangani with an aggregate area of 515,314 square meters and comprise the plant site of the Phase 2 and the common and administration facilities of Sarangani amounted to ₱147 million (see Note 12). Further, chattel mortgage shall consist of machinery and transportation equipment with a cost of ₱315 million as at December 31, 2022 and 2021 (see Note 12).

In addition to the collaterals, the shares of stock in Sarangani registered under the names of ATEC and TTC representing 100% of the outstanding capital stock of Sarangani have been pledged in favor of the collateral trustee.

Sarangani is subject to certain negative covenants which require prior approval of the creditors for specified corporate acts, such as change of business or scope of Phase 2, change of ownership or management, dividend declarations, issuance of shares, amendment of articles of incorporation and by-laws and quasi-reorganization, incurrence of additional debt and sale or disposal of a substantial portion of their assets, among others, among others. As at December 31, 2022 and 2021, Sarangani is in compliance with the loan covenants.

Sarangani shall also maintain certain financial ratios such as debt-to-equity ratio of not more than 2.33 and debt service coverage ratio of at least 1.10, provided that prior to dividend declarations, debt service coverage ratio is at least 1.25. As at December 31, 2022 and 2021, Sarangani was able to meet the required financial ratios (see Note 31).

The OLSA contains an embedded prepayment option where Sarangani may prepay the loan in whole or in part provided certain conditions are met. Sarangani assessed that the prepayment option is not required to be separated from the host contract.

Details of the Sarangani's long-term debts related to Phase 2 of the Project are as follows:

As at December 31, 2022:

	Series I	Series II	Total
Long-term debts	**₱6,985,300,000**	**₱1,643,600,000**	**₱8,628,900,000**
Less unamortized debt issue costs	**(141,900,470)**	**(22,081,773)**	**(163,982,243)**
	6,843,399,530	**1,621,518,227**	**8,464,917,757**
Less current portion of long-term debt - net of unamortized transaction costs	**(718,259,868)**	**(171,390,187)**	**(889,650,055)**
	₱6,125,139,662	**₱1,450,128,040**	**₱7,575,267,702**

As at December 31, 2021:

	Series I	Series II	Total
Long-term debts	₱7,646,600,000	₱1,799,200,000	₱9,445,800,000
Less unamortized debt issue costs	(173,899,582)	(26,184,741)	(200,084,323)
	7,472,700,418	1,773,015,259	9,245,715,677
Less current portion of long-term debt - net of unamortized transaction costs	(629,950,880)	(150,847,041)	(780,797,921)
	₱6,842,749,538	₱1,622,168,218	₱8,464,917,756

Interest expense and amortized debt issue cost of Phase 2 recorded as expense are as follows:

	2022	2021	2020
Interest expense (Note 26)	**₱737,069,364**	₱781,658,813	₱855,506,220
Amortization of debt issue costs (Note 26)	**36,102,080**	34,978,903	35,167,634
	₱773,171,444	₱816,637,716	₱890,673,854

Interest payable as at December 31, 2022 and 2021 amounted to ₱166 million and ₱146 million, respectively (see Note 16).

Throughout the term of the loan, the debt service reserve account is required to have a balance of not less than the required debt service reserve account balance as determined by the facility agent plus the sum of the principal and interest payments on the loan falling due on the next principal repayment or interest payment date. As at December 31, 2021, the balance of debt service reserve account amounted to ₱722 million (nil as at December 31, 2022) [see Note 15]. Starting 2022, Sarangani obtained standby letter of credit from a local bank, thus is no longer required to maintain a debt service reserve account.

Siguil

On June 8, 2022, Siguil entered into an Omnibus Loan and Security Agreement (OLSA) with a local bank in the aggregate principal amount of ₱3,300 million broken down as follows: (1) first tranche in the principal amount of up to ₱1,700 million for the construction of the 15 MW run-of-river hydro power plant project in Maasim, Sarangani Province, Southern Mindanao (Project); and (2) second tranche in the principal amount of up to ₱1,600 million upon completion of the project, for the reimbursement of the amount spent on top of the required equity to bring the Project debt-equity ratio to 75:25 based on the total Project cost as validated by the Lender's Technical Advisor (LTA).

The loans are payable at 3.5% of the principal from the end of the fifth semester up to end of the 18th semester, then 4% from the end of the 19th semester up to the end of the 27th semester, then 5% from the end of 28th semester up to the end 30th semester.

Siguil should pay interest semi-annually in arrears starting on the first interest payment date at the rate higher between (a) the benchmark rate plus 1.75% per annum spread determined on the date of each advance; or (b) 5.75% per annum, subject to adjustment by the lender at such rate as it may determine at the end of the fifth (5th) and tenth (10th) year after the date of initial borrowing using the same formula, with a rate not lower than the rate prior to adjustment.

The OLSA contains an embedded prepayment option where Siguil may prepay the loan in whole or in part provided certain conditions are met. Siguil assessed that the prepayment option is not required to be separated from the host contract.

Siguil is subject to certain negative covenants which require prior approval of the creditors for specified corporate acts, such as change in business or scope of Project, change of ownership or management, act as surety, dividend declarations or payments, incurrence of additional debt and sale or disposal of a substantial portion of their assets, among others.

Siguil shall also maintain certain financial ratios such as debt-to-equity ratio of not more than 3.0, current ratio of not less than 1.0 and debt service coverage ratio of at least 1.10. As at December 31, 2022, Siguil was able to meet the required financial ratios particularly the debt-to-equity ratio and the current ratio (see Note 16). As agreed with the lender, Siguil is not yet subject to the debt service coverage ratio since it is not yet in operations as of December 31, 2022.

The OLSA is collateralized through the (a) Share Charge and Control Agreement relating to present shares and after-acquired shares; (b) Security Agreement for Intangible Assets relating to assigned collaterals such as project receivables, project accounts, project contracts, project documents, performance guarantee, rights, titles, government permits and approvals to the extent allowed by law and each insurance policy; (c) Deed of Trust over movable assets of Siguil; (d) Assignment of Leasehold Rights and (e) Real Estate Mortgage relating to properties, with all the buildings and other pertinent improvements thereon, now existing or which hereafter exist to the extent applicable.

Details of Siguil's long-term debt related to the Project as of December 31, 2022 are as follows:

	Tranche I
Long-term debts	₱1,200,000,000
Less unamortized debt issue costs	(19,165,684)
	₱1,180,834,316

Interest expense and amortized debt issue cost of Tranche 1 recorded as capitalized borrowing costs in 2022 are as follows:

Interest expense	₱19,572,382
Amortization of debt issue costs	397,629
	₱19,970,011

Interest payable as at December 31, 2022 amounted to ₱20 million (see Note 16).

The loan agreement requires Siguil to maintain debt service reserve account. As at December 31, 2022, the balance of debt service reserve account amounted to ₱126 million, which is included under "Other noncurrent assets" in the consolidated statement of financial position. During the grace period or up to the obtainment of the acceptable offtake arrangements, whichever comes later, the debt service reserve requirement shall be an amount equivalent to two semi-annual amortizations for interest on the loan. After the grace period or the obtainment of the acceptable offtake arrangements, whichever comes later, the debt service reserve requirement shall be an amount equivalent to one semi-annual amortization (principal and interest) for the loan.

19. Decommissioning Liabilities

Under their ECC, SPPC, WMPC and Sarangani have obligations to decommission or dismantle its power plant complexes at the end of the useful lives of the power plant assets. In this regard, SPPC, WMPC and Sarangani established provision to recognize their estimated liabilities for the dismantlement of their power plant complexes.

Movements in decommissioning liabilities are as follows:

	2022	2021
Balances at beginning of year	**₱425,824,476**	₱385,909,929
Accretion (Note 26)	**18,518,741**	13,564,895
Effects of changes in estimated future decommissioning costs and discount rate, recognized as adjustment to property, plant and equipment (Note 12)	**(49,250,741)**	26,349,652
Balances at end of year	**₱395,092,476**	₱425,824,476

The actual decommissioning cost could vary substantially from the above estimate because of new regulatory requirements, changes in technology, increased cost of labor, materials, and equipment and/or actual time required in completing all decommissioning or dismantling activities.

The provisions recognized represent the best estimate of the expenditures required to settle the present obligations at the current statement of financial position date. Such cost estimates, expressed at current price levels at the date of the estimate, are discounted using the discount rates ranging 7.18% to 7.22% and 5.07% to 5.09% at December 31, 2022 and 2021, respectively. The Group assesses the best estimate of cash flows required to settle the obligation annually every end of the year. If the estimated discount rate used in the calculation had been 1% higher than management's estimate, the carrying amount of the provision would be ₱43 million lower.

20. Related Party Transactions

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties include (a) enterprises that directly, or indirectly through one or more intermediaries, control or are controlled by, or are under common control with, the Group; (b) associates; and (c) individuals owning, directly or indirectly, an interest in the voting power of the Group that gives them significant influence over the Group and close members of the family of any such individual. In considering each possible related party relationship, attention is directed to the substance of the relationships, and not merely to the legal form.

All related party transactions shall be disclosed to the Group's Audit Committee ("the Committee") of the BOD and all transactions will be reviewed and approved by the Committee to ensure that a conflict of interest does not exist, a proper assessment of such transaction is made, and all necessary information is properly documented. Material related party transaction shall mean any individual related party transaction, or series of related party transactions over twelve (12) months, and with the same related party, amounting to, or exceeding, individually, or in the aggregate, the materiality threshold. Materiality threshold shall mean ten percent (10%) of the total assets of any of the parties to a transaction, based on that party's latest audited financial statements, and if the transaction is a material related party transaction, and one of the related parties is a parent of the other, the total assets shall pertain to the parent's total consolidated assets.

Transactions with related parties pertain mainly to cash advances and reimbursements of expenses.

Outstanding related party balances are generally settled in cash.

The table below shows the details of the Group's transactions with related parties.

Related Party		Advances	Due from Related Parties (Note 8)	Terms	Conditions
Major stockholders	**2022**	**₱550,655,342**	**₱2,751,831,207**	Payable upon demand, noninterest-bearing	Unsecured, no impairment
	2021	₱405,549,937	₱2,201,175,865		
Subsidiaries of major stockholders	**2022**	**–**	**145,943,340**	Payable upon demand, noninterest-bearing	Unsecured, no impairment
	2021	35,780,977	185,814,209		
Affiliates*	**2022**	**120,447,378**	**184,063,601**	Payable upon demand, noninterest-bearing	Unsecured, no impairment
	2021	–	63,616,223		
Total	**2022**	**₱671,102,720**	**₱3,081,838,148**		
	2021	₱441,330,914	₱2,450,606,297		

**Affiliates are entities with common stockholders or directors.*

Compensation of key management personnel are as follows:

	2022	2021	2020
Short-term employee benefits	**₱95,774,732**	₱91,899,822	₱85,400,564
Post-employment benefits	**5,391,702**	5,142,674	5,597,089
	₱101,166,434	₱97,042,496	₱90,997,653

21. Equity

Capital Stock

	2022		2021	
	No. of shares	**Amount**	No. of shares	Amount
Authorized				
Common - ₱1 par value	**11,945,000,000**	**₱11,945,000,000**	11,945,000,000	₱11,945,000,000
Preferred - ₱0.01 par value	**5,500,000,000**	**55,000,000**	5,500,000,000	55,000,000
		₱12,000,000,000		₱12,000,000,000

	2022		2021	
	No. of shares	**Amount**	No. of shares	Amount
Common				
Issued and outstanding	**6,291,500,000**	**₱6,291,500,000**	6,291,500,000	₱6,291,500,000
Preferred				
Subscribed	**5,500,000,000**	**55,000,000**	5,500,000,000	55,000,000
Subscriptions receivable		**–**		(2,016,667)
		₱6,346,500,000		₱6,344,483,333

Capital stock is held by a total of 449 and 453 stockholders as of December 31, 2022 and 2021, respectively.

On May 24, 2011, the Philippine SEC approved the amendment of the Articles of Incorporation of ACR creating a class of preferred shares, by reclassifying 55,000,000 unissued common shares with a par value of ₱1.00 per share into 5,500,000,000 redeemable preferred voting shares with a par value of ₱0.01 per share.

The redeemable preferred shares have the following features:

a. Redeemable preferred shares may only be issued or transferred to Filipino citizens or corporations or associations at least 60% of capital of such corporations or associations is owned by Filipino citizens.

b. Holders of redeemable preferred shares are entitled to receive, out of the unrestricted retained earnings of ACR, cumulative dividends at the rate of 8% per annum of the par value of the preferred shares, before any dividends shall be paid to holders of the common shares. There were no dividend in arrears for 2022 and 2021.

c. ACR may, by resolution of the BOD, redeem the preferred shares at par value. ACR will redeem the preferred shares at par value (i) when the foreign equity limits to which ACR is subject to shall have been removed; and (ii) ACR is not engaged in any other activity likewise reserved exclusively to Filipino citizens, or corporations or associations at least sixty percent (60%) of whose capital is owned by Filipino citizens that would otherwise require ACR to maintain the ownership of the preferred shares by such Filipino citizens. The preferred shares when redeemed will not be retired, and may be reissued upon resolution of the BOD.

d. In the event of dissolution or liquidation, holders of redeemable preferred shares are entitled to be paid in full, or pro-rata insofar as the assets and properties of ACR will permit, the par value of each preferred share before any distribution shall be made to the holders of common shares, and are not entitled to any other distribution.

All common and preferred shares have full voting rights.

On February 4, 2013, AC subscribed to 5,500,000,000 preferred shares with par value of ₱0.01 per share, from the unissued authorized preferred shares of the Parent Company. On the same date, AC paid ₱14 million representing 25% of the subscription price of ₱55 million. As at December 31, 2022 and 2021, subscriptions receivable from AC amounted to nil and ₱2 million, net of the 8% dividends declared for preferred shares in 2022 and 2021, respectively.

The following summarizes the information on the Parent Company's registration of securities under the Securities Regulation Code:

Date of SEC Approval	Activity	Authorized Common Shares	No. of Shares Issued	Issue/Offer Price
1993	Initial Public Offering	12,000,000,000	6,291,500,000	₱1
2011	Conversion of unissued common shares to redeemable preferred shares	(55,000,000)	–	–
		11,945,000,000	6,291,500,000	

Retained Earnings

On May 4, 2012 and March 28, 2014, the BOD approved the appropriation of ₱850 million and ₱850 million of its retained earnings as at December 31, 2011 and December 31, 2013, respectively, for its equity contributions to various projects.

On December 11, 2016, the BOD approved the reversal of appropriation relating to Phase 1 of the Sarangani project amounting to ₱400 million.

On March 22, 2018, the BOD approved the reversal of appropriation relating to Phase 2 of the Sarangani project amounting to ₱200 million.

The appropriated retained earnings as of December 31, 2022 and 2021 pertain to the following projects:

Project Name	Nature/Project Description	Amount (in millions)	Timeline (Year)
Siguil	Hydro-electric power in Maasim, Sarangani	₱370	2023
ZAM100	Construction of 105 MW coal-fired power plant in San Ramon, Zamboanga City	600	2024
Bago	Hydro-electric power in Negros Occidental	130	2025
		₱1,100	

The Parent Company declared the following cash dividends on its common shares:

Year	Date of Declaration	Amount	Per Share	Date of Record	Date of Payment
2022	June 30, 2022	₱125,830,000	₱0.020	June 30, 2022	July 23, 2022
2021	May 20, 2021	125,830,000	0.020	June 30, 2021	July 23, 2021
2020	July 9, 2020	125,830,000	0.020	July 23, 2020	August 4, 2020

Dividends on preferred shares amounting to ₱2.0 million in 2022 and ₱4.4 million in 2021 and 2020 were applied against the Group's subscriptions receivable from AC (see Note 35).

Restriction in dividend distribution
The Group's unappropriated retained earnings attributable to the equity holders of the Parent Company is restricted for dividend declaration to the extent of undistributed earnings of subsidiaries amounting to ₱3,342 million and ₱3,250 million as of December 31, 2022 and 2021, respectively.

Equity Reserves
The composition of the Group's equity reserves are as follows:

	2022	2021
Remeasurement gains on defined benefit plan (Note 21)	**₱21,604,555**	₱12,604,820
Unrealized losses on FVOCI (Note 13)	**(36,829,523)**	(30,372,840)
Cumulative translation adjustments	**1,721,510,908**	1,695,472,935
Other equity reserves	**854,620,762**	854,620,762
Balances at end of year	**₱2,560,906,702**	₱2,532,325,677

Cumulative translation adjustments
This pertains to translation of some subsidiaries whose functional currencies are denominated in US Dollar until 2016, except for APIL, whose functional currency is still denominated in US Dollar as of date.

Acquisition of non-controlling interest
On July 2, 2013, the Parent Company entered into a Share Purchase Agreement to acquire 40% interest in voting shares of CHC, increasing its ownership to 100%. Cash consideration paid on August 1, 2013 amounted to ₱528 million (US$12.16 million). The carrying value of the net assets of CHC was ₱2,456 million (US$38.97 million).

Following is the schedule of additional interest acquired in CHC in 2013:

Carrying value of the additional interest in CHC	₱982,232,166
Cash consideration paid to non-controlling interest	(527,910,397)
Excess of book value of non-controlling interest acquired over acquisition cost	₱454,321,769

The excess of book value of non-controlling interest acquired over acquisition cost was recognized in equity as follows:

Absorbed cumulative translation adjustment from acquired non-controlling interest	₱308,841,072
Included as part of other equity reserves	145,480,697
	₱454,321,769

Disposal of interest in a subsidiary without loss of control
On November 27, 2017, the Parent Company sold its 50% ownership interest less 1 share of the voting and total outstanding capital stock ownership interest in ATEC equivalent to 14,952,678 common shares to GBPC for a total consideration amounting to ₱2,378 million, inclusive of retention receivable to be received upon issuance by BIR of the Certificate Authorizing Registration. The excess of the total consideration over the carrying value of the sold interest in ATEC amounting to ₱709 million (net of transaction cost) was recognized as part of equity reserves.

Basic/diluted earnings per share
Earnings per share attributable to equity holders of the Parent Company is computed as follows:

	2022	2021	2020
Net income attributable to equity holders of the parent*	**₱612,943,193**	₱400,155,589	₱320,706,338
Average number of shares outstanding for the year	**6,291,500,000**	6,291,500,000	6,291,500,000
Basic/diluted earnings per share	**₱0.097**	₱0.064	₱0.051

**net of ₱4.4 million dividends on preferred shares*

22. Cost of Services

The Group's cost of services are as follows:

	2022	2021	2020
Coal, fuel, oil and lubricants	**₱5,388,921,000**	₱3,881,997,519	₱2,416,633,323
Depreciation and amortization (Notes 12 and 25)	**1,378,687,223**	1,454,710,825	1,649,809,019
Repairs and maintenance	**250,428,415**	270,280,628	126,120,507
Insurance expense	**243,321,076**	178,253,529	146,040,820
Personnel costs (Notes 24 and 28)	**203,110,054**	206,456,062	196,749,874
Utilities	**152,419,468**	113,808,468	39,439,662
Taxes and licenses	**39,529,310**	32,489,456	14,543,611
Contracted services	**33,228,626**	36,654,173	30,898,802
Property administration	**2,903,721**	3,327,902	2,403,762
Others	**72,566,659**	77,326,405	65,304,437
	₱7,765,115,552	₱6,255,304,967	₱4,687,943,817

23. General and Administrative Expenses

The Group's general and administrative expenses are as follows:

	2022	2021	2020
Personnel costs (Notes 24 and 28)	**₱267,262,100**	₱259,230,157	₱248,285,976
Impairment of goodwill (Note 14)	**165,000,000**	–	114,500,000
Outside services	**85,907,998**	60,991,647	42,280,846
Taxes and licenses	**78,496,563**	112,545,702	48,888,736
Depreciation and amortization (Notes 12 and 25)	**64,270,885**	67,321,909	67,266,143
Provision for expected credit loss (Note 8)	**37,452,583**	21,496,118	–
Utilities	**30,946,834**	25,226,850	18,420,547
Transportation and travel	**25,843,526**	21,848,871	18,363,346
Management fees	**12,997,524**	25,510,685	22,597,692
Directors and executive fees and bonuses	**8,065,000**	3,300,000	2,955,000
Community relations	**6,415,724**	3,596,217	1,878,658
Supplies	**2,273,672**	2,503,223	1,948,108
Telephone, telegraph and postage	**1,239,101**	1,509,536	5,716,742
Insurance	**1,187,932**	1,238,756	1,084,640
Representation	**703,649**	4,333,541	639,470
Commissions and others (Note 30)	**59,884,625**	67,386,107	55,012,934
	₱847,947,716	₱678,039,319	₱649,838,838

Others include rental expense, costs of freight and brokerage fees, professional license upgrading, reproduction, commissions and supplies of the Group which are not individually material.

24. Personnel Costs

The Group's personnel costs are as follows:

	2022	2021	2020
Cost of services (Note 22)	**₱203,110,054**	₱206,456,062	₱196,749,874
General and administrative expenses (Note 23)	**267,262,100**	259,230,157	248,285,976
	₱470,372,154	₱465,686,219	₱445,035,850
Salaries, wages and bonuses	**₱378,159,811**	₱367,821,769	₱351,849,315
Retirement benefits costs (Note 28)	**25,907,084**	28,027,932	26,035,778
Other employee benefits	**66,305,259**	69,836,518	67,150,757
	₱470,372,154	₱465,686,219	₱445,035,850

25. Depreciation and Amortization

	2022	2021	2020
Cost of services (Note 22)	**₱1,378,687,223**	₱1,454,710,825	₱1,649,809,019
General and administrative expenses (Note 23)	**64,270,885**	67,321,909	67,266,143
	₱1,442,958,108	₱1,522,032,734	₱1,717,075,162

	2022	2021	2020
Property, plant and equipment (Note 12)	**₱1,439,412,221**	₱1,519,083,916	₱1,713,873,512
Amortization of software costs	**3,448,134**	2,894,741	3,146,219
Investments in real estate (Note 10)	**97,753**	54,077	55,431
	₱1,442,958,108	₱1,522,032,734	₱1,717,075,162

26. Finance Charges

	2022	2021	2020
Interest on long-term debts, loans payable and short-term notes payable (Notes 17 and 18)	**₱1,555,134,975**	₱1,624,285,682	₱1,985,072,594
Amortization of transaction costs and debt issue costs (Note 18)	**72,382,175**	71,395,747	95,120,551
Interest on decommissioning liabilities (Note 19)	**18,518,741**	13,564,895	18,546,685
Interest expense on lease liabilities (Note 30)	**3,360,786**	1,235,765	1,754,821
Other finance charges	**1,005,067**	6,461,462	10,071,165
	₱1,650,401,744	₱1,716,943,551	₱2,110,565,816

27. Other Income (Charges) - Net

	2022	2021	2020
Income from leases (Note 30)	**₱427,411,687**	₱7,656,913	₱6,337,348
Bank charges	**(31,309,674)**	(22,260,969)	(13,031,862)
Foreign exchange gain - net	**19,553,904**	14,640,298	10,572,698
Gain on sale of property and equipment	**705,124**	2,975,284	252,403
Others	**7,898,036**	(2,088,650)	35,481,305
	₱424,259,077	₱922,876	₱39,611,892

Others pertain significantly to sales of sludge and reversal of provisions.

28. Employee Benefits

a. Retirement Benefits

The Parent Company, ALC, CHC, SRPI, Siguil and Sindangan have unfunded, noncontributory defined benefit retirement plans while SPPC, WMPC, MPC, APMC, APSC and Sarangani have funded, noncontributory defined benefit retirement plans covering all their qualified employees. Retirement benefits are dependent on the years of service and the respective employee's compensation. The Group's latest actuarial valuation report is as at December 31, 2022.

Under the existing regulatory framework, Republic Act. 7641, otherwise known as the *Retirement Pay Law*, requires a provision for retirement pay to qualified private sector employees in the absence of any retirement plan in the entity, provided, however, that the employee's retirement benefits under any collective bargaining and other agreements shall not be less than those provided under the law. The law does not require minimum funding of the plan.

SPPC, WMPC, MPC, APMC, APSC and Sarangani

The tables below summarize the movements in net retirement liabilities.

As at December 31, 2022:

	Present Value of Defined Benefit Obligation	**Fair Value of Plan Assets**	**Net Retirement Liabilities**
Balances at beginning of year	**₱143,599,438**	**₱102,642,590**	**₱40,956,848**
Retirement benefits cost recognized in profit or loss:			
Current service cost	**18,848,926**	**–**	**18,848,926**
Net interest	**6,410,507**	**4,521,708**	**1,888,799**
	25,259,433	**4,521,708**	**20,737,725**
Transfers to affiliates	**(20,233,942)**	**–**	**(20,233,942)**
Remeasurements losses (gains) recognized in OCI:			
Return on plan assets (excluding amount included in net interest)	**–**	**(5,721,439)**	**5,721,439**
Arising from changes in financial assumptions	**(29,611,505)**	**–**	**(29,611,505)**
Due to experience adjustments	**11,780,116**	**–**	**11,780,116**
	(17,831,389)	**(5,721,439)**	**(12,109,950)**
Benefits paid	**(2,311,504)**	**(2,311,504)**	**–**
Balances at end of year	**₱128,482,036**	**₱99,131,355**	**₱29,350,681**

As at December 31, 2021:

	Present Value of Defined Benefit Obligation	Fair Value of Plan Assets	Net Retirement Liabilities
Balances at beginning of year	₱181,031,014	₱104,348,156	₱76,682,858
Retirement benefits cost recognized in profit or loss:			
Current service cost	24,000,020	–	24,000,020
Net interest	5,821,801	3,045,252	2,776,549
	29,821,821	3,045,252	26,776,569
Transfers to affiliates	(3,808,936)	–	(3,808,936)
Remeasurements losses (gains) recognized in OCI:			
Return on plan assets (excluding amount included in net interest)	–	3,877,191	(3,877,191)

(Forward)

	Present Value of Defined Benefit Obligation	Fair Value of Plan Assets	Net Retirement Liabilities
Arising from changes in financial assumptions	(₱20,049,921)	₱–	(₱20,049,921)
Due to experience adjustments	(3,112,974)	–	(3,112,974)
	(23,162,895)	3,877,191	(27,040,086)
Contributions	–	31,653,557	(31,653,557)
Benefits paid	(40,281,566)	(40,281,566)	–
Balances at end of year	₱143,599,438	₱102,642,590	₱40,956,848

The Group Plan is being maintained by Banco de Oro Unibank, Inc. - Trust and Investments Group (BDO - TIG), a trustee bank.

The components of plan assets of the Group Plan follow:

	2022	2021
Investments in unit investment trust fund (UITF)	**1.00%**	0.90%
Investments in shares of stock	**72.36%**	73.66%
Investments in debt and other securities	**26.06%**	22.61%
Investments in government securities	**0.00%**	2.15%
Others	**0.58%**	0.68%
	100.00%	100.00%

The plan assets of the Group Plan consist of the following:

- Cash and cash equivalents include regular deposit and time deposits which bear interest ranging from 1.75% to 2.00%;
- Investments in UITF are ready-made investments that allow the pooling of funds that are managed by BDO - TIG;
- Investments in shares of stock consist of quoted equity securities;
- Investments in debt and other securities, consisting of both short-term and long-term corporate notes and bonds, bear interest ranging from 4.38% to 8.46% and have maturities until 2024;
- Investments in government securities, consisting of fixed rate treasury notes and retail treasury bonds bear interest ranging from 2.84% to 8.13% and have maturities until 2037; and
- Other financial assets held by the Group Plan consist primarily of interest and dividends receivable.

The Group does not expect to contribute to the fund in 2023.

ACR, ALC, CHC, SRPI, Siguil and Sindangan

The following tables summarize the movements in retirement benefits liabilities:

	2022	2021
Balances at beginning of year	**₱14,031,689**	₱13,384,440
Retirement benefits cost charged in profit or loss:		
Current service cost	**3,880,013**	1,150,455
Interest cost	**1,289,346**	100,908
	5,169,359	1,251,363

(Forward)

	2022	2021
Remeasurements losses (gains) recognized in OCI arising from:		
Changes in financial assumptions	**(₱43,465)**	(₱116,627)
Experience adjustments	**(529,360)**	(487,487)
	(572,825)	(604,114)
Benefits paid	**(545,454)**	–
Balances at end of year	**₱18,082,769**	₱14,031,689

The net retirement assets and liabilities in the consolidated statements of financial position are as follows:

	Net retirement assets		Retirement benefits liabilities	
	2022	2021	**2022**	2021
Funded	**₱22,385,884**	₱20,416,872	**₱51,736,565**	₱61,373,720
Unfunded	**–**	–	**18,082,769**	14,031,689
Total	**₱22,385,884**	₱20,416,872	**₱69,819,334**	₱75,405,409

Actuarial Assumptions

The principal assumptions used in determining retirement benefits obligation are as follows:

SPPC, WMPC, MPC, APMC, APSC and Sarangani:

	December 31, 2022	January 1, 2022	January 1, 2021
Discount rates	**6.93%-7.31%**	4.85%-5.13%	2.92%-4.98%
Future salary increases	**5.00%**	5.00%	5.00%

ACR, ALC, CHC, SRPI, Siguil and Sindangan:

	December 31, 2022	January 1, 2022	January 1, 2021
Discount rates	**5.12%-7.31%**	2.95%-5.20%	2.95%-4.01%
Future salary increases	**5.00%-10.00%**	5.00%-10.00%	5.00%-10.00%

The Group has no specific matching strategies between the retirement plan assets and the defined benefit obligation under the retirement plans.

The sensitivity analysis shown in the next page has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligations, assuming all other assumptions were held constant.

As at December 31, 2022:

	Funded		Unfunded	
	Increase (Decrease)	**Amount**	**Increase (Decrease)**	**Amount**
Discount rates	+0.5%	**(₱4,576,088)**	+0.5%	**(₱2,509,074)**
	-0.5%	**5,067,932**	-0.5%	**2,956,443**
Salary increase rates	+1.0%	**10,516,374**	+1.0%	**3,420,145**
	-1.0%	**(8,732,581)**	-1.0%	**(2,939,331)**

As at December 31, 2021:

	Funded		Unfunded	
	Increase (Decrease)	Amount	Increase (Decrease)	Amount
Discount rates	+0.5%	(₱115,611)	+0.5%	(₱5,346,375)
	-0.5%	1,556,587	-0.5%	5,960,598
Salary increase rates	+1.0%	3,021,476	+1.0%	12,096,021
	-1.0%	(2,629,927)	-1.0%	(9,851,397)

Shown below is the maturity analysis of the undiscounted benefit payments:

	2022	2021
Less than 1 year	**₱75,168,044**	₱61,876,779
More than 1 year to 5 years	**65,445,519**	14,326,197
More than 5 years to 10 years	**56,383,235**	56,383,235
More than 10 years to 15 years	**180,810,156**	103,853,009
More than 15 years to 20 years	**294,599,005**	129,584,652
More than 20 years	**1,934,672,279**	1,081,437,065

b. Compensated Absences

All regular employees of certain entities within the Group who have completed 12 months of continuous service are entitled to leave credits. Leave credits granted to each employee vary based on the employee's tenure and can be accumulated up to 60 days. The employee has the option to convert unused leave credits in the succeeding year. Accrued leave credits (recognized under "Accrued expenses" account in "Accounts payable and other current liabilities") amounted to ₱45 million and ₱34 million as of December 31, 2022 and 2021, respectively. Cost of compensation absences amounted to ₱20 million, ₱12 million and ₱16 million in 2022, 2021 and 2020, respectively.

29. Income Taxes

a. Provision for current income tax consists of:

	2022	2021	2020
RCIT	**₱184,995,201**	₱105,122,885	₱139,472,754
Gross income tax	**141,434,756**	85,768,819	137,328,836
MCIT	**468,989**	589,464	677,687
	₱326,898,946	₱191,481,168	₱277,479,277

b. Following is the reconciliation between the statutory tax rate on income before income tax and the effective tax rates:

	2022	2021	2020
Statutory income tax rate	**25.00%**	25.00%	30.00%
Tax effects of:			
Net unrecognized deferred tax assets	**(11.26%)**	(15.61%)	12.50%
Translation adjustments, income of certain subsidiaries enjoying tax holidays and others - net	**1.80%**	(0.27%)	(28.90%)
Effect of change in income tax rates	–	2.02%	–
Effective income tax rate	**15.54%**	11.14%	13.60%

CREATE Act

The President of the Republic of the Philippines 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. It took effect 15 days after its complete publication in the Official Gazette or in a newspaper of general circulation or April 11, 2021.

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

- Effective July 1, 2020, regular corporate income tax (RCIT) rate is reduced from 30% to 25% for domestic and resident foreign 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%.
- Minimum corporate income tax (MCIT) rate reduced from 2% to 1% of gross income effective July 1, 2020 to June 30, 2023.

Also, registered business enterprises currently availing of the 5% tax on gross income earned granted prior to this Act shall be allowed to continue availing the said tax incentive at the rate of 5% for 10 years unless the extension will be approved by the government.

The impact of the Act was accounted for prospectively, which resulted in the change of tax rates applied both for current and deferred income taxes. This resulted in reduction in the current income tax due for the taxable year 2020 amounting to ₱13 million for the Group, which were recognized in the 2021 consolidated financial statements as reduction to 2021 income tax expense. The deferred tax assets as of December 31, 2021 were also remeasured using the applicable rates upon the reversal of temporary differences which resulted in net decrease of deferred income tax liabilities by ₱33 million.

There were no tax-related contingent liabilities and contingent assets arising from the changes in the tax rates due to CREATE Act.

c. Deferred income tax assets (liabilities) pertain to the income tax effects of the following:

	2022		2021	
	Net Deferred Income Tax Assets	**Net Deferred Income Tax Liabilities**	Net Deferred Income Tax Assets	Net Deferred Income Tax Liabilities
Deferred Income Tax Assets				
Decommissioning liabilities	**₱–**	**₱64,372,972**	₱–	₱55,952,152
NOLCO	**–**	**10,318,658**	6,819,695	33,232,598
Unrealized intercompany transactions	**10,204,007**	**–**	34,765,173	–
Actuarial loss recognized in equity	**3,736,167**	**–**	2,534,594	–
Net retirement plan liabilities	**910,260**	**4,771,077**	3,186,669	7,842,422
Allowance for impairment loss	**–**	**3,290,407**	–	3,290,407
Unamortized past service cost	**2,020,286**	**451,883**	2,632,203	–
Accrued vacation and sick leaves	**2,032,987**	**2,701,397**	3,102,949	760,346

(Forward)

	2022		2021	
	Net Deferred Income Tax Assets	**Net Deferred Income Tax Liabilities**	Net Deferred Income Tax Assets	Net Deferred Income Tax Liabilities
Lease liabilities	**₱–**	**₱1,168,770**	₱–	₱1,221,886
Unrealized foreign exchange losses	**–**	**239,135**	–	49,225
Impairment losses on projects costs	**–**	**597,846**	–	597,846
Difference between accounting and tax depreciation	**7,220,509**	**–**	13,202,533	–
	26,124,216	**87,912,145**	66,243,816	102,946,882
Deferred Income Tax Liabilities				
Capitalized interest	**₱–**	**(₱289,203,233)**	₱–	(₱299,686,438)
Fair value adjustment on real estate inventories	**–**	**(120,655,424)**	–	(122,807,464)
Contract assets	**–**	**(194,596,444)**	–	(188,626,266)
Difference between financial and tax depreciation	**–**	**(74,801,892)**	–	(73,637,291)
Capitalized decommissioning asset	**–**	**(22,943,636)**	(2,828)	(28,309,471)
Effect of change in functional currency	**–**	**(9,509,351)**	–	(18,508,738)
Retirement plan assets	**–**	**(5,699,687)**	–	(3,688,826)
Unrealized foreign exchange gains	**–**	**(2,661,230)**	(10,226)	(67,560)
Difference between tax and financial amortization of transaction costs	**(2,138,767)**	**–**	(22,518,499)	–
Right-of-use assets	**–**	**(1,040,599)**	–	(1,175,594)
Actuarial gains recognized in equity	**–**	**–**	(691,786)	(861,484)
	(2,138,767)	**(721,111,496)**	(23,223,339)	(737,369,132)
	₱23,985,449	**(₱633,199,351)**	₱43,020,477	(₱634,422,250)

d. The following are the Group's deductible temporary differences and carryforward benefits of NOLCO and excess MCIT for which no deferred income tax assets are recognized in the consolidated financial statements because management believes that it is not probable that taxable income will be available against which the deferred income tax assets can be utilized:

	2022	2021
NOLCO	**₱1,690,985,893**	₱1,842,780,355
Cumulative translation adjustments	**112,313,794**	112,313,794
Allowance for expected credit losses	**90,679,339**	53,226,576
Excess MCIT	**1,736,140**	5,638,469
Impairment losses on property, plant and equipment	**2,100,000**	2,100,000
Others	**15,275,474**	10,729,946

The deferred income tax on cumulative translation adjustment was not recognized because the Parent Company is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Movements of NOLCO and excess MCIT follow:

	2022		2021	
	NOLCO	**Excess MCIT**	NOLCO	Excess MCIT
Balances at beginning of year	**₱2,002,989,527**	**₱5,638,469**	₱2,120,819,370	₱5,145,468
Additions	**440,535,653**	**468,989**	515,251,536	589,464
Utilized	**(24,458,322)**	**–**	(6,834,484)	–
Expired	**(686,806,333)**	**(4,371,318)**	(626,246,895)	(96,463)
Balances at end of year	**₱1,732,260,525**	**₱1,736,140**	₱2,002,989,527	₱5,638,469

As of December 31, 2022, the Group has incurred NOLCO before taxable year 2020 and 2022 which can be claimed as deduction from the regular taxable income for the next three (3) consecutive taxable years, as follows:

Year Incurred	Available Until	Balance as at December 31, 2021	Additions	Utilization	Expiration	**Balance as at December 31, 2022**
2019	2022	₱711,264,655	₱–	(₱24,458,322)	(₱686,806,333)	**₱–**
2022	2025	–	440,535,653	–	–	**440,535,653**
		₱711,264,655	₱440,535,653	(₱24,458,322)	(₱686,806,333)	**₱440,535,653**

As of December 31, 2021, the Group has incurred NOLCO in taxable years 2021 and 2020 which can be claimed as deduction from the regular taxable income for the next five (5) consecutive taxable years pursuant to the Bayanihan to Recover As One Act, as follows:

Year Incurred	Available Until	Balance as at December 31, 2021	Additions	Expiration	**Balance as at December 31, 2022**
2020	2025	₱776,473,336	₱–	₱–	**₱776,473,336**
2021	2026	515,251,536	–	–	**515,251,536**
		₱1,291,724,872	₱–	₱–	**₱1,291,724,872**

The carryforward benefits of excess MCIT over RCIT that can be claimed as deduction from future regular taxable income are as follows:

Year Incurred	Available Until	Balance as at December 31, 2021	Additions	Expiration	**Balance as at December 31, 2022**
2019	2022	₱4,371,318	₱–	(₱4,371,318)	**₱–**
2020	2023	677,687	–	–	**677,687**
2021	2024	589,464	–	–	**589,464**
2022	2025	–	468,989	–	**468,989**
		₱5,638,469	₱468,989	(₱4,371,318)	**₱1,736,140**

30. Lease Commitments

Group as a Lessee

On February 1, 2017, the Group entered into a five (5)-year lease agreement for its office space for five (5) years. In 2021, the Group also entered into several lease agreements for parcels of land to be used in the operations of the hydro power plant. The lease agreements have lease terms of three (3)-50 years. The Group paid in advance the lease rentals for the duration of the lease agreements and were capitalized as part of the right-of-use assets. The depreciation expense on the right-of-use assets was capitalized as part of the construction-in progress. On June 30, 2021, the Group entered into a 10-year lease agreement with a third party for the easement and pier usage for fuel deliveries.

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

	2022	2021	2020
Depreciation expense of right-of-use assets	**₱17,565,091**	₱25,098,432	₱11,741,891
Interest expense on lease liabilities	**3,360,786**	1,235,675	1,832,902
Rent expense - short-term leases (Note 23)	**5,177,989**	1,119,138	1,646,892
	₱26,103,866	₱27,453,245	₱15,221,685
Total cash outflow for leases	**₱18,466,346**	₱16,300,528	₱13,755,514

Recoverable deposits related to the lease agreement amounted to ₱5 million as of December 31, 2022 and 2021.

Set out below, is the rollforward analysis of lease liabilities during the years ended December 31:

	2022	2021
Beginning balances	**₱9,938,684**	₱14,723,760
Additions	**28,095,842**	9,160,639
Interest expense on lease liabilities	**3,360,786**	1,235,675
Payments of:		
Principal portion	**(9,927,571)**	(13,945,715)
Interest	**(3,360,786)**	(1,235,675)
Ending balances	**28,106,955**	9,938,684
Less current portion (Note 16)	**(10,070,821)**	(2,130,447)
Noncurrent portion	**₱18,036,134**	₱7,808,237

Set out below, are the amounts of depreciation and carrying value of right-of-use assets by asset class:

		Land	Building	Pier
Depreciation	**2022**	**₱6,359,852**	**₱10,204,734**	**₱1,000,505**
	2021	12,273,040	12,325,139	500,253
Carrying value	**2022**	**11,229,347**	**19,457,945**	**6,836,786**
	2021	1,996,695	–	–

Shown below is the maturity analysis of the undiscounted lease payments:

	2022	2021
Within one year	**₱12,639,627**	₱2,483,608
More than 1 years to 2 years	**12,261,809**	1,412,857
More than 2 years to 3 years	**2,455,867**	1,483,499
More than 3 years	**6,720,859**	8,278,533

Group as a Lessor

The Group entered into operating lease contracts with various third-party lessees. The lease term is for one-year renewable annually.

On July 6, 2022, the Group entered into a long-term lease agreement with a third party for the lease of industrial lots for a period of 50 years, renewable for another 25 years. The lease is accounted for a finance lease since the Group has transferred substantially all the risks and rewards incidental to the ownership of the property to the lessee because the lessee has the option to purchase the property at a price that is expected to be sufficiently lower than the fair value at the date the option becomes exercisable for it to be reasonably certain, at the inception date, that the option will be exercised and at the inception date, the present value of the lease payments amounts to at least substantially all of the fair value of the underlying asset.

Accordingly, the Group derecognized the carrying value of the investment in real estate amounting to ₱108 million (see Note 10) and recognized selling profit of ₱417 million in 2022. The net investment in lease is nil as at December 31, 2022 since there are no payments for the right-to-use the underlying asset during the lease term that are not received at the commencement date. Thus, disclosures of maturity analysis of lease payment receivables were not provided.

Total income from the foregoing operating and finance leases amounted to ₱427 million in 2022, ₱8 million in 2021 and ₱6 million in 2020 (see Note 27).

Future minimum lease receivables under operating lease are as follows:

	2022	2021
Within one year	**₱11,249,132**	₱11,990,481
More than one year but not more than five years	**44,996,527**	47,961,924
	₱56,245,659	₱59,952,405

31. Financial Risk Management Objectives and Policies

The Group's principal financial instruments are composed of cash and cash equivalents, short-term cash investments, equity investments designated at FVOCI, loans payable and long-term debts. The main purpose of these financial instruments is to raise finances for the Group's operations. The Group has various other financial assets and liabilities such as trade and other receivables and accounts payable and other current liabilities which arise directly from its operations. The main risks arising from the Group's financial instruments are credit risk, liquidity risk, and market risk (interest rate risk, equity price risk and foreign currency risk).

Management reviews and the BOD approves policies for managing each of these risks which are summarized below.

Credit Risk
Credit risk is the risk that a counterparty will not meet its obligation under a financial instrument or a customer contract, leading to a financial loss. The Group trades only with recognized and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

In the Group's real estate business, transfer of the property is executed only upon full payment of the purchase price. There is also a provision in the sales contract which allows forfeiture of the installment/deposits made by the customer in favor of the Group in case of default.
These measures minimize the credit risk exposure or any margin loss from possible default in the payment of installments.

In the Group's power generation business, it is the policy of the Group to ensure that all terms specified in the PSAs and ASPA with its customers, including the credit terms of the billings, are complied with.

The table below shows the gross maximum exposure to credit risk of the Group as at December 31, before considering the effects of collaterals, credit enhancements and other credit risk mitigation techniques.

	2022	2021
Cash and cash equivalents*	**₱2,795,745,008**	₱2,863,652,980
Short-term cash investments	**123,724,552**	112,434,574
Trade and other receivables		
Trade receivables		
Power	**2,623,087,048**	2,158,135,663
Real estate**	**77,726,042**	67,963,366
Contract assets	**1,773,555,974**	1,782,852,895
Retention receivables	**14,655,481**	14,655,481
Due from related parties and others***	**3,171,073,362**	2,525,023,620
Debt reserve accounts	**530,274,454**	896,985,111
	₱11,109,841,921	₱10,421,703,690

**Excludes cash on hand amounting to ₱0.5 million and ₱0.5 million as at December 31, 2022 and 2021, respectively.*
***Includes noncurrent portion of receivables amounting to ₱3 and ₱4 million as at December 31, 2022 and 2021, respectively.*
****Excludes advances for business expenses and advances to employees totaling to ₱19 million and ₱21 million as at December 31, 2022 and 2021, respectively.*

Trade receivables and contract assets. The Group's trade receivables and contract assets are monitored on a regular basis. An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due of the customer with loss pattern. The calculation reflects the probability-weighted outcome and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. For trade receivables from real estate sales, expected credit loss is computed using vintage analysis.

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information.

For trade receivables from real estate sales, the Group uses the vintage analysis in calculating the ECLs. Vintage analysis calculates the vintage default rate of each period through a ratio of default occurrences of each given point in time in that year to the total number of receivable issuances or occurrences during that period or year. The rates are also determined based on the default occurrences of customer segments that have similar loss patterns (i.e., by payment scheme). The vintage analysis is initially based on the Group's historical observed default rates. The Group will adjust the historical credit loss experience with forward-looking information.

Generally, trade and other receivables from customers and contract assets are written-off when deemed unrecoverable and are not subject to enforcement activity. The maximum credit exposure to credit risk at the reporting date is the carrying value of each class of financial assets, except for receivables from real estate sales that are collateralized by the underlying properties sold.

Due from related parties. The Group considers its due from related parties as high grade due to assured collectability through information from the related parties' sources of funding.

Cash and cash equivalents, short-term investments and debt reserve accounts. Credit risk from balances with banks and financial institutions is managed in accordance with the Group's policy. Investments of surplus funds are made only with approved counterparties and within credit limits assigned to each counterparty. Counterparty limits are reviewed and approved by the BOD, and are updated when necessary. Cash and cash equivalents, short-term cash investments and debt reserve accounts are placed in various banks. Material amounts are held by banks which belong to top five (5) banks in the country. The rest are held by local banks that have good reputation and low probability of insolvency. These are considered to be low credit risk investments.

Concentration of credit risk
The Group has concentration of credit risk due to sales to significant customers. Two customers accounted for approximately 41%, 42% and 45% of its total revenue from contracts with customers in 2022, 2021 and 2020, respectively. The Group's top five customers accounted for approximately 61% of its total revenue from contracts with customers in 2022, 2021 and 2020, respectively.

The carrying amounts of financial assets at amortized cost approximate the Group's maximum exposure to credit risk. No other financial assets carry a significant exposure to credit risk.

The following tables below summarize the credit quality of the Group's financial assets (gross of allowance for impairment losses) as at December 31:

	2022					
	Current			Past Due	Credit	
	Minimal Risk	Average Risk	High Risk	(1-90 Days)	Impaired	Total
Cash and cash equivalents*	₱2,795,745,008	₱–	₱–	₱–	₱–	₱2,795,745,008
Short-term cash investments	123,724,552	–	–	–	–	123,724,552
Trade and other receivables						
Trade receivables						
Power	2,623,087,048	–	–	–	92,416,327	2,715,503,375
Real estate	21,622,019	–	–	56,104,023	13,163,091	90,889,133
Product distribution and others	–		–	–	31,730,458	31,730,458
Contract assets	1,773,555,974	–	–	–	–	1,773,555,974
Retention receivables	14,655,481	–	–	–	–	14,655,481
Due from related parties and others**	3,171,073,362	–	–	–	5,074,645	3,176,148,007
Debt reserve accounts	530,274,454	–	–	–	–	530,274,454
	₱11,053,737,898	₱–	₱–	₱56,104,023	₱142,384,521	₱11,252,226,442

Excludes cash on hand amounting to ₱0.5 million as at December 31, 2022.
***Excludes advances for business expenses and advances to employees totaling to ₱14 million as at December 31, 2022.*

	2021					
	Current			Past Due	Credit	
	Minimal Risk	Average Risk	High Risk	(1-90 Days)	Impaired	Total
Cash and cash equivalents*	₱2,863,652,980	₱–	₱–	₱–	₱–	₱2,863,652,980
Short-term cash investments	112,434,574	–	–	–	–	112,434,574
Trade and other receivables						
Trade receivables						
Power	2,158,135,663	–	–	–	54,963,744	2,213,099,407
Real estate	11,859,343	–	–	56,104,023	13,163,091	81,126,457
Product distribution and others	–	–	–	–	31,730,458	31,730,458
Contract assets	1,782,852,895	–	–	–	–	1,782,852,895
Retention receivables	14,655,481	–	–	–	–	14,655,481
Due from related parties and others**	2,525,023,620	–	–	–	5,074,645	2,530,098,265
Debt reserve accounts	896,985,111	–	–	–	–	896,985,111
	₱10,365,599,667	₱–	₱–	₱56,104,023	₱104,931,938	₱10,526,635,628

**Excludes cash on hand amounting to ₱0.5 million as at December 31, 2021.*
***Excludes advances for business expenses and advances to employees totaling to ₱21 million as at December 31, 2021.*

The Group classifies credit quality risk as follows:

Minimal risk - accounts with a high degree of certainty in collection, where counterparties have consistently displayed prompt settlement practices, and have little to no instance of defaults or discrepancies in payment.

Average risk - active accounts with minimal to regular instances of payment default, due to ordinary/common collection issues, but where the likelihood of collection is still moderate to high as the counterparties are generally responsive to credit actions initiated by the Group.

High risk - accounts with low probability of collection and can be considered impaired based on historical experience, where counterparties exhibit a recurring tendency to default despite constant reminder and communication, or even extended payment terms.

The following tables below summarize the staging considerations (other than trade receivables and contract assets subject to provision matrix) of the Group's financial assets as at December 31:

	2022			
	Stage 1 (12-Month ECL)	**Stage 2 (Lifetime ECL)**	**Stage 3 (Credit Impaired)**	**Total**
Cash and cash equivalents*	**₱2,795,745,008**	**₱–**	**₱–**	**₱2,795,745,008**
Short-term cash investments	**123,724,552**	**–**	**–**	**123,724,552**
Other receivables:				
Retention receivables	**14,655,481**	**–**	**–**	**14,655,481**
Due from related parties and others**	**3,171,073,362**	**–**	**5,074,645**	**3,176,148,007**
Debt reserve accounts	**530,274,454**	**–**	**–**	**530,274,454**
	₱6,635,472,857	**₱–**	**₱5,074,645**	**₱6,640,547,502**

**Excludes cash on hand amounting to ₱0.5 million as at December 31, 2022.*
***Excludes advances for business expenses and advances to employees totaling to ₱19 million as at December 31, 2022.*

	2021			
	Stage 1 (12-Month ECL)	Stage 2 (Lifetime ECL)	Stage 3 (Credit Impaired)	Total
Cash and cash equivalents*	₱2,863,652,980	₱–	₱–	₱2,863,652,980
Short-term cash investments	112,434,574	–	–	112,434,574
Other receivables:				
Retention receivables	14,655,481	–	–	14,655,481
Due from related parties and others**	2,525,023,620	–	5,074,645	2,530,098,265
Debt reserve accounts	896,985,111	–	–	896,985,111
	₱6,412,751,766	₱–	₱5,074,645	₱6,417,826,411

**Excludes cash on hand amounting to ₱0.5 million as at December 31, 2021.*
***Excludes advances for business expenses and advances to employees totaling to ₱21 million as at December 31, 2021.*

Set out below is the information about the credit risk exposure on trade receivables and contract assets using a provision matrix as of December 31:

	2022				
	Contract Assets	**Current**	**Days Past Due 1-90 Days**	**Days Past Due > 90 Days**	**Total**
Expected credit loss rate	**0%**	**0%**	**0%**	**0%**	
Estimated total gross carrying amount at default	**₱1,773,555,974**	**₱2,345,987,544**	**₱236,847,021**	**₱40,252,483**	**₱4,396,643,022**
Expected credit loss	–	–	–	–	–
Credit impaired	–	–	–	**124,146,785**	**124,146,785**
Total expected credit loss	**₱–**	**₱–**	**₱–**	**₱124,146,785**	**₱124,146,785**

	2021				
	Contract Assets	Current	Days Past Due 1-90 Days	Days Past Due > 90 Days	Total
Expected credit loss rate	0%	0%	0%	0%	
Estimated total gross carrying amount at default	₱1,782,852,895	₱1,870,801,819	₱199,394,438	₱87,939,406	₱3,940,988,558
Expected credit loss	–	–	–	–	–
Credit impaired	–	–	–	86,694,202	86,694,202
Total expected credit loss	₱–	₱–	₱–	₱86,694,202	₱86,694,202

Set out below is the credit risk exposure on the Group's trade receivables from real estate sales using vintage analysis:

	2022	2021
Expected credit loss rate	**0%**	0%
Estimated total gross carrying amount at default	**₱77,726,042**	₱67,963,366

Credit-impaired trade receivables from real estate sales amounted to ₱13 million as of December 31, 2022 and 2021 which have been fully provided with allowance for expected credit loss.

Liquidity Risk

Liquidity risk arises from the possibility that the Group encounter difficulties in raising funds to meet or settle its obligations at a reasonable price. The Group maintains sufficient cash and cash equivalents to finance its operations. Any excess cash is invested in short-term money market placements. These placements are maintained to meet maturing obligations and pay dividend declarations.

The table below summarizes the maturity profile of the Group's financial liabilities based on contractual undiscounted payments and financial assets (held for liquidity purposes):

	2022						
	Due and Demandable	**Less than 3 Months**	**3-12 Months**	**More than 1 Year to 4 Years**	**4-5 Years**	**5 Years onwards**	**Total**
Financial Liabilities:							
Accounts payable and other current liabilities*	₱1,866,521,864	₱52,078,920	₱17,268,920	₱–	₱–	₱–	₱1,935,869,704
Short-term notes and loans payable**	–	400,955,000	4,433,152,000	–	–	–	4,834,107,000
Long-term debts**	–	16,632,582	4,020,154,116	14,421,400,028	2,531,770,455	5,676,127,528	26,666,084,709
Lease liabilities**	–	3,044,873	9,594,754	14,717,676	1,635,558	5,085,301	34,078,162
	₱1,866,521,864	₱472,711,375	₱8,480,169,790	₱14,436,117,704	₱2,533,406,013	₱5,681,212,829	₱33,470,139,575
Financial Assets:							
Cash and cash equivalents	₱2,796,280,747	₱–	₱–	₱–	₱–	₱–	₱2,796,280,747
Short-term cash investments	–	–	123,724,552	–	–	–	123,724,552
Receivables	707,869,511	1,743,015,074	249,928,505	–	–	–	2,700,813,090
Debt reserve accounts	–	–	403,844,969	126,429,485	–	–	530,274,454
Retention receivable	–	–	14,655,481	–	–	–	14,655,481
Due from related parties and others	3,171,073,362	–	–	–	–	–	3,171,073,362
	₱6,675,223,620	₱1,743,015,074	₱792,153,507	₱126,429,485	₱–	₱–	₱9,336,821,686

* *Excluding accrued interest, payable to government agencies, current portion of lease liabilities and advances from customers totaling to ₱645 million.*
** *Including interest payable computed using prevailing rate as at December 31, 2022.*

	2021						
	Due and Demandable	Less than 3 Months	3-12 Months	More than 1 Year to 4 Years	4-5 Years	5 Years onwards	Total
Financial Liabilities:							
Accounts payable and other current liabilities*	₱2,453,267,396	₱1,069,717,580	₱246,547,967	₱–	₱–	₱–	₱3,769,532,943
Short-term notes and loans payable**	–	678,199,150	2,840,650,191	–	–	–	3,518,849,341
Long-term debts**	–	168,155,000	1,649,959,414	12,043,918,281	7,335,034,278	6,020,592,179	27,217,659,152
Lease liabilities**	–	1,471,645	1,011,963	4,454,030	1,635,558	5,085,301	13,658,497
	₱2,453,267,396	₱1,917,543,375	₱4,738,169,535	₱12,048,372,311	₱7,336,669,836	₱6,025,677,480	₱34,519,699,933
Financial Assets:							
Cash and cash equivalents	₱2,864,190,106	₱–	₱–	₱–	₱–	₱–	₱2,864,190,106
Short-term cash investments	–	–	112,434,574	–	–	–	112,434,574
Receivables	209,187,486	1,895,490,941	117,908,633	3,511,969	–	–	2,226,099,029
Debt reserve accounts	–	–	896,985,111	–	–	–	896,985,111
Retention receivable	–	–	14,655,481	–	–	–	14,655,481
Due from related parties and others	2,525,023,620	–	–	–	–	–	2,525,023,620
	₱5,598,401,212	₱1,895,490,941	₱1,141,983,799	₱3,511,969	₱–	₱–	₱8,639,387,921

* *Excluding accrued interest, payable to government agencies, current portion of lease liabilities and advances from customers totaling to ₱561 million.*
** *Including interest payable computed using prevailing rate as at December 31, 2021.*

Maturing liabilities are expected to be settled using cash to be generated from operations and drawing from existing credit lines. The Group has access to a sufficient variety of sources of funding and debt maturing within 12 months can be rolled over with existing lenders.

Interest Rate Risk

Interest risk is the risk that changes in interest rates will adversely affect the Group's income or value of its financial instruments. The Group's exposure to market risk for changes in interest rates relates primarily to the Group's long-term debts obligations.

Interest on financial instruments classified as floating rate is repriced on a quarterly and semi-annual basis.

The table below demonstrates sensitivity analysis to a reasonably possible change in interest rates on long-term debts, with all other variables held constant, of the Group's income before income tax (through the impact on floating rate interest on borrowings).

	2022		2021	
	Increase in Basis Points	**Decrease in Basis Points**	Increase in Basis Points	Decrease in Basis Points
Change in basis points	**+100**	**-100**	+100	-100
Increase (decrease) in income before income tax	**(₱200,550,160)**	**₱200,550,160**	(₱205,872,095)	₱205,872,095

There is no effect on equity other than those already affecting the consolidated statements of income.

Equity Price Risk

Equity price risk is the risk that the fair value of quoted equity investments decreases as the result of changes in the value of individual stock. The Group's exposure to equity price risk relates primarily to the Group's quoted equity investments. The Group's policy requires it to manage such risk by setting and monitoring objectives and constraints on investments; diversification plan; and limits on investment in each industry or sector. The Group intends to hold these investments indefinitely in response to liquidity requirements or changes in market conditions.

The following table demonstrates the sensitivity to a reasonably possible change in equity price, with all other variables held constant, of the Group's consolidated equity. The reasonably possible change in equity price was based on the year-to-year change of stock market indices. The methods and assumptions used in the analysis remained unchanged over the reporting periods.

Equity price risk of those equity investments designated at FVOCI listed in the Philippine Stock Exchange and secondary or broker market (for golf club shares) is as follows:

	2022		2021	
	Increase in Equity Price	**Decrease in Equity Price**	Increase in Equity Price	Decrease in Equity Price
Change in equity price	**+1%**	**-1%**	+1%	-1%
Increase (decrease) in equity	**₱1,339,310**	**(₱1,339,310)**	₱1,403,877	(₱1,403,877)

Foreign Currency Risk

The Group's exposure to foreign currency risk is limited to monetary assets and liabilities denominated in currencies other than its functional currency. Substantial portion of the U.S. dollar-denominated assets and liabilities is attributable to the Group's power segment in which the functional currency is the U.S. dollar. The Group closely monitors the fluctuations in exchange rates so as to anticipate the impact of foreign currency risk associated with its financial instruments.

In translating the foreign currency-denominated monetary assets and liabilities into peso amounts, the Philippine peso to U.S. dollar exchange rates used was ₱55.76 to US$1.0 and ₱50.99 to US$1.0 for December 31, 2022 and 2021, respectively.

The table below summarizes the Group's exposure to foreign currency risk. Included in the table are the Group's financial assets and liabilities at their carrying amounts.

	2022		2021	
	In U.S. Dollar	**In Philippine Peso**	In U.S. Dollar	In Philippine Peso
Financial assets:				
Cash and cash equivalents	**$2,304,810**	**₱128,516,206**	$421,747	₱21,504,880
Short-term cash investments	**2,219,075**	**123,735,622**	–	–
Trade and other receivables	**2,018,266**	**112,538,512**	2,022,679	103,136,402
	6,542,151	**364,790,340**	2,444,426	124,641,282
Financial liabilities -				
Trade payables	**(198,896)**	**(11,090,441)**	(20,703,295)	(1,055,661,012)
	$6,343,255	**₱353,699,899**	($18,258,869)	(₱931,019,730)

The table below demonstrates the sensitivity to a reasonably possible change in the U.S. dollar to Philippine peso exchange rate, with all other variables held constant, of the Group's income before income tax. The reasonably possible change in exchange rate was based on forecasted exchange rate change using historical date within the last five years as at the reporting period. The methods and assumptions used remained unchanged over the reporting periods being presented.

	2022		2021	
	Philippine Peso		Philippine Peso	
	Increase	**Decrease**	Increase	Decrease
Change in foreign exchange rate	**+1.0**	**-1.0**	+1.0	-1.0
Increase (decrease) in income before income tax	**₱35,369,990**	**(₱35,369,990)**	(₱93,101,973)	₱93,101,973

The increase in ₱ against US$ means stronger U.S. dollar against peso while the decrease in ₱ against US$ means stronger peso against U.S. dollar. There is no other impact on the Group's equity other those already affecting the consolidated statements of income.

Capital Management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its businesses and maximize shareholder's value.

The Group considers its total equity and debt reflected in the consolidated statements of financial position as its capital. The Group manages its capital structure and makes adjustments to it, in the light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares and raise additional. No changes were made in the objectives, policies or processes in 2022, 2021 and 2020.

The Group monitors its capital based on debt-to-equity ratio as required by its loan's agreements with financial institutions. The Group includes debt interest bearing loans and borrowings. Capital includes equity attributable to the equity holders of the parent less the other equity reserves. The Group monitors capital on the basis of the debt-to-equity ratio and interest coverage ratio in compliance for its long-term debts. Debt-to-equity ratio is calculated as total liabilities over total equity, excluding accounts payable and other current liabilities arising from operations and other reserves. Interest coverage ratio is calculated as earnings before interest, taxes, depreciation and amortization over total interest expense.

The Group's strategy, which was unchanged from prior year, was to maintain the debt-to-equity ratio, current ratio and interest coverage ratio at manageable levels.

The Parent Company's debt-to-equity ratio and interest coverage ratio based on the consolidated financial statements as required by its own long-term debt are as follows:

a. Debt-to-equity Ratio:

	2022	2021
Long-term debts	**₱20,055,015,980**	₱20,587,209,489
Equity attributable to equity holders of the Parent Company	**12,525,992,386**	12,008,281,501
Debt-to-equity ratio	**1.60:1**	1.71:1

b. Debt Service Coverage Ratio:

	2022	2021
Income before income tax	**₱2,220,298,054**	₱1,486,319,578
Add depreciation, amortization and interest expense	**3,093,359,852**	3,238,976,285
Add ending cash balance	**2,796,280,747**	2,864,190,106
Total cash available for debt service	**8,109,938,653**	7,589,485,969
Divided by aggregate principal repayment and interest during the next period	**4,036,786,698**	3,266,685,474
	2.01:1	2.32:1

Sarangani

Sarangani's debt-to-equity ratio and debt service coverage ratios calculated using Sarangani's stand-alone financial statements are as follows:

a. Debt-to-equity Ratio:

	2022	2021
Current liabilities	**₱4,352,244,666**	₱5,512,902,428
Noncurrent liabilities	**11,549,772,864**	13,481,975,652
Total liabilities	**15,902,017,530**	18,994,878,080
Equity	**13,179,728,714**	12,509,110,953
Debt-to-equity ratio	**1.21:1**	1.52:1

b. Debt Service Coverage Ratio:

	2022	2021
Income before income tax	**₱1,947,415,589**	₱1,579,835,699
Add depreciation, amortization and interest expense	**2,472,207,805**	2,577,604,598
Total cash available for debt service	**4,419,623,394**	4,157,440,297
Divided by debt service	**2,965,884,122**	2,929,220,286
	1.49:1	1.42:1

Siguil

Siguil separately monitors its debt-to-equity ratio and current ratio of the Project. Siguil's current ratio and debt-to-equity ratio are as follows:

a. Current Ratio:

	2022
Current assets	**₱506,980,177**
Current liabilities*	**87,321,226**
Current ratio	**5.81:1**

**Excluding advances from related parties as provided in OLSA*

b. Debt-to-equity Ratio:

	2022
Total liabilities*	**₱1,563,485,465**
Equity**	**2,975,462,681**
Debt-to-equity ratio	**0.53:1**

**Excluding advances from related parties as provided in OLSA*
***Including advances from related parties as provided in OLSA*

32. Financial and Non-financial Instruments

The Group held the following financial and non-financial instruments that are carried at fair value or where fair value is required to be disclosed:

As at December 31, 2022:

		Fair Value			
	Carrying value	**Total**	**Level 1**	**Level 2**	**Level 3**
Financial Assets					
Measured at fair value -					
Equity investments designated as FVOCI	**₱2,355,339,743**	**₱2,355,339,743**	**₱33,060,974**	**₱100,110,000**	**₱2,222,168,769**
Non-financial Assets					
Fair value is disclosed -					
Investments in real estate	**410,914,921**	**1,476,729,536**	**–**	**–**	**1,476,729,536**
	₱2,766,254,664	**₱3,832,069,279**	**₱33,060,974**	**₱100,110,000**	**₱3,698,898,305**
Financial Liabilities					
Fair value is disclosed -					
Long-term debts	**₱20,055,015,980**	**₱24,688,873,798**	**₱–**	**₱–**	**₱24,688,873,798**

As at December 31, 2021:

		Fair Value			
	Carrying value	Total	Level 1	Level 2	Level 3
Financial Assets					
Measured at fair value -					
Equity investments designated as FVOCI	₱2,361,796,426	₱2,361,796,426	₱39,517,657	₱100,110,000	₱2,222,168,769
Non-financial Assets					
Fair value is disclosed -					
Investments in real estate	513,872,270	1,814,245,194	–	–	1,814,245,194
	₱2,875,668,696	₱4,176,041,620	₱39,517,657	₱100,110,000	₱4,036,413,963
Financial Liabilities					
Fair value is disclosed -					
Long-term debts	₱20,587,209,489	₱26,347,626,060	₱–	₱–	₱26,347,626,060

During the years ended December 31, 2022 and 2021, there were no transfers between Level 1 and 2 fair value measurements, and no transfers into and out of Level 3 measurements.

The following methods and assumptions are used to estimate the fair value of each class of financial and non-financial instruments:

Cash and cash equivalents, short-term cash investments, and trade and other receivables
The carrying amounts of these financial assets approximate their fair values due to the short-term maturity of those instruments and the effect of discounting the instruments is not material.

Financial assets at FVOCI
The Group's financial assets include investments in quoted and unquoted securities and golf club shares. The fair value of investment in quoted securities is determined based on the closing market rate in PSE as at statement of financial position dates. The fair value of investment in golf club shares which are traded in organized financial markets is determined based on any price within the lower selling quotes and higher buyer quotes at the close of business at reporting date.

As of December 31, 2022 and 2021, the Group's investment in unquoted equity investments is measured at fair value using the adjusted net asset value approach as of December 31, 2022 and 2021, respectively (see Note 13). The significant unobservable inputs used in the fair value measurements categorised within Level 3 of the fair value hierarchy, together with a quantitative sensitivity analysis are shown below:

As at December 31, 2022:

Significant unobservable inputs	Inputs	Increase (Decrease)	Amount (in millions)
Average price per square meter for real estate properties	**₱121,000**	**+1%**	**₱18**
		-1%	**(18)**
Multiplier to arrive at the estimated net realizable value for real estate inventories	**2.22 times**	**+1%**	**74**
		-1%	**(74)**
Discount for lack of control and marketability	**10%**	**+5%**	**(235)**
		-5%	**254**

As at December 31, 2021:

Significant unobservable inputs	Inputs	Increase (Decrease)	Amount (in millions)
Average price per square meter for real estate properties	₱101,000	+1%	₱15
		-1%	(15)
Multiplier to arrive at the estimated net realizable value for real estate inventories	2.28 times	+1%	53
		-1%	(53)
Discount for lack of control and marketability	10% - 15%	+5%	(244)
		-5%	259

Accounts payable and other current liabilities and loans payable
The carrying amounts of these financial liabilities approximate fair value because of the short-term maturity of these instruments.

Long-term debts
The fair value of long-term debts with variable interest rates approximates its carrying amounts due to quarterly repricing of interest. The fair value of long-term debts with fixed interest rate and long-term debts with variable interest rates subject to semi-annual repricing of interest is determined by discounting the estimated future cash flows using the discount rates applicable for similar types of instruments.

Investments in real estate
Refer to Note 10 for the basis of fair value.

33. Revenue and Significant Agreements and Commitments

Disaggregated Revenue Information
Set out below is the disaggregation of the Group's revenue from contracts with customers for the years ended December 31:

Type of contract	2022	2021	2020
Power supply agreements and ancillary services procurement agreement	**₱11,967,260,712**	₱10,046,853,824	₱9,464,452,238
Contract to sell of residential lots	**21,971,417**	–	–
Total revenue from contracts with customers	**₱11,989,232,129**	₱10,046,853,824	₱9,464,452,238
Income from leases (Notes 27 and 30)	**₱427,411,687**	₱7,656,913	₱6,337,348
	₱12,416,643,816	₱10,054,510,737	₱9,470,789,586

Contract Balances
The Group's receivables as at December 31, 2022 and 2021 are disclosed in Note 8. The Group's contract assets as at December 31, 2022 and 2021 amounted to ₱1,774 million and ₱1,783 million, respectively, representing excess of revenue earned and recognized over the amount billed, billable and/or collected from the customers under the contracts (see Note 8).

The Group's trade receivables and contract assets amounted to ₱1,817 million and ₱1,583 million, respectively, as of January 1, 2021.

Significant Contracts
a. PSAs and ASPA

Sarangani
Sarangani entered into PSAs with the following parties for a period of 25 years.

Phase 1 of the Project

Contracting Party	Contracted Capacity (in Megawatts)
SOCOTECO II	70
Iligan Light and Power Inc.	15
Agusan del Norte Electric Cooperative	10
Agusan del Sur Electric Cooperative	10
	105

Phase 2 of the Project

Contracting Party	Contracted Capacity (in Megawatts)
Cagayan Electric Power and Light Company, Inc.	20
Davao del Norte Electric Cooperative, Inc.	15
Davao del Sur Electric Cooperative, Inc.	15
Cotabato Electric Cooperative, Inc.	10
South Cotabato I Electric Cooperative, Inc.	10
Zamboanga del Sur I Electric Cooperative Inc.	5
Zamboanga del Norte Electric Cooperative Inc.	5
	80

Revenue amounted to ₱9,973 million in 2022, ₱8,225 million in 2021 and ₱7,892 million in 2020.

CHC and Subsidiaries
WMPC has existing PSAs with electric cooperatives and distribution utilities for a period of 10 years with contracted capacity of 51MW.

On September 25, 2017, CEPALCO requested to suspend its PSA starting October 2017 because based on the current supply-demand condition within its franchise area, CEPALCO will not be requiring the 30 megawatts capacity from WMPC for the meantime. Consequently, on September 26, 2017, WMPC agreed to the requested suspension. The unexpired term of the PSA between WMPC and CEPALCO shall be preserved and will resume upon prior written notice from the latter.

In addition, WMPC has existing ASPA with National Grid Corporation of the Philippines (NGCP) which was provisionally approved by the ERC. On the other hand, MPC has existing PSA with electric cooperative with contracted capacity of 30MW.

Revenue amounted to ₱1,994 million in 2022, ₱1,822 million in 2021 and ₱1,572 million in 2020.

SRPI
In March 2013, SRPI entered into a PSA with ZAMCELCO for a period of 25 years from start of the SRPI's commercial operation. Contracted capacity for the related PSA was 85 MW. On September 15, 2014, the Energy Regulation Commission approved the above PSA. As at March 23, 2023, the SRPI has not started the construction of the ZAM 100 power plant. The proposals for the EPC rebidding were submitted on August 30, 2018. The selected EPC contractor remains committed to the implementation of the SRPI Project, with regular updating of project requirements to maintain readiness for implementation upon execution of the EPC contract and issuance of NTP. The issuance of the NTP is expected in the fourth quarter of 2024, corresponding to a Commercial Operations Date (COD) in March 2027.

b. Joint Venture Agreements

ALC has a Joint Venture Agreement with SLRDI for the development of ALC's parcels of land at General Trias, Cavite into a commercial and residential subdivision with golf courses, known as the Eagle Ridge Golf and Residential Estates (Eagle Ridge). The entire development shall be undertaken by SLRDI which shall receive 60% of the total sales proceeds of the lots of the subdivision, both commercial and residential, and of the golf shares. The remaining balance of 40% shall be for ALC. ALC's 40% share in the proceeds and in the cost of the lots sold is shown as part of "Sales of real estate" and "Cost of real estate sold" accounts, respectively, in the consolidated statements of income. ALC's share in the unsold lots is included under "Real estate inventories" account in the consolidated statements of financial position.

In 2006, ALC entered a joint venture agreement with Sunfields Realty Development Inc., the developer, for the development of ALC's parcels of land at Lipa and Malvar, Batangas into residential house and lots, called as the Campo Verde Subdivision. The entire development costs were shouldered by the developer. In return to their respective contributions to the project, the parties have agreed to assign a number of units of residential house and lots proportionate to their respective contributions computed as specified in the Memorandum of Agreement. The developer was assigned as the exclusive marketing agent and receives 10% of the total contract price, net of value-added tax and discounts, as marketing fee. Sales and cost of lots sold allocated to ALC are shown as part of "Real estate sales" and "Cost of real estate sales" accounts, respectively, in the consolidated statements of income.

On March 21, 2013, Aldevinco and ACIL (collectively referred as "AG") and Ayala Land, Inc. (ALI) entered into a joint venture agreement, where ALI shall own 60% and AG shall own 40% of the outstanding capital stock of the Joint Venture Corporation (JVC), Aviana. On September 17, 2013, Aviana was incorporated as the JVC. ACR has subscribed to 296 preferred shares and 32 common shares for 34% ownership in Aviana.

c. Marketing Agreements

ALC and SLRDI have a Marketing Agreement with Fil-Estate Group of Companies (FEGC) for the latter to maket and sell the individual lots at Eagle Ridge. FEGC is entitled to a marketing commission of 12% of the sales contract price.

d. Registration with Zamboanga City Special Economic Zone Authority (ZAMBOECOZONE) and Kamanga Agro-Industrial Economic Zone

On November 20, 2012, SRPI obtained the certificate of registration and tax exemption issued by ZAMBOECOZONE. As a registered ZAMBOECOZONE enterprise, SRPI shall enjoy incentives and benefits provided for in Republic Act (R.A.) 7903 Sections 4(e) and 4(f) and Sections 43-44, 57-59 and 62 of R.A. 7903 throughout the Lease Agreement with ZAMBOECOZONE.

On June 7, 2011, PEZA approved Sarangani's registration as an Ecozone Utilities Enterprise inside Kamanga Agro-Industrial Economic Zone located at Barangay Kamanga, Maasim, Sarangani Province.

As a power generation registered economic zone enterprises SRPI and Sarangani are entitled to the certain tax incentives.

e. Joint Crediting Mechanism Grant (the JCM Grant) by the Ministry of Environment of Japan (MEJ)

On September 22, 2017, ACR, AREC, Toyota Tsusho Corporation (TTC) and Siguil entered into an International Consortium Agreement (the Consortium Agreement) in order to apply for the JCM grant with Ministry Environment of Japan (MEJ). On October 20, 2017, MEJ approved the grant in relation to the development and implementation of the 15 MW Hydro Power Plant Project in Siguil River in Mindanao.

Siguil together with ACR, AREC, Toyota Tsusho Corporation (TTC) entered into an International Consortium Agreement (the Consortium Agreement) to apply for the JCM grant with Ministry Environment of Japan (MEJ), which was approved by MEJ. The grant amounting to JPY732.25 million, was provided in relation to the development and implementation of the 15

MW Hydro Power Plant Project in Siguil River in Mindanao. The conditions attached to the grant include the delivery of 50% of the issued carbon dioxide credits corresponding to the carbon dioxide emission reduction achieved by the project. In the event of non-compliance, cancellation or termination of the project, Siguil is liable to return the undepreciated amount of the JCM grant to MEJ.

Consequently, the parties entered into a Memorandum of Agreement (MOA) to define its roles and responsibilities under in relation to the JCM grant. Siguil received, through TTC, a portion of the grant amounting to ₱126 million in 2022 and ₱169 million in 2021. This is treated as deferred credit and will be recognized as income over the expected useful life of the related asset.

34. Contingencies

The Group is currently involved in certain regulatory matters of which estimate of the probable costs for its resolution has been developed in consultation with the Group's advisors handling the defense on these matters and is based on the analysis of potential results. Such potential results and estimate of potential liability are not reflected in the consolidated financial statements as management believes that it is not probable that the contingent liabilities will materialize affecting the Group's operations and consolidated financial statements.

35. Notes to Consolidated Statements of Cash Flows

a. The principal noncash investing and financing activities are as follows:

	2022	2021	2020
Financing activities:			
Conversion of advances to equity attributable to non-controlling interests (Note 1)	**₱–**	₱1,879,463,700	₱–
Amortization of debt issue cost (Note 18)	**72,779,804**	71,395,747	95,120,551
Application of dividends to subscriptions receivable (Note 21)	**(2,016,667)**	(4,400,000)	(4,400,000)
Investing activities:			
Noncash additions to property, plant and equipment (reclassifications, unpaid portions, etc.)	**5,591,779**	(69,053,741)	(752,344,557)
Addition to right-of-use assets (Note 12)	**(53,092,474)**	(15,003,137)	–
Share in earnings of associates (Notes 11 and 27)	**(54,720,253)**	(72,357,699)	(63,584,408)

b. Reconciliation of the movement of liabilities arising from financing activities as at and for the years ended December 31, 2022 and 2021 are as follows:

	2022			
	Loans payable	**Short-term notes payable**	**Long-term debts**	**Total**
Beginning balance	**₱1,570,535,030**	**₱1,943,104,063**	**₱20,587,209,489**	**₱24,100,848,582**
Cash movements:				
Availment of additional debt	**4,294,099,417**	**1,885,000,000**	**1,200,000,000**	**7,379,099,417**
Settlement of debt	**(2,670,535,030)**	**(2,251,481,680)**	**(1,785,410,000)**	**(6,707,426,710)**
Payment of debt issue costs	**–**	**–**	**(19,563,313)**	**(19,563,313)**
Noncash movements:				
Amortization of debt issue costs	**–**	**–**	**72,779,804**	**72,779,804**
Ending balance	**₱3,194,099,417**	**₱1,576,622,383**	**₱ 20,055,015,980**	**₱24,825,737,780**

	2021			
	Loans payable	Short-term notes payable	Long-term debts	Total
Beginning balance	₱1,382,667,507	₱892,790,136	₱21,993,281,742	₱24,268,739,385
Cash movements:				
Availment of additional debt	1,378,400,000	2,000,000,000	–	3,378,400,000
Settlement of debt	(1,190,532,477)	(949,686,073)	(1,477,468,000)	(3,617,686,550)
Noncash movements:				
Amortization of debt issue costs	–	–	71,395,747	71,395,747
Ending balance	₱1,570,535,030	₱1,943,104,063	₱20,587,209,489	₱24,100,848,582

	2020			
	Loans payable	Short-term notes payable	Long-term debts	Total
Beginning balance	₱112,291,726	₱1,618,725,542	₱23,299,494,704	₱25,030,511,972
Cash movements:				
Availment of additional debt	1,507,316,612	2,394,000,000	6,000,000,000	9,901,316,612
Settlement of debt	(236,940,831)	(3,121,617,276)	(7,306,506,000)	(10,665,064,107)
Payment of debt issue costs	–	–	(94,827,513)	(94,827,513)
Noncash movements:				
Amortization of discount	–	1,681,870	–	1,681,870
Amortization of debt issue costs	–	–	95,120,551	95,120,551
Ending balance	₱1,382,667,507	₱892,790,136	₱21,993,281,742	₱24,268,739,385

c. Reconciliation of the movement of interest payable arising from financing activities as at and for the years ended December 31, 2022, 2021 and 2020 are as follows:

	2022	2021	2020
Beginning balance	**₱274,995,147**	₱303,119,098	₱316,267,945
Cash movements:			
Payment	**(1,522,627,562)**	(1,660,106,861)	(2,010,047,427)
Noncash movements:			
Interest expense, excluding accretion on decommissioning liabilities and amortization of debt issue costs	**1,559,500,828**	1,631,982,910	1,996,898,580
Ending balance	**₱311,868,413**	₱274,995,147	₱303,119,098

d. Reconciliation of the movement of dividend payable arising from financing activities as at and for the years ended December 31, 2022, 2021 and 2020 are as follows:

	2022	2021	2020
Beginning balance	**₱749,999,985**	₱479,999,990	₱144,000,000
Cash movements:			
Payment	**(1,520,674,997)**	(740,829,990)	(660,830,010)
Noncash movements:			
Declaration	**952,730,000**	1,015,229,985	1,001,230,000
Application of dividends to subscriptions receivable (Note 21)	**(2,016,667)**	(4,400,000)	(4,400,000)
Ending balance	**₱180,038,321**	₱749,999,985	₱479,999,990

36. Other Matters

a. Electric Power Industry Reform Act (EPIRA)

RA No. 9136, the EPIRA of 2001, and the covering Implementing Rules and Regulations (IRR) provide for significant changes in the power sector which include among others:

i. The unbundling of the generation, transmission, distribution and supply and other disposable assets, including its contracts with IPP and electricity rates;
ii. Creation of a Wholesale Electricity Spot Market within one year; and
iii. Open and non-discriminatory access to transmission and distribution systems.

The law also requires public listing of not less than 15% of common shares of generation and distribution companies within 5 years from the effectivity of the EPIRA. It provides cross ownership restrictions between transmission and generation companies and between transmission and distribution companies, and a cap of 50% of its demand that a distribution utility is allowed to source from an associated company engaged in generation except for contracts entered into prior to the effectivity of the EPIRA.

There are also certain sections of the EPIRA, specifically relating to generation companies, which provide for a cap on the concentration of ownership to only 30% of the installed capacity of the grid and/or 25% of the national installed generating capacity.

Based on the assessment of management, the operating subsidiaries have complied with the applicable provisions of the EPIRA and its IRR.

b. Clean Air Act

The Clean Air Act and the related IRR contain provisions that have an impact on the industry as a whole and on the Group in particular, that needs to be complied with. Based on the assessment made on the power plant's existing facilities, management believes that the operating subsidiaries complied with the applicable provisions of the Clean Air Act and the related IRR as at December 31, 2022 and 2021.

SGV
Building a better
working world

SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
Philippines

Tel: (632) 8891 0307
Fax: (632) 8819 0872
ey.com/ph

**INDEPENDENT AUDITOR'S REPORT
ON SUPPLEMENTARY SCHEDULES**

The Stockholders and the Board of Directors
Alsons Consolidated Resources, Inc.
Alsons Building, 2286 Chino Roces Avenue
Makati City, Metro Manila, Philippines

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Alsons Consolidated Resources, Inc. and its subsidiaries (the Group) as at December 31, 2022 and 2021 and for each of the three years in the period ended December 31, 2022, included in this Form 17-A and have issued our report thereon dated March 23, 2023. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the Index to Supplementary Schedules are the responsibility of the Group's management. These schedules are presented for purposes of complying with the Revised Securities Regulation Code Rule 68, and are not part of the basic 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.

Manolito R. Elle
Partner
CPA Certificate No. 106471
Tax Identification No. 220-881-929
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
SEC Partner Accreditation No. 106471-SEC (Group A)
Valid to cover audit of 2022 to 2026 financial statements of SEC covered institutions
SEC Firm Accreditation No. 0001-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
BIR Accreditation No. 08-001998-128-2023, January 25, 2023, valid until January 24, 2026
PTR No. 9564613, January 3, 2023, Makati City

March 23, 2023

ALSONS CONSOLIDATED RESOURCES, INC. AND SUBSIDIARIES

INDEX TO SUPPLEMENTARY SCHEDULES

DECEMBER 31, 2022

Supplementary schedules required by Revised Securities Regulation Code Rule 68:

ALSONS CONSOLIDATED RESOURCES, INC. AND SUBSIDIARIES
SCHEDULE OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION*
DECEMBER 31, 2022

Unappropriated retained earnings available for dividend declaration as at December 31, 2021		₱151,427,890
Add: **Net income actually earned/realized during the year**		
Net income earned during the year		158,154,494
Less: **Non-actual/unrealized income net of tax:**		
Equity in net income of associate/joint venture	–	
Unrealized foreign exchange gain - (after tax) except those attributable to Cash and Cash Equivalents)	–	
Fair value adjustment (mark-to-market gains)	–	
Fair value adjustment of Investment Property resulting to gain	–	
Adjustment due to deviation from PFRS - gain	–	
Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS	–	
Sub-total	–	
Add: **Non-actual losses**		
Depreciation on revaluation increment (after tax)	–	
Adjustment due to deviation from PFRS - loss	–	
Loss on fair value adjustment of investment property (after tax)	–	
Sub-total	–	
Net income actually earned during the period		**309,582,384**
Add (Less):		
Dividends declaration during the period	(130,230,003)	
Appropriations of Retained Earnings during the period	–	
Reversals of appropriations	–	
Effects of prior period adjustments	–	
Treasury shares	–	
Sub-total		(130,230,003)
UNAPPROPRIATED RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION AS AT DECEMBER 31, 2022		**₱179,352,381**

*Note: In accordance with SEC Financial Reporting Bulletin No. 14, the reconciliation is based on the separate/parent company financial statements of Alsons Consolidated Resources, Inc.

SGV
Building a better working world

SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
Philippines

Tel: (632) 8891 0307
Fax: (632) 8819 0872
ey.com/ph

INDEPENDENT AUDITOR'S REPORT ON COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS

The Stockholders and the Board of Directors
Alsons Consolidated Resources, Inc.
Alsons Building, 2286 Chino Roces Avenue
Makati City, Metro Manila, Philippines

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Alsons Consolidated Resources, Inc. and its subsidiaries (the Group) as at December 31, 2022 and 2021 and for each of the three years in the period ended December 31, 2022, and have issued our report thereon dated March 23, 2023. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Supplementary Schedule on Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Group's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRSs) and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for the purpose of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the basic financial statements prepared in accordance with PFRS. The components of these financial soundness indicators have been traced to the Group's financial statements as at December 31, 2022 and 2021 and for each of the three years in the period ended December 31, 2022 and no material exceptions were noted.

SYCIP GORRES VELAYO & CO.

Manolito R. Elle
Partner
CPA Certificate No. 106471
Tax Identification No. 220-881-929
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
SEC Partner Accreditation No. 106471-SEC (Group A)
Valid to cover audit of 2022 to 2026 financial statements of SEC covered institutions
SEC Firm Accreditation No. 0001-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
BIR Accreditation No. 08-001998-128-2023, January 25, 2023, valid until January 24, 2026
PTR No. 9564613, January 3, 2023, Makati City

March 23, 2023

COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

FS FOR FILING WITH SEC

AFTER THE BIR HAS DULY STAMPED "RECEIVED."

SEC Registration Number

5 9 3 6 6

COMPANY NAME

A L S O N S   C O N S O L I D A T E D   R E S O U R C E S ,
I N C .

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

Alsons Building, 2286 Chino
Roces Ave., Makati City, 1231
Metro Manila, Philippines

Form Type	Department requiring the report	Secondary License Type, If Applicable
AAFS	CRMD	NA

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number	Mobile Number
legal@alcantaragroup.com	(02) 8982 - 3000	09178581642
No. of Stockholders	**Annual Meeting (Month / Day)**	**Fiscal Year (Month / Day)**
449	May 26	December 31

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Jose D. Saldivar, Jr.	jsaldivar@alcantaragroup.com	(02) 8982 - 3000	N/A

CONTACT PERSON's ADDRESS

Alsons Building, 2286 Chino Roces Ave., Makati City, 1231 Metro Manila, Philippines

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

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

Alsons Consolidated Resources, Inc.
(Listed in the Philippine Stock Exchange Trading Symbol "ACR")
2nd Floor, Alsons Building
2286 Chino Roces Ext., (formerly P. Tamo Ext.,) Makati City
1231 Metro Manila Philippines
Tel. Nos.: (632) 982-3000 Fax Nos.: (632) 982-3077
Website: www.acr.com.ph

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

SECURITIES AND EXCHANGE COMMISSION,
Secretariat Building, PICC Complex
Roxas Boulevard, Pasay City

The management of Alsons Consolidated Resources, Inc., is responsible for the preparation and fair presentation of the Parent Company financial statements including the schedules attached therein, for the years ended December 31, 2022 and 2021, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of parent company financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the parent company 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.

The Board of Directors is responsible for overseeing the Company's financial reporting process.

The Board of Directors reviews and approves the parent company financial statements including the schedules attached therein, and submits the same to the stockholders.

SyCip Gorres Velayo & Co., the independent auditors appointed by the stockholders, has audited the parent company financial statements of the company in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such audit.

NICASIO I. ALCANTARA	**TIRSO G. SANTILLAN, JR.**	**ALEXANDER BENHUR M. SIMON**
Chairman and President	Executive Vice-President	Vice President and Group Chief Finance Officer

Signed this 23rd of March 2023

SUBSCRIBED AND SWORN to before me this 23 MAR 2023 affiants exhibiting to me their Identifications, as follows:

Name	Identification No.	Date and Place of Issue
Nicasio I. Alcantara	P9170862B	Valid Until 03-14-2032 /DFA
Tirso G. Santillan, Jr.	N17-72-000977	Valid Until 02-12-2023 /LTO QC
Alexander Benhur M. Simon	N15-83-033925	Valid Until 08-06-2024 /LTO

Doc No. 184
Page No. 38
Book No. 13
Series of 2023.

VILMA HILDA D. VILLANUEVA-FABELLA NOTARY PUBLIC PARAÑAQUE CITY

ATTY. VILMA HILDA VILLANUEVA-FABELLA
NOTARY PUBLIC
Until December 31, 2024
IBP No. 272742/1-05-2023/PPLM
PTR No. 3190126/1-09-2023/Parañaque
Roll No. 41901
Not. Com. No. 119-2023/1-09-2023

SGV
Building a better working world

SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
Philippines

Tel: (632) 8891 0307
Fax: (632) 8819 0872
ey.com/ph

INDEPENDENT AUDITOR'S REPORT

The Stockholders and the Board of Directors
Alsons Consolidated Resources, Inc.
Alsons Building, 2286 Chino Roces Ave.
Makati City, 1231 Metro Manila, Philippines

Report on the Audit of the Parent Company Financial Statements

Opinion

We have audited the parent company financial statements of Alsons Consolidated Resources, Inc. (the Company), which comprise the parent company statements of financial position as at December 31, 2022 and 2021, and the parent company statements of income, parent company statements of comprehensive income, parent company statements of changes in equity and parent company statements of cash flows for the years then ended, and notes to the parent company financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying parent company financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2022 and 2021, 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 Parent Company 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 parent company 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 Parent Company Financial Statements

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

In preparing the parent company 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 Parent Company Financial Statements

Our objectives are to obtain reasonable assurance about whether the parent company 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 parent company 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 parent company 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 parent company 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 parent company financial statements, including the disclosures, and whether the parent company 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.

SGV
Building a better working world

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

Report on the Supplementary Information Required Under Revenue Regulations No. 15-2010

Our audits were conducted for the purpose of forming an opinion on the parent company financial statements taken as a whole. The supplementary information required under Revenue Regulations No. 15-2010 in Note 26 to the parent company financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of the management of Alsons Consolidated Resources, Inc. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The engagement partner on the audit resulting in this independent auditor's report is Manolito R. Elle.

SYCIP GORRES VELAYO & CO.

Manolito R. Elle
Partner
CPA Certificate No. 106471
Tax Identification No. 220-881-929
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
SEC Partner Accreditation No. 106471-SEC (Group A)
Valid to cover audit of 2022 to 2026 financial statements of SEC covered institutions
SEC Firm Accreditation No. 0001-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
BIR Accreditation No. 08-001998-128-2023, January 25, 2023, valid until January 24, 2026
PTR No. 9564613, January 3, 2023, Makati City

March 23, 2023

BUREAU OF INTERNAL REVENUE
REVENUE REGION NO 8A - MAKATI CITY
REVENUE DISTRICT OFFICE NO 48
WEST MAKATI
RECEIVED
RCO'S NAME LAARNI B. SACULO
RCO CODE 006073
APR 1 1 2023

ALSONS CONSOLIDATED RESOURCES, INC.
PARENT COMPANY STATEMENTS OF FINANCIAL POSITION

	December 31	
	2022	2021
ASSETS		
Current Assets		
Cash and cash equivalents (Note 7)	**₱321,861,046**	₱311,075,943
Receivables (Notes 8 and 16)	**5,774,787,137**	5,121,143,269
Other current assets (Note 12)	**537,210,286**	295,536,560
Total Current Assets	**6,633,858,469**	5,727,755,772
Noncurrent Assets		
Investments in and advances to subsidiaries (Note 9)	**6,720,066,511**	6,720,066,511
Investments in associates (Note 10)	**2,281,822,334**	2,281,822,334
Equity investments measured at fair value through other comprehensive income (FVTOCI) [Note 11]	**2,255,089,743**	2,261,546,426
Other noncurrent assets (Note 12)	**129,378,475**	124,791,707
Total Noncurrent Assets	**11,386,357,063**	11,388,226,978
TOTAL ASSETS	**₱18,020,215,532**	₱17,115,982,750
LIABILITIES AND EQUITY		
Current Liabilities		
Accrued expenses and other current liabilities (Note 13)	**₱121,596,552**	₱87,229,685
Short-term loans (Note 14)	**2,794,099,417**	1,570,535,030
Short-term commercial papers (Note 14)	**1,576,622,383**	1,943,104,063
Current portion of long-term debts (Note 15)	**465,485,366**	10,836,402
Total Current Liabilities	**4,957,803,718**	3,611,705,180
Noncurrent Liabilities		
Long-term debts (Note 15)	**5,418,522,030**	5,884,007,396
Retirement benefits payable (Note 18)	**15,275,474**	15,140,339
Total Noncurrent Liabilities	**5,433,797,504**	5,899,147,735
Total Liabilities	**10,391,601,222**	9,510,852,915
Equity		
Capital stock (Note 17)	**6,346,500,000**	6,344,483,333
Retained earnings (Note 17):		
Appropriated	**1,100,000,000**	1,100,000,000
Unappropriated	**179,352,381**	151,427,890
Equity reserves (Notes 11, 17 and 18)	**2,761,929**	9,218,612
Total Equity	**7,628,614,310**	7,605,129,835
TOTAL LIABILITIES AND EQUITY	**₱18,020,215,532**	₱17,115,982,750

See accompanying Notes to Parent Company Financial Statements.

ALSONS CONSOLIDATED RESOURCES, INC.

PARENT COMPANY STATEMENTS OF INCOME

	Years Ended December 31	
	2022	2021
DIVIDEND INCOME (Notes 9, 10, and 16)	**₱470,100,006**	₱597,400,015
GENERAL AND ADMINISTRATIVE EXPENSES		
Taxes and licenses	**26,884,065**	25,724,528
Salaries, wages and employee benefits (Note 18)	**20,207,468**	18,063,111
Shared administrative expenses	**19,596,693**	19,850,973
Rent, light and water (Note 23)	**3,531,036**	3,798,046
Outside services	**3,475,383**	5,864,456
Directors/executive fees and bonuses	**2,565,000**	3,300,000
Trust fee	**1,500,000**	1,500,000
Office supplies	**695,861**	939,172
Depreciation (Note 12)	**527,115**	582,739
Transportation and travel	**418,298**	522,552
Representation and entertainment	**291,150**	126,464
Other administrative expenses	**2,333,315**	1,838,770
	82,025,384	82,110,811
FINANCE INCOME (CHARGES)		
Finance charges (Notes 14, 15 and 19)	**(359,331,911)**	(330,303,903)
Interest income (Notes 7 and 12)	**7,079,347**	4,546,671
	(352,252,564)	(325,757,232)
OTHER INCOME		
Foreign exchange gain - net	**23,041,962**	15,514,690
Other income (Note 16)	**100,286,848**	–
	123,328,810	15,514,690
INCOME BEFORE INCOME TAX	**159,150,868**	205,046,662
PROVISION FOR CURRENT INCOME TAX (Note 20)	**(996,374)**	–
NET INCOME	**₱158,154,494**	₱205,046,662

See accompanying Notes to Parent Company Financial Statements.

ALSONS CONSOLIDATED RESOURCES, INC.
PARENT COMPANY STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31	
	2022	2021
NET INCOME	**₱158,154,494**	₱205,046,662
OTHER COMPREHENSIVE INCOME (LOSS)		
Items not to be reclassified to profit or loss in subsequent periods:		
Unrealized gain (loss) on fair valuation of equity investments (Note 11)	**(6,456,683)**	3,795,982
Remeasurement loss on defined benefit plan (Note 18)	–	(2,838,152)
Total other comprehensive gain (loss)	**(6,456,683)**	957,830
TOTAL COMPREHENSIVE INCOME	**₱151,697,811**	₱206,004,492

See accompanying Notes to Parent Company Financial Statements.

ALSONS CONSOLIDATED RESOURCES, INC.

PARENT COMPANY STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	Capital Stock (Note 17)	Retained Earnings (Note 17)		Equity Reserves (Notes 11, 17 and 18)				
		Appropriated	Unappropriated	Unrealized Gain on Equity investments Designated at FVTOCI	Remeasurement Gains (Losses) on Defined Benefit Plan	Other Equity Reserves	Sub-total	Total
BALANCES AS AT JANUARY 1, 2021	₱6,340,083,333	₱1,100,000,000	₱76,611,228	₱19,871,572	₱2,438,850	(₱14,049,640)	₱8,260,782	₱7,524,955,343
Net income	–	–	205,046,662	–	–	–	–	205,046,662
Other comprehensive income (loss)	–	–	–	3,795,982	(2,838,152)	–	957,830	957,830
Total comprehensive income (loss)	–	–	205,046,662	3,795,982	(2,838,152)	–	957,830	206,004,492
Cash dividends declared (Note 17)	–	–	(130,230,000)	–	–	–	–	(130,230,000)
Collection of subscriptions receivable	4,400,000	–	–	–	–	–	–	4,400,000
BALANCES AS AT DECEMBER 31, 2021	6,344,483,333	1,100,000,000	151,427,890	23,667,554	(399,302)	(14,049,640)	9,218,612	7,605,129,835
Net income	–	–	158,154,494	–	–	–	–	158,154,494
Other comprehensive loss	–	–	–	(6,456,683)	–	–	(6,456,683)	(6,456,683)
Total comprehensive income (loss)	–	–	158,154,494	(6,456,683)	–	–	(6,456,683)	151,697,811
Cash dividends declared (Note 17)	–	–	(130,230,003)	–	–	–	–	(130,230,003)
Collection of subscriptions receivable	2,016,667	–	–	–	–	–	–	2,016,667
BALANCES AS AT DECEMBER 31, 2022	**₱6,346,500,000**	**₱1,100,000,000**	**₱179,352,381**	**₱17,210,871**	**(₱399,302)**	**(₱14,049,640)**	**₱2,761,929**	**₱7,628,614,310**

See accompanying Notes to Parent Company Financial Statements.

ALSONS CONSOLIDATED RESOURCES, INC.
PARENT COMPANY STATEMENTS OF CASH FLOWS

	Years Ended December 31	
	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	**₱159,150,868**	₱205,046,662
Adjustments for:		
Dividend income (Note 16)	**(470,100,006)**	(597,400,015)
Finance charges (Notes 14, 15 and 19)	**359,331,911**	330,303,903
Unrealized foreign exchange gain - net	**(11,975,887)**	(14,920,451)
Interest income (Notes 7 and 12)	**(7,079,347)**	(4,546,671)
Depreciation (Note 12)	**527,115**	582,739
Retirement benefits cost (Note 18)	**135,135**	1,707,376
Operating income (loss) before working capital changes	**29,989,789**	(79,226,457)
Decrease (increase) in:		
Receivables	**13,700**	(464,828,921)
Other current assets	**(1,556,088)**	(1,128,673)
Increase (decrease) in accrued expenses and other current liabilities	**20,644,081**	(1,541,029)
Cash used in operating activities	**49,091,482**	(546,725,080)
Interest received	**6,853,619**	4,509,380
Income tax paid, including creditable withholding taxes	**(2,005,697)**	–
Net cash generated from (used in) operating activities	**53,939,404**	(542,215,700)
CASH FLOWS FROM INVESTING ACTIVITIES		
Dividends received	**920,100,021**	447,400,010
Additions to:		
Property and equipment (Note 12)	**(105,731)**	(326,322)
Other noncurrent assets	**(3,998,833)**	(1,437,221)
Grant of advances to related parties	**(1,103,431,855)**	(578,808,765)
Net used in investing activities	**(187,436,398)**	(133,172,298)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from:		
Issuance of commercial papers (Notes 14 and 25)	**1,885,000,000**	2,000,000,000
Availment of short-term loans (Notes 14 and 25)	**2,794,099,417**	1,378,400,000
Payments of:		
Short-term loans (Notes 14 and 25)	**(1,570,535,030)**	(1,190,532,477)
Short-term commercial papers (Notes 14 and 25)	**(2,251,481,680)**	(949,686,073)
Interests (Note 25)	**(326,445,524)**	(312,157,273)
Dividends (Notes 17 and 25)	**(128,213,336)**	(125,830,000)
Long-term debts (Notes 15 and 25)	**(30,000,000)**	(30,000,000)
Proceeds from receipt of (additions to) debt reserve account (Note 12 and 15)	**(228,827,660)**	(2,406,459)
Net cash from financing activities	**143,596,187**	767,787,718
NET EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**685,910**	8,359,435
NET INCREASE IN CASH AND CASH EQUIVALENTS	**10,785,103**	100,759,155
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**311,075,943**	210,316,788
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 7)	**₱321,861,046**	₱311,075,943

See accompanying Notes to Parent Company Financial Statements.

ALSONS CONSOLIDATED RESOURCES, INC.
NOTES TO PARENT COMPANY FINANCIAL STATEMENTS

1. General Information

Corporate Information
Alsons Consolidated Resources, Inc. (ACR or the "Company") is a stock corporation organized in the Philippines on December 24, 1974 as Victoria Gold Mining Corporation and was registered with the Philippine Securities and Exchange Commission (SEC) to engage in the business of exploration of oil, petroleum and other mineral products. The corporate name was changed to Terra Grande Resources, Inc. in March 1995 and to Alsons Consolidated Resources, Inc. in June 1995 to mark the entry of the Alcantara Group. The Company's primary business purpose was consequently changed to that of an investment holding company and oil exploration was relegated as a secondary purpose.

The Company's ultimate parent is Alsons Corporation (AC), a company incorporated and registered in the Philippines.

The registered office address of the Company is Alsons Building, 2286 Chino Roces Ave., Makati City, 1231 Metro Manila, Philippines.

Authorization for Issuance of the Parent Company Financial Statements
The parent company financial statements were authorized for issuance by the Board of Directors (BOD) on March 23, 2023.

2. Basis of Preparation and Statement of Compliance

Basis of Preparation
The parent company financial statements have been prepared on a historical cost basis, except for equity investments at fair value through other comprehensive income (FVTOCI) which are measured at fair value. The parent company financial statements are presented in Philippine peso, which is the Company's functional and presentation currency. All amounts are rounded to the nearest peso, except as otherwise indicated.

Statement of Compliance
The parent company financial statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRSs).

The Company also prepares, and issues consolidated financial statements for the same financial year as the parent company financial statements in compliance with PFRSs. These may be obtained at the Company's registered office address and accessed through its website at http://www.acr.com.ph.

3. Changes in Accounting Policies and Disclosures

New Standards Effective Starting January 1, 2022
The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of new standards effective in 2022. The Company has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective. Adoption of these pronouncements did not have an impact on the parent company financial statements of the Company.

- Amendments to PFRS 3, *Reference to the Conceptual Framework*
- Amendments to PAS 16, *Property, Plant and Equipment: Proceeds before Intended Use*
- Amendments to PAS 37, *Onerous Contracts – Costs of Fulfilling a Contract*
- *Annual Improvements to PFRSs* 2018-2020 Cycle
  - Amendments to PFRS 1, *First-time Adoption of Philippines Financial Reporting Standards, Subsidiary as a first-time adopter*
  - Amendments to PFRS 9, *Financial Instruments, Fees in the '10 per cent' test for derecognition of financial liabilities*
  - Amendments to PAS 41, *Agriculture, Taxation in fair value measurements*

Future Changes in Accounting Policies
Pronouncements issued but not yet effective are listed below. The Company intends to adopt the following pronouncements when they become effective. Adoption of these pronouncements is not expected to have a significant impact in the Company's financial statements.

Effective beginning on or after January 1, 2023

- Amendments to PAS 1 and PFRS Practice Statement 2, *Disclosure of Accounting Policies*
- Amendments to PAS 8, *Definition of Accounting Estimates*
- Amendments to PAS 12, *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

Effective beginning on or after January 1, 2024

- Amendments to PAS 1, *Classification of Liabilities as Current or Non-current*
- Amendments to PFRS 16, *Lease Liability in a Sale and Leaseback*

Effective beginning on or after January 1, 2025

- PFRS 17, *Insurance Contracts*

Deferred effectivity

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

The Company continues to assess the impact of the above new and amended accounting standards and interpretations effective subsequent to December 31, 2022. Additional disclosures required by these new and amended accounting standards and interpretations will be included in the parent company financial statements when they are adopted.

4. Summary of Significant Accounting Policies

Current versus Noncurrent Classification
The Company presents assets and liabilities in the parent company statement of financial position based on current or noncurrent classification.

An asset is current when it is:

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

All other assets are classified as noncurrent.

A liability is current when it is:

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

The Company classifies all other liabilities as noncurrent.

Deferred income tax assets and liabilities and retirement benefits asset and payable are classified as noncurrent assets and liabilities.

Fair Value Measurement
Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the 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 participants act in their best economic 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.

Assets and liabilities for which fair value is measured or disclosed in the parent company financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level of 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 of input that is significant to the fair value measurement is directly or indirectly observable; and
- Level 3 - Valuation techniques for which the lowest level of input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the parent company 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 of input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The Company determines the policies and procedures for both recurring and non-recurring fair value measurements. 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.

Cash and Cash Equivalents
Cash includes cash on hand and in banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less from dates of acquisition and that are subject to an insignificant risk of changes in value.

Short-term Investments
Short-term investments are short-term, highly liquid investments that are convertible to known amounts of cash with original maturities of more than three months but less than one year from the date of acquisition and that are subject to an insignificant risk of changes in value.

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

Financial Assets
Initial recognition and measurement
Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, FVTOCI, and fair value through profit or loss (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.

In order for a financial asset to be classified and measured at amortized cost or FVTOCI, 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.

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

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

The Company's financial instruments include financial assets at amortized cost and financial assets designated at FVTOCI with no recycling of cumulative gains and losses upon derecognition.

Financial assets at amortized cost
This category is the most relevant to the Company. 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 SPPI on the principal amount outstanding.

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

The Company's financial assets at amortized cost include cash and cash equivalents, short-term investments, receivables, and debt reserve account.

Financial assets designated at FVTOCI (equity investments)
Upon initial recognition, the Company can elect to classify irrevocably its equity investments as equity investments designated at FVTOCI when they meet the definition of equity under PAS 32, *Financial Instruments: Presentation and Disclosure,* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to parent company statement of income. Dividends are recognized as other income in the parent company statement of income when the right of payment has been established, except when the Company benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity investments designated at FVTOCI are not subject to impairment assessment.

The Company elected to classify irrevocably its equity investments under this category.

Impairment of financial assets
The Company recognizes an allowance for expected credit losses (ECLs) for all debt instruments not 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 effective interest rate (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. (a) 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 12 months (a 12-month ECL). (b) 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 timing of the default (a lifetime ECL).

For trade receivables, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to debtors and the economic environment.

The Company considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual cash flows in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

For cash and cash equivalents and short-term cash investments, the Company applies the low credit risk simplification. The probability of default and loss given defaults are publicly available and are considered to be low credit risk investments. It is the Company's policy to measure ECLs on such instruments on a 12-month basis. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL. To estimate the ECL, the Company uses the ratings published by a reputable rating agency.

For other financial assets such as due from related parties and recoverable deposits, 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 expected 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 remaining life of the exposure, irrespective of the timing of default (a lifetime ECL).

Financial Liabilities

Initial Recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are initially recognized at fair value and, in the case of other financial liabilities, net of directly attributable transaction costs.

The Company's financial liabilities include accrued expenses and other current liabilities, due to related parties, short-term loans, short-term commercial papers and long-term debts.

Subsequent measurement

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in parent company statement of income when the liabilities are derecognized as well as through the EIR amortization process. Amortized cost is calculated by taking into account any discount or premium on acquisition fees or costs that are an integral part of the EIR. The EIR amortization is included as interest expense in parent company statement of income.

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

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

Where the Company has transferred its right to receive cash flows from an asset and 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, 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 an 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 parent company statement of income.

Offsetting of Financial Instruments
Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is 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.

Investments in Subsidiaries
The Company's investments in subsidiaries are accounted for in the parent company financial statements at cost less any impairment in value. A subsidiary is an entity that is controlled by the Company. Control is achieved when the Company is exposed or has rights to variable returns from its investment with the investee and has the ability to affect those returns through its power over the investee. Distributions from accumulated profits of the investee are recognized as dividend income from the investments.

Investments in Associates
Investments in associates are accounted for in the parent company financial statements at cost less any impairment in value. An associate is an entity in which the Company has significant influence and which is neither a subsidiary nor a joint venture.

Property and Equipment
Property and equipment are stated at cost less accumulated depreciation and any impairment in value.

The initial cost of property and equipment consists of its purchase price and any directly attributable cost of bringing the property and equipment to its working condition and location for its intended use.

Expenditures incurred after the property and equipment have been put into operation, such as repairs and maintenance costs, are normally charged to the parent company statement of income in the year the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of property and equipment. When each major repairs and maintenance is performed, its cost is recognized in the carrying amount of the item of property and equipment as a replacement if the recognition criteria are satisfied. Such major repairs and maintenance is capitalized and amortized over a period until the next major repairs and maintenance activity.

Depreciation is computed using the straight-line method over the following estimated useful lives:

	Years
Office furniture, fixtures and equipment	1-3
Transportation equipment	5
Leasehold improvements	5 or the term of the lease, whichever is shorter

The useful lives and methods of depreciation are reviewed periodically to ensure that the periods and methods of depreciation are consistent with the expected pattern of economic benefits from items of property and equipment. The residual value, if any, is also reviewed and adjusted if appropriate, at the end of each reporting date.

Depreciation ceases at the earlier of the date that the item is classified as held for sale or included in a disposal group that is classified as held for sale in accordance with PFRS 5 and the date the asset is derecognized.

The asset's residual value, useful lives and methods of depreciation and amortization are reviewed at each financial year-end, and adjusted prospectively if appropriate. Fully depreciated property and equipment are retained in the accounts until they are no longer in use.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising from derecognition of the asset (difference between the net disposal proceeds and carrying amount of the asset) is included in the parent company statement of income in the year the asset is derecognized.

Impairment of Nonfinancial Assets
The Company assesses at the end of each reporting date whether there is an indication that a nonfinancial asset may be impaired. If any such indication exists and when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less cost 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 group of assets. When the

carrying amount of an asset 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 pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less cost to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples and other available fair value indicators. Any impairment loss is recognized in the parent company statement of income in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting date as to 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. A 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. The reversal is limited so that the carrying amount of the asset does not increase its recoverable amount, nor exceed the carrying amount that would have been determined, net of depletion and depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the parent company statement of income unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase.

The Company determines whether it is necessary to recognize additional impairment loss on the Company's investments in shares of stock of subsidiaries and associates. The Company determines at the end of each reporting date whether there is any objective evidence that the investments are impaired. If this is the case, the Company calculates the amount of impairment as being the difference between the recoverable amount of the investment and the acquisition cost (adjusted for post-acquisition changes in the Company's share of the financial performance of the associates) and recognizes the amount in the parent company statement of income.

Redeemable Preferred Shares
In determining whether a preferred share is a financial liability or an equity investment, the Company assesses the particular rights attaching to the share to determine whether it exhibits the fundamental characteristic of a financial liability. A preferred share that provides for mandatory redemption by the Company for a fixed or determinable amount at a fixed or determinable future date, or gives the holder the right to require the Company to redeem the instrument at or after a particular date for a fixed or determinable amount, is a financial liability. Redeemable preferred shares is presented as equity when the option for redeeming the redeemable preferred shares is at the Company's discretion and the price of redemption is to be decided by the BOD.

Capital Stock
Capital stock is measured at par value for all shares subscribed and/or issued. Subscribed capital stock is the portion of the authorized capital stock that has been subscribed but not yet fully paid and therefore still unissued. The subscribed capital stock is reported net of subscriptions receivable.

Incremental costs incurred directly attributable to the issuance of new stocks are shown in equity as deduction from proceeds, net of tax. Proceeds and/or fair value of considerations received in excess of par value, if any, are recognized as additional paid-in capital.

Equity Reserves
Equity reserves comprise items of income and expense that are not recognized in the parent company statement of income for the year in accordance with PFRSs. Equity reserves include unrealized gain on financial assets measured at FVTOCI, remeasurement gains (losses) on defined benefit plan and other restructuring transactions.

Retained Earnings
Retained earnings 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.

Appropriated retained earnings represent that portion which has been restricted, and therefore, not available for dividend declaration. Unappropriated retained earnings represent that portion which can be declared as dividends to stockholders.

Dividend Income
Dividend income is recognized when the shareholders' right to receive payment has been established.

Interest Income
Interest income is recognized as the interest accrues based on the EIR.

General and Administrative Expenses
General and administrative expenses are recognized when incurred. These are recognized in the parent company statement of income when a decrease in future economic benefit related to a decrease of an asset or an increase of a liability has arisen that can be measured reliably. Expenses are recognized in the parent company statement of income on the basis of systematic and rational allocation procedures when economic benefits are expected to arise over several accounting periods and the association with income can only be broadly or indirectly determined; or immediately when expenditure produces no future economic benefits or when, and to the extent that, future economic benefits do not qualify, cease to qualify, for recognition in the parent company statement of financial position as an asset.

Retirement Benefits Cost
The Company has an unfunded, noncontributory defined benefit retirement plan covering substantially all of its qualified employees. The obligation and costs of retirement benefits are actuarially computed by professionally qualified independent actuary using the projected unit credit method. Actuarial valuations are made with sufficient regularity that the amounts recognized in the parent company financial statements do not differ materially from the amounts that would be determined at the end of each reporting date.

Defined benefit costs comprise the following:
- service cost;
- interest on the defined benefit liability; and
- remeasurements of defined benefit liability.

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in the parent company statement of income. Past service costs are recognized when plan amendment or curtailment occurs.

Interest on the defined benefit liability is the change during the period in the defined benefit liability that arises from the passage of time which is determined by applying the discount rate based on government bonds to the defined benefit liability. Interest on the defined benefit liability is recognized as part of retirement cost in the parent company statement of income.

Remeasurements comprising actuarial gains and losses are recognized immediately in other comprehensive income in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods.

The defined benefit liability is the present value of the defined benefit obligation at the end of the reporting period.

Leases

The Company assesses at contract inception whether a contract 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.

The 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 right-of-use assets representing the right to use the underlying assets.

Right-of-use assets. It is the Company's policy to classify right-of-use assets as part of property, plant and equipment. The Company recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use 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.

Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the underlying leased assets.

If ownership of the leased asset transfers to the Company at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The right-of-use assets are also subject to impairment.

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 the lease, if the lease term reflects the Company exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognized as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses its incremental borrowing rate at the lease commencement date because 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 lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

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

The Company as a lessor
Leases in which the Company does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

Foreign Currency-denominated Transactions and Translations
Transactions denominated in foreign currency are recorded in Philippine peso by applying to the foreign currency amount the exchange rate between the Philippine peso and the foreign currency prevailing at the date of transaction. Monetary assets and liabilities denominated in foreign currencies are restated using the closing exchange rate at the end of each reporting date. Nonmonetary items denominated in foreign currency are translated using the exchange rates as of the date of initial transaction. All differences are taken to the parent company statement of income.

Taxes
Current income tax
Current income tax assets and liabilities for the current and prior periods 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 as at the end of the reporting period.

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

Deferred income tax liabilities are recognized for all taxable temporary differences. Deferred income tax assets are recognized for all deductible temporary differences and net operating loss carryover (NOLCO), to the extent that it is probable that taxable income will be available against which the deductible temporary differences and carryforward benefits of NOLCO can be utilized.

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

Deferred income tax assets and liabilities are measured at the rate that is expected to apply to the period when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted as at the end of the reporting period.

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

Value-added tax
Revenues, expenses, and assets are recognized net of the amount of value-added tax (VAT), if applicable.

When VAT from sales of goods and/or services (output VAT) exceeds VAT passed on from purchases of goods or services (input VAT), the excess is recognized as payable in the parent company statements of financial position. When VAT passed on from purchases of goods or services (input VAT) exceeds VAT from sales of goods and/or services (output VAT), the excess is recognized as an asset in the parent company statements of financial position to the extent of the recoverable amount.

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. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provisions due to the passage of time is recognized as an interest expense.

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

Segment Reporting
For management purposes, the Company is organized and managed under a single business segment which is the basis upon which the Company reports its segment information. The Company's investment holding segment is principally the management of investments in subsidiaries and associates. Financial information on operating segments is presented in Note 6 to the parent company financial statements.

Events After the End of Reporting Period
Post year end events that provide additional information about the Company's financial position at the end of the reporting period (adjusting events) are reflected in the parent company financial statements. Post year end events that are not adjusting events are disclosed in the notes to parent company financial statements when material.

5. Significant Judgments, Accounting Estimates and Assumptions

The preparation of the parent company financial statements requires management to make judgments, accounting estimates and assumptions that affect the amounts reported in the parent company financial statements and accompanying notes. The judgments, accounting estimates and assumptions used in the parent company financial statements are based upon management's evaluation of relevant facts and circumstances as at reporting date. Future events may occur which can cause the assumptions used in arriving at those judgments and estimates to change. The effects of any changes will be reflected in the parent company financial statements as they become reasonably determinable.

Judgments
In the process of applying the Company's accounting policies, management has made the following judgments, apart from those involving estimations, which has the most significant effect on the amounts recognized in the parent company financial statements:

Classification of financial instruments
If the Company does not have an unconditional right to avoid delivering cash or another financial asset to settle its contractual obligation and when the Company is required to settle its obligation under conditions that are potentially unfavorable to the Company and will require delivery of variable number of the Company's own equity shares, the obligation meets the definition of a financial liability.

The Company continually assesses the classification of the redeemable preferred shares. If the redeemable preferred shares ceases to have all the features or meet all the conditions set out to be classified as equity, the Company will reclassify it as a financial liability and measure it at fair value at the date of reclassifications, with any differences from the carrying amount recognized in equity.

The Company assessed that its preferred shares met all the features or conditions set out to be classified as equity.

Assessments of provisions and contingencies
The Company is involved in certain legal proceedings as discussed in Note 24. The estimate of the probable costs for the assessment and resolution of these possible claims have been developed in consultation with legal counsel handling the defense in these matters and is based upon thorough analysis of potential results. As at December 31, 2022 and 2021, there are no provisions for probable losses arising from contingencies recognized in the parent company financial statements as management believes that the resolution will not materially affect the Company's financial position and financial performance.

Estimates and Assumptions
The key assumptions concerning the future and other key sources of estimation uncertainty at the end of each reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Impairment losses on financial assets
The measurement of impairment losses under PFRS 9 across all categories of financial assets requires judgment, in particular, the estimation of the amount and timing of future cash flows, including collectability, collateral values and other credit enhancements, when determining impairment losses. Increases or decreases to the allowance balance are recorded as general and administrative expenses in the Company's parent company statements of income.

Under PFRS 9, additional judgments are also made in assessing a significant increase in credit risk in the case of financial assets measured using the general approach. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

The Company's impairment calculations are outputs of statistical models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the impairment models that are considered accounting judgments and estimates include:

- The Company's criteria for defining default and for assessing if there has been a significant increase in credit risk;
- The segmentation of financial assets when impairment is assessed on a collective basis;
- The choice of inputs and the various formulas used in the impairment calculation;
- Determination of relationships between macroeconomic scenarios and, economic inputs, such as unemployment levels and collateral values, and the effect on probability of default, exposure at default and loss given default; and
- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the impairment models.

It has been the Company's policy to regularly review its models in the context of actual loss experience and adjust when necessary.

No provision for impairment loss was recognized in 2022 and 2021. The carrying values of the Company's financial assets at amortized cost as at December 31, 2022 and 2021 are as follows:

	2022	2021
Cash and cash equivalents* (Note 7)	**₱321,851,046**	₱311,067,817
Receivables** (Notes 8 and 16)	**5,774,758,637**	5,121,100,569
Debt reserve account (Notes 12 and 15)	**403,844,969**	175,017,309
Short-term investments (Note 12)	**123,724,552**	112,434,574

**Excluding cash on hand amounting to ₱0.01 million as at December 31, 2022 and 2021.*
***Excluding advances for business expenses and advances to officers and employees totaling to ₱0.03 million and ₱0.04 million as at December 31, 2022 and 2021, respectively.*

Determination of fair value of unquoted equity investment
The Company determines the fair value of unquoted equity investments using acceptable valuation technique. The Company's investment in unquoted equity investments is measured at fair value using the adjusted NAV method as of December 31, 2022 and 2021. Under this method, the fair value is derived by determining the fair values of identifiable assets and liabilities of the investee company. The carrying value of the unquoted equity investment amounted to ₱2,221.3 million as of December 31, 2022 and 2021 (see Notes 11 and 21).

Determination of impairment of investments in and advances to subsidiaries and investment in associates
Internal and external sources of information are reviewed at each reporting date to identify indications that the Company's investments in subsidiaries and associates may be impaired. The factors that the Company considers important which could trigger an impairment review include deterioration in the financial health of the investees relative to expected historical or projected future operating results, industry and sector performance, and operational and financing cash flows. The following factors are also considered in determining whether there is any indication that the investment in subsidiaries and associates may be impaired:

- the dividends exceed the total comprehensive income of the subsidiary or associate in the period the dividend is declared; or
- the carrying amount of the investment in the parent company financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets, including associated goodwill.

If any such indication exists, the recoverable amount of the asset is estimated. The estimation of the recoverable value of these assets requires the determination of future cash flows expected to be generated from the continued use and ultimate disposition of these assets. While management believes that the assumptions made are appropriate and reasonable, future events could cause management to conclude that these assets are impaired or that additional impairment losses may need to be recognized. Any resulting additional impairment loss could have a material adverse impact on the Company's financial condition and financial performance.

The total carrying values of investments in and advances to subsidiaries and investments in associates (net of accumulated impairment losses amounting to ₱1,851.6 million) as at December 31, 2022 and 2021 amounted to ₱9,001.9 million (see Notes 9 and 10).

Estimation of retirement benefits costs and obligation
The determination of the obligation and cost for retirement benefit is dependent on the selection of certain assumptions used by the actuary in calculating such amounts. Those assumptions, which include among others, discount rates and rate of future increase in compensation are described in Note 18. While the Company believes that the assumptions are reasonable and appropriate, significant differences in the actual experience or significant changes in the assumptions may materially affect the retirement and other retirement benefits obligations.

As at December 31, 2022 and 2021, retirement benefits payable amounted to ₱15.3 million and ₱15.1 million, respectively. Retirement benefits cost amounted to ₱0.1 million and ₱1.7 million in 2022 and 2021, respectively (see Note 18).

Estimation of deferred income tax assets
Deferred income tax assets are recognized for all deductible temporary differences and unused tax losses to the extent that it is probable that taxable income will be available against which the deferred income tax assets can be utilized. Significant management judgment is required to determine the amount of income tax assets that can be recognized based upon the likely timing and level of future taxable income together with future tax planning strategies. Management believes that future taxable income will not be sufficient to allow part of income tax assets to be utilized. Unrecognized NOLCO, excess MCIT and deductible temporary differences as at December 31, 2022 and 2021 are disclosed in Note 20.

6. Segment Information

The Company conducts its business activities in two main business segments: (1) Power and Energy and (2) Property Development. Other activities consisting of product distribution and investment holding activities are shown in aggregate as "Other Investments".

Information with regard to the Company's significant business segments are shown below.

As at December 31, 2022:

	Power and Energy	Property Development	Other Investments	Total	Eliminations	Parent Company Financial Statements
			(Amounts in Thousands)			
Earnings Information						
Revenues						
External customer	₱12,168,157	₱25,118	₱–	₱12,193,275	(₱12,193,275)	₱–
Inter-segment	–	4,092	499,034	503,126	(503,126)	–
Total revenues	12,168,157	29,210	499,034	12,696,401	(12,696,401)	–
Interest and dividend income	16,544	1,013	7,225	24,782	452,397	477,179
Income from finance lease	–	417,129	–	417,129	(417,129)	–
Finance charges	1,291,070	–	359,332	1,650,402	(1,291,070)	359,332
Provision for income tax	341,194	21,198	1,355	363,747	(362,751)	996
Net income	1,879,488	390,468	153,344	2,423,300	(2,265,146)	158,154
Other Information						
Investments in associates and due from related parties	192,184	939,821	8,049,896	9,181,901	(1,396,034)	7,785,867
Segment assets	37,568,717	2,432,755	18,056,469	58,057,941	(40,037,725)	18,020,216
Segment liabilities	21,239,717	334,627	10,529,919	32,104,263	(21,712,662)	10,391,601
Depreciation and amortization	1,396,046	530	1,844	1,398,420	(1,397,893)	527
Cash Flow Information						
Net cash flows from (used in):						
Operating activities	4,482,606	(48,247)	(1,279,684)	3,154,675	(3,100,736)	53,939
Investing activities	(681,579)	107,908	915,032	341,361	(528,797)	(187,436)
Financing activities	(3,717,085)	–	372,064	(3,345,021)	3,488,617	143,596

As at December 31, 2021:

	Power and Energy	Property Development	Other Investments	Total	Eliminations	Parent Company Financial Statements
			(Amounts in Thousands)			
Earnings Information						
Revenues						
External customer	P10,092,494	P3,137	P–	P10,095,631	(P10,095,631)	P–
Inter-segment	–	193	628,212	628,405	(628,405)	–
Total revenues	10,092,494	3,330	628,212	10,724,036	(10,724,036)	–
Interest and dividend income	9,681	2,234	4,558	16,473	585,474	601,947
Finance charges	1,386,640	–	330,304	1,716,944	(1,386,640)	330,304
Provision for income tax	248,813	(23,423)	2,101	227,491	(227,491)	–
Net income (loss)	1,640,283	(6,967)	215,933	1,849,249	(1,644,202)	205,047
Other Information						
Investments in associates and due from related parties	474,020	1,051,266	14,116,559	15,641,845	(8,959,410)	6,682,435
Segment assets	38,476,104	2,554,264	17,154,447	58,184,815	(41,068,832)	17,115,983
Segment liabilities	23,046,955	842,821	9,644,506	33,534,282	(24,023,429)	9,510,853
Depreciation and amortization	1,474,961	496	2,038	1,477,495	(1,476,912)	583
Cash Flow Information						
Net cash flows from (used in):						
Operating activities	4,230,416	(22,670)	(1,109,507)	3,098,239	(3,640,455)	(542,216)
Investing activities	(774,325)	(116,345)	443,763	(446,907)	333,735	(133,172)
Financing activities	(3,272,721)	25	770,194	(2,502,502)	3,270,290	767,788

7. Cash and Cash Equivalents

	2022	2021
Cash on hand	**₱10,000**	₱8,126
Cash in banks	**190,154,938**	153,007,914
Cash equivalents	**131,696,108**	158,059,903
	₱321,861,046	₱311,075,943

Cash in banks earn interest at the respective bank deposit rates. Cash equivalents are made for varying periods of up to three months, depending on the immediate cash requirements of the Company, and earn interest at the respective short-term deposit rates.

Interest income from cash and cash equivalents recognized in the parent company statements of income amounted to ₱3.1 million and ₱2.4 million in 2022 and 2021, respectively.

8. Receivables

	2022	2021
Due from related parties (Note 16)	**₱5,504,044,996**	₱4,400,613,141
Dividend receivable	**264,000,000**	714,000,015
Interest receivable	**2,485,786**	2,260,058
Others	**4,256,355**	4,270,055
	₱5,774,787,137	₱5,121,143,269

Other receivables consist primarily of noninterest-bearing advances to officers and employees and various advances to third parties which are due and demandable.

9. Investments in and Advances to Subsidiaries

Details of the Company's investments in and advances to subsidiaries are shown below:

	2022	2021
Acquisition costs		
Balances at beginning of year	**₱8,379,872,585**	₱6,406,660,085
Conversion of advances (Note 16)	–	1,973,212,500
Balances at end of year	**8,379,872,585**	8,379,872,585
Less accumulated impairment losses		
Balances at beginning and end of year	**(1,704,554,256)**	(1,704,554,256)
Investments in subsidiaries	**6,675,318,329**	6,675,318,329
Advances to subsidiaries (Note 16)	**44,748,182**	44,748,182
	₱6,720,066,511	₱6,720,066,511

Investments in subsidiaries consist of:

	2022				Percentage of Ownership			
					2022		2021	
	Acquisition Cost	Allowance for Impairment	Total	2021	Direct	Indirect	Direct	Indirect
Subsidiaries								
ATEC:	**₱3,413,579,092**	**₱–**	**₱3,413,579,092**	₱3,413,579,092	**50.00***	**–**	50.00*	–
Sarangani Energy Corporation (Sarangani)	**–**	**–**	**–**	–	**–**	**37.50**	–	37.50
ACES Technical Services Corporation (ACES)	**–**	**–**	**–**	–	**–**	**50.00**	–	50.00
San Ramon Power Inc. (SRPI)	**–**	**–**	**–**	–	**–**	**50.00**	–	50.00
Conal Holdings Corporation (CHC):	**956,448,735**	**–**	**956,448,735**	956,448,735	**100.00**	**–**	100.00	–
Alsing Power Holdings, Inc. (APHI):	**22,145,853**	**–**	**22,145,853**	22,145,853	**20.00**	**80.00**	20.00	80.00
Western Mindanao Power Corporation (WMPC)	**–**	**–**	**–**	–	**–**	**55.00**	–	55.00
Southern Philippines Power Corporation (SPPC)	**–**	**–**	**–**	–	**–**	**55.00**	–	55.00
Alto Power Management Corporation (APMC):	**–**	**–**	**–**	–	**–**	**60.00**	–	60.00
APMC International Ltd. (AIL)	**–**	**–**	**–**	–	**–**	**100.00**	–	100.00
Mapalad Power Corporation (MPC)	**–**	**–**	**–**	–	**–**	**100.00**	–	100.00
Alsons Renewable Energy Corporation (AREC):	**125,000,000**	**–**	**125,000,000**	125,000,000	**80.00**	**–**	80.00	–
Siguil Hydro Power Corporation (Siguil)	**–**	**–**	**–**	–	**–**	**80.00**	–	80.00
Kalaong Hydro Power Corporation (Kalaong)	**–**	**–**	**–**	–	**–**	**80.00**	–	80.00
Bago Hydro Resources Corp. (Bago)	**–**	**–**	**–**	–	**–**	**80.00**	–	80.00
Sindangan Zambo-River Corp. (Sindangan)	**–**	**–**	**–**	–	**–**	**80.00**	–	80.00
Alsons Power International Limited	**2,637,400**	**–**	**2,637,400**	2,637,400	**100.00**	**–**	100.00	–
Alsons Land Corporation (ALC)	**3,674,087,900**	**(1,521,080,651)**	**2,153,007,249**	2,153,007,249	**99.55**	**–**	99.55	–
Kamanga Agro-Industrial Ecozone Development Corporation (KAED)	**1,250,000**	**–**	**1,250,000**	1,250,000	**100.00**	**–**	100.00	–
MADE (Market Developers), Inc.	**183,473,605**	**(183,473,605)**	**–**	–	**80.44**	**–**	80.44	–
Alsons Power Supply Corporation (APSC)	**1,250,000**	**–**	**1,250,000**	1,250,000	**100.00**	**–**	100.00	–
	₱8,379,872,585	**(₱1,704,554,256)**	**₱6,675,318,329**	₱6,675,318,329				

**50% ownership interest plus 1 share of the voting and total outstanding capital stock.*

Advances to subsidiaries represent advances to finance the subsidiaries' on-going project development. These advances are intended for equity conversion in future period. As at December 31, 2022 and 2021, outstanding advances to subsidiaries amounted to ₱44.7 million.

The Company received cash dividends from its subsidiaries. These dividends were recorded as part of "Dividend income" account in the parent company statements of income.

	2022	2021
ATEC	**₱412,500,006**	₱450,000,015
CHC	–	89,800,000
APHI	**32,700,000**	32,700,000
Total	**₱445,200,006**	₱572,500,015

Power and Energy

ATEC and Subsidiaries

ATEC. On November 23, 2015, the Company organized ATEC primarily to develop and invest in energy projects, including but not limited to the exploration, development and utilization of renewable energy resources with total capital infusion amounting to ₱1.2 million.

On April 20, 2016, the Company subscribed to ATEC's proposed increase in authorized capital stock to the amount of ₱2,989,286,000 worth of shares of stock. The subscription was paid by way of the Company's investment in Sarangani and cash amounting to ₱14.0 million. Accordingly, Sarangani became a subsidiary of ATEC.

On October 13, 2016, the Company and ATEC executed an assignment of share agreement wherein the Company assigned and transferred its ownership interests in ACES amounting to ₱6.0 million to ATEC for a total consideration of ₱19.5 million. Accordingly, ACES became a wholly owned subsidiary of ATEC.

On May 24, 2017, the Company and ATEC executed an assignment of share agreement wherein the Company assigned and transferred its ownership interests in SRPI to ATEC amounting to ₱1.2 million for a total consideration of ₱0.3 million, net of subscriptions payable amounting to ₱0.9 million. Accordingly, SRPI became a wholly owned subsidiary of ATEC. Subsequently, on May 31, 2017, the Company and ATEC executed a deed of assignment of advances wherein the Company assigned to ATEC its advances to SRPI totaling to ₱231.0 million.

On November 27, 2017, the Company sold its 50% ownership interest less 1 share of the voting and total outstanding capital stock in ATEC equivalent to 14,952,678 common shares to GBPC for a total consideration amounting to ₱2,377.9 million, inclusive of retention receivable to be received upon issuance by the Bureau of Internal Revenue of the Certificate Authorizing Registration (see Notes 8 and 25). The Company recognized a gain amounting to ₱709.1 million, net of transaction costs totaling to ₱173.5 million in 2017. Subsequently, on December 1, 2017, the Company, GBPC and ATEC executed a deed of assignment of advances wherein the Company assigned and transferred to GBPC its right to collect 50% of its advances to ATEC amounting to ₱1,879.5 million. The Parent Company has determined that it has retained control over ATEC since it has the power to direct the relevant activities of ATEC by virtue of a contractual agreement.

On June 1, 2021, ACR subscribed to additional common shares of ATEC amounting to ₱1,879.5 million, which was settled through conversion of advances (see Note 16).

Sarangani. CHC organized Sarangani on October 15, 2010 as a wholly owned subsidiary to construct, commission and operate power generating plant facilities of electricity in Maasim, Sarangani Province. On June 27, 2011, the Company acquired full control of Sarangani through an agreement with CHC, wherein CHC assigned all its shares to the Company.

On December 10, 2012, the Company entered into a shareholders agreement with Toyota Tsusho Corporation (TTC), a company incorporated in Japan, wherein TTC subscribed and paid ₱355.0 million worth of Sarangani shares representing 25% of the total equity of Sarangani. In accordance with the shareholders agreement, the Company increased its investment in Sarangani to 75% of the total equity of Sarangani by converting its advances and additional cash infusion.

The construction of the Sarangani's SM200 project was done in two phases. Construction of Phase 1 (105 MW) of the Project commenced in January 2013 and was completed in April 2016. The construction of Phase 2 (105 MW) commenced in January 2017 and was completed in October 2019. On October 10, 2019, Phase 2 started its commercial operations.

SRPI. The Company organized and incorporated SRPI on July 22, 2011 as a wholly owned subsidiary. SRPI was incorporated primarily to acquire, construct, commission, operate and maintain power-generating plants and related facilities for the generation of electricity. SRPI has obtained its Environmental Compliance Certificate (ECC) on March 20, 2012 for the planned 105 MW coal fired power plant to be located in Zamboanga Ecozone. The proposals for the Engineering, Procurement and Construction (EPC) rebidding were submitted on August 30, 2018. The EPC contractors for the SRPI Project have been shortlisted based on the evaluation of the proposals submitted. The selected EPC contractor remains committed to the implementation of the SRPI Project, with regular updating of project requirements to maintain readiness for implementation upon execution of the EPC contract and issuance of NTP. The issuance of the NTP is expected in the fourth quarter of 2024, corresponding to a Commercial Operations Date (COD) in March 2027.

As at March 23, 2023, SRPI has not yet started the construction of the power plant.

ACES. The Company organized and incorporated ACES on July 7, 2011 primarily to provide operations and maintenance services to the Company's coal power plants.

CHC and Subsidiaries
CHC and APHI. On January 20, 2012, the respective BOD of CHC and APHI approved the redemption schedule of portions of the redeemable preferred shares. In February 2012, APHI redeemed 2,166,097 redeemable preferred shares for a redemption price of $7.90 per share. In June 2012, CHC redeemed 3,311,901 redeemable preferred shares for a redemption price of $8.94 per share. No gain or loss was recognized by the Company since the redemption is a return of capital only and CHC and APHI will continue to operate. Ownership entitlements and rights to CHC and APHI remains the same. On February 28, 2013, CHC redeemed additional 141,213 redeemable preferred shares for a redemption price of $8.94 per share. Furthermore, on June 11, 2013, CHC and APHI redeemed additional 178,462 and 252,550 redeemable preferred shares for a redemption price of $8.94 and $7.90 per share, respectively.

On July 2, 2013, the Company and EGCO International (B.U.I.) Limited (EGCO) entered into a Share Purchase Agreement (SPA) to acquire 40% interest in voting shares of CHC, increasing the Company's ownership in CHC to 100%. The cash consideration paid on August 1, 2013 amounted to ₱527.9 million (US$12.16 million).

As at December 31, 2022 and 2021, the carrying value of the Company's investment in CHC and APHI amounted to ₱978.6 million.

MPC. CHC organized and incorporated MPC on July 13, 2010 as wholly owned subsidiary to rehabilitate and operate the 102 MW Bunker-Fired Iligan Diesel Power Plants (IDPPs) I and II located in Iligan City. On June 27, 2011, ACR acquired full control of MPC through an agreement with CHC, wherein CHC assigned all shares to ACR. On August 1, 2013, ACR transferred MPC to CHC for a total consideration of ₱0.3 million.

SPPC and WMPC. SPPC and WMPC operate coal-fired power plants with capacity of 55MW and 100MW, respectively. WMPC has existing power sales agreement with a district utility entity and ancillary sales and procurement agreement with NGCP. On the other hand, SPPC is currently in discussion with third parties regarding the use of its diesel capacity.

AREC and Subsidiaries
AREC. On September 18, 2014, the Company organized AREC primarily to develop and invest in energy projects including but not limited to the exploration, development and utilization of renewable energy resources with total capital infusion amounting to ₱31.3 million.

On July 10, 2015, the Company and AREC executed an assignment of share agreement wherein the Company assigned and transferred its ownership interests in Siguil and Kalaong to AREC. Accordingly, Siguil and Kalaong became subsidiaries of AREC. Also, the Company sold its 20% interest to ACIL, Inc., an entity under common control. Accordingly, the Company's interest in AREC was reduced from 100% in 2014 to 80% in 2015.

Siguil and Kalaong. The Company organized and incorporated Siguil and Kalaong on July 22, 2011 as wholly owned subsidiaries. Siguil and Kalaong were incorporated primarily to develop and invest in energy projects including but not limited to the exploration, development and utilization of renewable energy resources. Siguil's 15 MW Hydro Power Project is in Maasim, Sarangani while Kalaong's 22 MW Hydro Power Project is in Bago, Negros Oriental. These projects are expected to augment power supply in the cities of General Santos and Bacolod, respectively, once they are completed. On July 1, 2019, Siguil has commenced its construction and expected to complete in the fourth quarter of 2023. As at March 23, 2023, Siguil and Kalaong have not yet started commercial operations.

Bago and Sindangan. AREC organized and incorporated Bago and Sindangan on February 26, 2018 and August 31, 2018, respectively, as wholly owned subsidiaries. Bago and Sindangan were incorporated primarily to develop and invest in energy projects including but not limited to the exploration, development and utilization of renewable energy resources. Bago's 42 MW Hydro Power Project is in Negros Occidental while Sindangan's 20 MW Hydro Power Project is in Siayan and Duminag, Zamboanga Del Norte. These projects are expected to augment power supply in the provinces of Negros Occidental and Zamboanga Del Norte, respectively, once they are completed. As at March 23, 2023, Bago and Sindangan have not yet started commercial operations.

Property Development

ALC. On November 25, 1994, the Company incorporated ALC to acquire, develop, sell and hold for investment or otherwise, real estate of all kinds, sublease office spaces and manufacture house frames.

KAED. On September 3, 2010, the Company incorporated KAED to establish, develop, operate and maintain an agro-industrial economic zone and provides the required infrastructure facilities and utilities such as power and water supply and distribution system, sewerage and drainage system, waste management system, pollution control device, communication facilities and other facilities as may be required for an agro-industrial economic zone.

Other Investments

MADE. MADE, which is in the distribution business, has incurred significant losses in prior years resulting in capital deficiency. Because of the recurring losses, MADE decided to cease operations effective April 30, 2006 and terminated its employees. These factors indicate the existence of a material uncertainty which may cast significant doubt about MADE's ability to continue operating as a going concern. As at March 23, 2023, MADE has no plans to liquidate but new business initiatives are being pursued which will justify resumption of its trading operations.

APSC. The Company organized and incorporated APSC on October 13, 2016 primarily to provide services necessary or appropriate in relation to the supply and delivery of electricity.

10. Investments in Associates

	2022	2021
Acquisition costs at beginning and end of year	**₱2,428,867,334**	₱2,428,867,334
Accumulated impairment losses at beginning and end of year	**(147,045,000)**	(147,045,000)
	₱2,281,822,334	₱2,281,822,334

Investments in associates consist of:

	2022				Percentage of Ownership			
					2022		2021	
	Acquisition Cost	Allowance for Impairment	Total	2021	Direct	Indirect	Direct	Indirect
Indophil Resources Philippines, Inc. (IRPI)	₱1,318,510,532	₱–	₱1,318,510,532	₱1,318,510,532	2.00	–	2.00	–
Aviana Development Corporation (Aviana)	963,311,802	–	963,311,802	963,311,802	34.00	–	34.00	–
RCP Holdings, Inc.	80,851,701	(80,851,701)	–	–	31.24	–	31.24	–
T'boli Agro-Industrial Development, Inc.	66,193,299	(66,193,299)	–	–	22.32	–	22.32	–
	₱2,428,867,334	(₱147,045,000)	₱2,281,822,334	₱2,281,822,334				

IRNL and IRPI

The Company purchased 29,149,000 shares of IRNL in the amount of ₱1,316 million in 2010. Together with the ownership interests of Alsons Prime Investment Corporation (APIC) and AC, entities under Alcantara Group, through a series of subscription agreements, the Alcantara Group was the largest shareholder of IRNL at 19.99%. By virtue of the Agreement for the Joint Voting of IRNL shares with APIC and AC, the Company has concluded that it has significant influence over IRNL through its representation in the BOD of IRNL. Accordingly, the Company treated its investment in IRNL as "Investment in associate" in the parent company financial statements. The Company had determined that the acquisition cost of IRNL includes goodwill amounting to ₱785 million.

On January 23, 2015, IRNL implemented the Scheme of Arrangement between APIC and IRNL shareholders wherein APIC acquired all of the remaining outstanding shares from existing shareholders of IRNL. Accordingly, IRNL became a subsidiary of APIC starting January 2015.

In July 2015, APIC was no longer part of the Alcantara Group as it was bought by a third party. Accordingly, the Joint Voting Agreement of IRNL shares between the Company, APIC and AC was deemed terminated.

On December 11, 2015, the Company and AC entered into Deed of Assignment of Shares (share swap) agreements with APIC, whereby the Company and AC assigned and transferred to APIC all their interests in IRNL in exchange for ownership interests in IRPI. Accordingly, the Company recognized the investment in IRPI amounting to ₱1,315.5 million representing the cost of the investment at the date of the share swap agreement.

The transfer of the Company's investment in IRNL to investment in IRPI resulted in the Company still exercising significant influence over IRPI due to its representation in the BOD. Accordingly, ACR treats its investment in IRPI as "Investment in associate" in the parent company financial statements.

On September 30, 2019, the Company increased its investment in IRPI amounting to ₱3.0 million to maintain its percentage of share over IRPI of 2% as the latter increased its authorized capital stock.

The financial information of IRPI as at and for the years ended December 31 are as follows:

	2022	2021
	(Amounts in Thousands)	
Current assets	**₱3,592,002**	₱3,228,244
Noncurrent assets	**18,836,087**	18,836,087
Current liabilities	**241,569**	241,625
Noncurrent liabilities	**402,402**	395,567
Net income	**29,642**	11,814
Total comprehensive income	**29,642**	11,814

Aviana

On March 21, 2013, Aldevinco and ACIL (collectively referred to as "AG") and Ayala Land, Inc. (Ayala Land) entered into a joint venture agreement, where Ayala Land shall own 60% and AG shall own 40% of the outstanding capital stock of Aviana to undertake the development of the Lanang property of the Company in Davao City.

On September 17, 2013, Aviana was incorporated as a joint venture corporation. The Company subscribed to the 296 preferred shares and 32 common shares for 32.8% ownership in Aviana. In August 2015, the Company subscribed to additional 261,450 preferred shares and 29,050 common shares of Aviana for ₱21.5 million. In December 2015, the Company subscribed to additional 332,200 preferred shares and 35,800 common shares of Aviana through the conversion of the Company's advances amounting to ₱35.8 million. The additional subscription to shares of Aviana in 2015 increased the Company's interest in Aviana to 34%.

On April 11, 2016, ACR transferred the Lanang property to Aviana as part of its capital contribution. The Company received a total cash consideration amounting to ₱953.5 million.

The financial information of Aviana as at and for the years ended December 31 are as follows:

	2022	2021
	(Amounts in Thousands)	
Current assets	**₱2,639,921**	₱3,141,532
Noncurrent assets	**2,133,382**	2,087,366
Current liabilities	**2,145,432**	2,741,804
Noncurrent liabilities	**337,256**	282,615
Revenue and other income	**1,009,659**	1,717,566
Net income	**162,686**	212,816
Total comprehensive income	**162,686**	212,816

The Company received cash dividends from Aviana amounting to ₱24.9 million and ₱24.9 million in 2022 and 2021, respectively (see Note 16). These dividends were recorded as part of "Dividend income" account in the parent company statements of income.

11. Equity investments Designated at FVTOCI

Equity investments designated as FVTOCI primarily consist of investments in quoted and unquoted equity securities with the following movements:

	2022	2021
Acquisition costs		
Balances at beginning and end of year		
Unquoted	**₱2,221,268,769**	₱2,221,268,769
Quoted	**16,610,103**	16,610,103
	2,237,878,872	2,237,878,872
Unrealized gain on changes in fair value (Note 17)		
Balances at beginning of year	**23,667,554**	19,871,572
Fair value changes recognized in OCI	**(6,456,683)**	3,795,982
Balances at end of year	**17,210,871**	23,667,554
	₱2,255,089,743	₱2,261,546,426

The fair value of investments in shares of listed companies was based on their bid prices as of December 31, 2022 and 2021.

The investment in unquoted securities consists of investment in 22 million preferred shares of Aldevinco. The fair value of the investment in unquoted equity securities was based on the adjusted net asset value (NAV) approach. Under the NAV approach, the fair value was derived by determining the fair value of each identifiable assets and liabilities of the investee company. Significant assumptions included in the NAV calculation are as follows:

- Fair values of real estate inventories against estimated selling prices less cost to sell;
- Fair values of real estate properties against appraisal reports;
- Fair values of listed equity securities against quoted prices;
- Fair values of unlisted equity securities against adjusted net asset values of the investee companies; and
- Discount for lack of control and lack of marketability.

12. Other Assets

Other Current Assets

	2022	2021
Debt reserve account (Note 15)	**₱403,844,969**	₱175,017,309
Short-term investments	**123,724,552**	112,434,574
Prepaid expenses	**9,640,765**	8,084,677
	₱537,210,286	₱295,536,560

Debt reserve account and short-term investments earn interest at prevailing short-term deposit rates.

Interest income earned from debt reserve account and short-term investments amounting to ₱4.0 million and ₱2.1 million in 2022 and 2021, respectively.

Other Noncurrent Assets

	2022	2021
Creditable withholding tax	**₱58,399,756**	₱57,390,433
Advances to landowner	**63,778,315**	60,955,323
Input VAT	**6,437,626**	5,261,788
Property and equipment	**360,975**	782,359
Others	**401,803**	401,804
	₱129,378,475	₱124,791,707

Advances to landowner
Advances to landowner pertains to down payment made by the Company to a certain individual for the purchase of land in Davao.

Property and equipment
Details of the Company's property and equipment are as follows:

As at December 31, 2022:

	Office Furniture, Fixtures and Equipment	Transportation Equipment	Leasehold Improvements	Total
Cost				
Balance at beginning of year	**₱7,764,197**	**₱2,683,821**	**₱14,069,059**	**₱24,517,077**
Additions	**105,731**	**–**	**–**	**105,731**
Balance at end of year	**7,869,928**	**2,683,821**	**14,069,059**	**24,622,808**
Accumulated Depreciation				
Balance at beginning of year	**7,560,812**	**2,104,847**	**14,069,059**	**23,734,718**
Depreciation	**269,794**	**257,321**	**–**	**527,115**
Balance at end of year	**7,830,606**	**2,362,168**	**14,069,059**	**24,261,833**
Net Book Value	**₱39,322**	**₱321,653**	**₱–**	**₱360,975**

As at December 31, 2021:

	Office Furniture, Fixtures and Equipment	Transportation Equipment	Leasehold Improvements	Total
Cost				
Balance at beginning of year	₱7,437,875	₱2,683,821	₱14,069,059	₱24,190,755
Additions	326,322	–	–	326,322
Balance at end of year	7,764,197	2,683,821	14,069,059	24,517,077
Accumulated Depreciation				
Balance at beginning of year	7,254,754	1,828,166	14,069,059	23,151,979
Depreciation	306,058	276,681	–	582,739
Balance at end of year	7,560,812	2,104,847	14,069,059	23,734,718
Net Book Value	₱203,385	₱578,974	₱–	₱782,359

The Company has fully depreciated property and equipment still used in the operations with both cost and accumulated depreciation of ₱326,321 and ₱325,942 as at December 31, 2022 and 2021, respectively.

13. Accrued Expenses and Other Current Liabilities

	2022	2021
Interest payable (Notes 14 and 15)	**₱42,757,206**	₱29,034,417
Payable to TTC	**40,564,511**	40,564,511
Payables to government agencies	**15,800,967**	4,111,044
Accrued expenses	**9,183,748**	1,749,857
Dividends payable	**5,038,321**	5,038,321
Other payables	**8,251,799**	6,731,535
	₱121,596,552	₱87,229,685

Payable to TTC and other payables are non-interest-bearing cash advances and are payable on demand.

Interest payable is normally settled semi-annually throughout the financial year.

Accrued expenses are non-interest bearing and have an average term of 30 days.

Payables to government agencies pertain to withholding taxes, SSS premiums and other liabilities, and other liabilities to the government which are non-interest bearing and are remitted within 30 days after reporting date.

Other payables include security services and private placement fee on outstanding loan in which the Company has not yet paid.

14. Short-term Loans and Commercial Papers

Short-term Loans
In 2022 and 2021, the Company availed of unsecured short-term loans from local banks totaling to ₱2,794.1 million and ₱1,378.4 million, respectively. These loans are subject to annual fixed interest rates ranging from 3.50% to 6.00% per annum and are payable on various dates within one year. As at December 31, 2022 and 2021, outstanding short-term loans amounted to ₱2,794.1 million and ₱1,570.5 million, respectively.

Interest expense incurred in 2022 and 2021 related to these short-term loans amounted to ₱70.7 million and ₱68.8 million, respectively (see Note 19). Interest payable amounted to ₱19.1 million and ₱5.2 million as of December 31, 2022 and 2021 (see Note 13).

Commercial Papers
In 2018, the Company initiated a ₱2.5 billion Commercial Paper Program with the Multinational Investment Bancorporation acting as the sole issue manager, lead arranger and underwriter of such commercial papers to be listed publicly through the Philippine Dealing & Exchange Corporation. The issuance was divided into two tranches. The first and second tranches shall amount to issuances totaling ₱1,500.0 million and ₱1,000.0 million, respectively.

In October 2018, the Company has listed a total of ₱100 million worth of commercial papers, which was part of the first tranche, with a tenor of 360 days, and was paid in October 2019. These were issued at discounted amounts with net proceeds amounting to ₱94.0 million.

In 2019, the Parent Company has listed a total of ₱1,880.0 million worth of commercial papers with a tenor of 90 to 360 days. These were issued at discounted amounts with net proceeds amounting to ₱1,806.0 million. This was settled in 2019 and 2020.

In 2021, the Parent Company has listed a total of ₱2,000.0 million worth of commercial papers with a tenor of 182 to 364 days. These were issued at discounted amounts with net proceeds amounting to ₱1,944.0 million.

In 2022, the Parent Company has listed a total of ₱1,885.0 million worth of commercial papers with a tenor of 182 to 364 days. These were issued at discounted amounts with net proceeds amounting to ₱1,796.5 million.

Outstanding balance from the commercial papers amounted to ₱1,576.6 million and ₱1,943.1 million as at December 31, 2022 and 2021, respectively.

The Company has recognized an interest expense amounting to ₱106.9 million and ₱55.7 million in 2022 and 2021, respectively, for the amortization of discount on these commercial papers (see Note 19).

15. Long-term Debts

The Company's long-term debts consist of:

	2022	2021
Five-year fixed rate corporate note	**₱5,162,850,000**	₱5,188,925,000
Seven-year fixed rate corporate note	**777,150,000**	781,075,000
	5,940,000,000	5,970,000,000
Less unamortized transaction costs	**(55,992,604)**	(75,156,202)
	5,884,007,396	5,894,843,798
Less current portion	**(465,485,366)**	(10,836,402)
Noncurrent portion	**₱5,418,522,030**	₱5,884,007,396

Omnibus Notes Facility and Security Agreement (ONFSA) - On November 23, 2020, ACR entered into a facility agreement with various noteholders with aggregate principal amount of ₱6,000 million divided into two (2) tranches: (a) Tranche A with principal amount of ₱5,215 million, subject to fixed interest rate of 5% and payable within five (5) years from the drawdown date and (b) Tranche B with principal amount of ₱785 million, subject to fixed interest rate of 6%. The loans are payable semi-annually based on graduated rates of 0.5% of the principal in the first year and 77% of the principal in the year of maturity. Proceeds of the loan shall be used to prepay ACR's fixed rate corporate notes facility, partly finance the investments in renewable energy projects and for general corporate purposes. ACR had drawn the entire loan facility amounting to ₱6,000 million as of December 31, 2020.

ACR shall maintain certain financial ratios such as debt-to-equity ratio of not more than 3.0 on the first and 2nd year, 2.75 on the 3rd year, 2.5 on the 4th year and 2.33 on the 5th year and until maturity, and debt service coverage ratio of not less than 1.1 at all times during the duration of the loan. As at December 31, 2021, ACR is in compliance with the debt covenants. Throughout the term of the loan, ACR is required to maintain a debt service reserve account with a balance of not less than the aggregate amount of principal and interest falling due and payable under the agreement on the immediately succeeding repayment date. As at December 31, 2022 and 2021, the remaining balance of debt reserve account amounted to ₱403.8 and ₱175.0 million, respectively (see Note 12).

The ONFSA is collateralized through the Share Collateral Security Agreement. Share collateral means (i) the share certificates, (ii) the shares legally and/or beneficially owned or to be owned by ACR in CHC, APHI and AREC, and any additional shares that shall be acquired in the future by ACR, (iii) the deposits for future subscription paid by ACR in CHC, APHI and AREC, and (iv) all the rights, title and interest of ACR to the share collateral.

Movement in the unamortized transaction costs of the long-term debts as follows:

	2022	2021
Balances at beginning of year	**₱75,156,202**	₱93,428,435
Amortization of transaction costs (Notes 19 and 25)	**(19,163,598)**	(18,272,233)
Balances at end of year	**₱55,992,604**	₱75,156,202

Interest expense recognized in 2022 and 2021 amounted to ₱161.5 million and ₱179.3 million, respectively (see Note 19). Interest payable amounted to ₱23.7 million and ₱23.8 million as of December 31, 2022 and 2021, respectively (see Note 13).

16. Related Party Transactions

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties include (a) enterprises that directly, or indirectly through one or more intermediaries, control or are controlled by, or are under common control with, the Company; (b) associates; and (c) individuals owning, directly or indirectly, an interest in the voting power of the Company that gives them significant influence over the Company and close members of the family of any such individual. In considering each possible related party relationship, attention is directed to the substance of the relationships, and not merely to the legal form.

All related party transactions shall be disclosed to the Company's Audit Committee ("the Committee") of the BOD and all transactions will be reviewed and approved by the Committee to ensure that a conflict of interest does not exist, a proper assessment of such transaction is made, and all necessary information is properly documented. Material related party transaction shall mean any individual related party transaction, or series of related party transactions over twelve (12) months, and with the same related party, amounting to, or exceeding, individually, or in the aggregate, the materiality threshold. Materiality threshold shall mean ten percent (10%) of the total assets of any of the parties to a transaction, based on that party's latest audited financial statements, and if the transaction is a material related party transaction, and one of the related parties is a parent of the other, the total assets shall pertain to the parent's total consolidated assets.

The Company, in the ordinary course of business, has entered into transactions with related parties which consist mainly of cash advances to/from and dividend income. No provision for impairment loss on the receivables was recognized in 2022 and 2021. This assessment is undertaken each financial year through examining the amount and timing of future cash flows of the related parties and the market in which the related party operates.

The table below shows the details of the Company's transactions with related parties.

Related Party		Dividend Income (Notes 9 and 10)	Advances	Due from Related Parties (Note 8)	Dividend Receivable (Note 8)	Advances to Subsidiaries (Note 9)	Terms and Conditions
Subsidiaries	**2022**	**₱445,200,006**	**₱240,460,070**	**₱3,063,809,415**	**₱–**	**₱–**	Due on demand, noninterest-bearing, unsecured, payable in cash
		–	–	–	–	**44,748,182**	Noninterest-bearing, unsecured, payable in cash
	2021	₱572,500,015	₱479,342,816	₱2,694,067,431	₱450,000,015	₱–	Due on demand, noninterest-bearing, unsecured, payable in cash
		–	–	–	–	44,748,182	Noninterest-bearing, unsecured, payable in cash
Affiliates	**2022**	**24,900,000**	**862,971,785**	**2,440,235,581**	**264,000,000**	–	Due on demand, noninterest-bearing, unsecured, payable in cash
	2021	24,900,000	99,465,949	1,706,545,710	264,000,000	44,748,182	-do-
	2022	**₱470,100,006**	**₱1,103,431,855**	**₱5,504,044,996**	**₱264,000,000**	**₱44,748,182**	
	2021	₱597,400,015	₱578,808,765	₱4,400,613,141	₱714,000,015	₱44,748,182	

In 2021, ACR subscribed to additional common shares of ATEC amounting to ₱1,879.5 million, which was settled through conversion of advances (see Note 9).

In 2021, ACR subscribed to additional common shares of AREC amounting to ₱93.8 million, which was settled through conversion of advances (see Note 9).

In 2022, ACR entered into a Development Agreement with Siguil, wherein Siguil agreed to pay ACR for the services in developing the Siguil project. During the year, ACR received development fee amounting to ₱100.3 million.

Compensation of key management personnel
The compensation of the Company's key management personnel consisting of short-term employee benefits amounted to ₱2.7 million and ₱4.8 million in 2022 and 2021, respectively.

17. Equity

Capital Stock

	2022		2021	
	Number of Shares	**Amount**	Number of Shares	Amount
Common - ₱1 par value				
Authorized	**11,945,000,000**	**₱–**	11,945,000,000	₱–
Issued and outstanding	**6,291,500,000**	**6,291,500,000**	6,291,500,000	6,291,500,000
Redeemable preferred - ₱0.01 par value				
Authorized	**5,500,000,000**	–	5,500,000,000	–
Subscribed	**5,500,000,000**	**55,000,000**	5,500,000,000	55,000,000
Subscriptions receivable		–		(2,016,667)
		₱6,346,500,000		₱6,344,483,333

On May 24, 2011, the Philippine SEC approved the Company's amended Articles of Incorporation converting 55,000,000 authorized and unissued common shares into 5,500,000,000 redeemable preferred shares with a par value of ₱0.01 per share.

The redeemable preferred shares shall have the following features:

a. The redeemable preferred shares may only be issued or transferred to Filipino citizens or corporations or associations at least 60% of capital of such corporations or associations is owned by Filipino citizens.

b. Holders of redeemable preferred shares are entitled to receive, out of the unrestricted retained earnings of the Company, cumulative dividends at the rate of 8% per annum of the par value of the preferred shares, before any dividends shall be paid to holders of the common shares. There was no dividend in arrears in 2022 and 2021.

c. The Company may, by resolution of the BOD, redeem the preferred shares at par value. The Company will redeem the preferred shares at par value (i) when the foreign equity limits to which the Company is subject to shall have been removed; and (ii) the Company is not engaged in any other activity likewise reserved exclusively to Filipino citizens, or corporations or associations at least sixty percent (60%) of whose capital is owned by Filipino citizens that would otherwise require the Company to maintain the ownership of the preferred shares by such Filipino citizens. The preferred shares when redeemed will not be retired and may be reissued upon resolution of the BOD.

d. In the event of dissolution or liquidation, holders of redeemable preferred shares are entitled to be paid in full, or pro-rata insofar as the assets and properties of the Company will permit, the par value of each preferred share before any distribution shall be made to the holders of common shares, and are not entitled to any other distribution.

All common and preferred shares have full voting rights.

On February 4, 2013, AC subscribed to 5,500,000,000 preferred shares with par value of ₱0.01 per share, from the unissued authorized preferred shares of the Company. Subscriptions payable of AC amounted to nil and ₱2 million, net of the 8% dividends declared for preferred shares, as at December 31, 2022 and 2021, respectively.

The following summarizes the information on the Company's registration of securities under the Securities Regulation Code:

Date of SEC Approval	Activity	Number of Common Shares Authorized	Issued	Issue/Offer Price
1993	Initial Public Offering	12,000,000,000	6,291,500,000	₱1
2011	Conversion of unissued common shares to redeemable preferred shares	(55,000,000)	–	₱–
		11,945,000,000	6,291,500,000	

As at December 31, 2022 and 2021, the Company has 449 and 453 stockholders, respectively.

Retained Earnings

On May 4, 2012 and March 28, 2014, the BOD approved the appropriation of ₱850 million and ₱850 million of its retained earnings as at December 31, 2011 and December 31, 2013, respectively, for its equity contributions to various projects.

On December 11, 2016, the BOD approved the reversal of appropriation relating to Phase 1 of the Sarangani project amounting to ₱400 million.

On March 22, 2018, the BOD approved the reversal of appropriation relating to Phase 2 of the Sarangani project amounting to ₱200 million.

The appropriated retained earnings as of December 31, 2022 and 2021 is for the following projects:

Project Name	Nature/Project Description	Amount (in millions)	Timeline (Year)
Siguil	Hydro-electric power in Maasim, Sarangani	₱370	2023
ZAM100	Construction of 105 MW coal-fired power plant in San Ramon, Zamboanga City	600	2024
Bago	Hydro-electric power in Negros Occidental	130	2025
		₱1,100	

The Company declared the following cash dividends on its common shares:

Year	Date of Declaration	Amount	Per Share	Date of Record	Date of Payment
2022	June 30, 2022	₱125,830,000	₱0.020	June 30, 2022	July 23, 2022
2021	May 20, 2021	125,830,000	0.020	June 30, 2021	July 23, 2021

Dividends on preferred shares amounting to ₱2.0 million in 2022 and ₱4.4 million in 2021 were applied against the Company's subscriptions receivable from AC (see Note 25).

Equity Reserves

As at December 31, 2022 and 2021, equity reserves consist of the following:

	2022	2021
Unrealized gains on equity investments designated at FVTOCI (Note 11)	**₱17,210,871**	₱23,667,554
Remeasurement losses on defined benefit plan (Note 18)	**(399,302)**	(399,302)
Other reserves	**(14,049,640)**	(14,049,640)
	₱2,761,929	₱9,218,612

18. Retirement Plan

The Company has an unfunded, noncontributory defined benefit retirement plan covering substantially all of its qualified employees. Retirement benefits are dependent on the years of service and the respective employee's compensation. The Company's latest actuarial valuation report is as at December 31, 2021.

Republic Act No. 7641, otherwise known as the Retirement Pay Law, requires a provision for retirement pay to qualified private sector employees in the absence of any retirement plan in the entity, provided however that the employee's retirement benefits under any collective bargaining and other agreements shall not be less than those provided under the law. The law does not require minimum funding of the plan.

The following table summarizes the movements in retirement benefits payable of the Company:

	2022	2021
Balances at beginning of year	**₱15,140,339**	₱10,594,811
Retirement benefits cost charged in profit or loss:		
Current service cost	**135,135**	1,282,524
Interest cost	**–**	424,852
	135,135	1,707,376
Remeasurements loss (gain) recognized in OCI arising from:		
Experience adjustments	**–**	5,594,534
Changes in financial assumptions	**–**	(2,712,969)
Changes in demographic assumptions	**–**	(43,413)
	–	2,838,152
Balances at end of year	**₱15,275,474**	₱15,140,339

The principal assumptions used in determining the retirement benefits liability as of January 1 follow:

	2022	2021
Discount rates	**5.17%**	4.01%
Rate of future increase in compensation	**10.00%**	10.00%

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

	2022		2021	
	Increase (Decrease) in Basis Points	**Increase (Decrease) in Defined Benefit Obligation**	Increase (Decrease) in Basis Points	Increase (Decrease) in Defined Benefit Obligation
Discount rates	**100**	**(₱1,913,516)**	100	(₱1,913,516)
	(100)	**2,302,537**	(100)	2,302,537
Salary increase	**100**	**2,170,513**	100	2,170,513
	(100)	**(1,852,006)**	(100)	(1,852,006)

Shown below is the maturity analysis of the undiscounted benefit payments:

	2022	2021
More than 1 year to 5 years	**₱3,496,729**	₱3,496,729
More than 5 years to 10 years	**11,773,486**	11,773,486

The average duration of the defined benefit plan obligations as at December 31, 2022 and 2021 is 14 years.

19. Finance Charges

	2022	2021
Interest on long-term debts (Note 15)	**₱161,502,812**	₱179,320,594
Interest on short-term loans and commercial papers (Note 14)	**177,637,944**	124,455,406
Amortization of transaction costs on long-term debts (Note 15)	**19,163,598**	18,272,233
Others	**1,027,557**	8,255,670
	₱359,331,911	₱330,303,903

20. Income Taxes

a. The Company's provision for current income tax represents MCIT.

b. The reconciliation of income tax computed using the statutory income tax rate to benefit from income tax as shown in the parent company statements of income follows:

	2022	2021
Income tax expense at statutory income tax rate	**₱39,787,717**	₱51,261,666
Income tax effects of:		
Deductible temporary differences, NOLCO and excess MCIT for which no deferred income tax assets were recognized	**79,351,202**	98,086,369
Dividend income exempt from income tax	**(117,525,002)**	(149,350,004)
Income subjected to final tax	**(1,769,837)**	(1,136,668)
Nondeductible expenses	**1,152,294**	1,138,637
Provision for income tax	**₱996,374**	₱–

c. The components of the Company's net deferred income tax liabilities are as follows:

	2022	2021
Deferred income tax liabilities on unamortized transaction costs	**₱13,998,151**	₱18,789,051
Deferred income tax liabilities on unrealized foreign exchange gains	**4,634,891**	3,730,113
Deferred income tax on asset on NOLCO	**(18,633,042)**	(22,519,164)
	₱–	₱–

d. The Company did not recognize deferred income tax assets on the following NOLCO, excess MCIT and deductible temporary differences since management believes that it is not probable that sufficient future taxable income will be available to allow all or part of these deferred tax assets to be utilized.

	2022	2021
NOLCO	**₱1,272,297,608**	₱1,507,821,768
Retirement benefits payable	**15,275,474**	15,140,339
MCIT	**1,092,047**	95,673

e. The movements of NOLCO and excess MCIT are shown below:

	2022		2021	
	NOLCO	**Excess MCIT**	NOLCO	Excess MCIT
Balances at beginning of year	**₱1,597,898,424**	**₱95,673**	₱1,792,633,403	₱95,673
Additions	**296,865,133**	**996,374**	402,989,759	–
Expirations	**(547,933,781)**	**–**	(597,724,738)	–
Balances at end of year	**₱1,346,829,776**	**₱1,092,047**	₱1,597,898,424	₱95,673

NOLCO incurred from taxable year 2022 and before taxable year 2020 can be claimed as deduction from the regular taxable income for the next three consecutive taxable years are as follows:

Year Incurred	Balance as at December 31, 2021	Additions	Expiration	Balance as at December 31, 2022	Available Until
2019	₱547,933,781	₱–	(₱547,933,781)	₱–	2022
2022	–	296,865,133	–	296,865,133	2025
	₱547,933,781	₱296,865,133	(₱547,933,781)	₱296,865,133	

NOLCO incurred from taxable years 2020 and 2021 can be claimed as deduction from the regular taxable income for the next five consecutive taxable years pursuant to the Bayanihan to Recover As One Act, as follows:

Year Incurred	Balance as at December 31, 2021	Additions	Expiration	Balance as at December 31, 2022	Available Until
2020	₱646,974,884	₱–	₱–	₱646,974,884	2025
2021	402,989,759	–	–	402,989,759	2026
	₱1,049,964,643	₱–	₱–	₱1,049,964,643	

The carryforward benefits of excess MCIT over RCIT that can be claimed as deduction from future regular taxable income are as follows:

Year Incurred	Balance as at December 31, 2021	Additions	Expiration	Balance as at December 31, 2022	Available Until
2019	₱95,673	₱–	₱–	₱95,673	2023
2022	–	996,374	–	996,374	2025
	₱95,673	₱996,374	₱–	₱1,092,047	

21. Financial Risk Management Objectives and Policies

The Company's principal financial instruments are composed of cash and cash equivalents, receivables, short-term investments, debt reserve account, equity investments designated at FVTOCI, accrued expenses and other current liabilities, short-term loans, short-term commercial papers and long-term debts. The main purpose of these financial instruments is to raise finances for the Company's operations.

The main risks arising from the Company's financial instruments are credit risk, liquidity risk, equity price risk and foreign currency risk. The Company's BOD and management review and agree on the policies for managing each of these risks and these are summarized below.

Credit Risk

Credit risk is the risk that the Company will incur a loss because its counterparties failed to discharge their contractual obligations. The maximum exposure to credit risk of the Company's financial assets is represented by the carrying amount of cash and cash equivalents, receivables, short-term investments and debt reserve account in the parent company statements of financial position. Credit risk is concentrated with its related parties.

The table below shows the maximum exposure to credit risk for the components of the parent company statements of financial position. The maximum exposure is shown at gross.

	2022	2021
	(In Thousands)	
Cash and cash equivalents*	**₱321,851**	₱311,068
Receivables**	**5,774,759**	5,121,101
Short-term investments	**123,725**	112,435
Debt reserve account	**403,845**	175,017
	₱6,624,180	₱5,719,621

**Excluding cash on hand amounting to ₱0.01 million in December 31, 2022 and 2021.*

***Excluding advances for business expenses and advances to officers and employees totaling to ₱0.03 million and ₱0.04 million as at December 31, 2022 and 2021, respectively.*

Receivables

The Company's receivables are monitored on a regular basis. An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due of the customer with loss pattern. The calculation reflects the probability-weighted outcome and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. For trade receivables from real estate sales, expected credit loss is computed using vintage analysis.

The provision matrix is initially based on the Company's historical observed default rates. The Company will calibrate the matrix to adjust the historical credit loss experience with forward-looking information.

Generally, receivables are written-off when deemed unrecoverable and are not subject to enforcement activity. The maximum credit exposure to credit risk at the reporting date is the carrying value of each class of financial assets.

Cash and cash equivalents, short-term investments and debt reserve accounts

Cash and cash equivalents, short-term investments and debt rate reserve accounts are placed in various banks. Material amounts are held by banks which belong to top five (5) banks in the country. The rest are held by local banks that have good reputation and low probability of insolvency. These are considered to be low credit risk investments.

The following tables below summarize the credit quality of the Company's financial assets (gross of allowance for impairment losses) as at December 31:

	2022					
	Current			Past Due	Credit	
	Minimal Risk	Average Risk	High Risk	(1-90 Days)	Impaired	Total
Cash and cash equivalents*	₱321,851	₱–	₱–	₱–	₱–	₱321,851
Receivables**	5,774,759	–	–	–	–	5,774,759
Short-term investments	123,725	–	–	–	–	123,725
Debt reserve account	403,845	–	–	–	–	403,845
	₱6,624,180	₱–	₱–	₱–	₱–	₱6,624,180

**Excluding cash on hand amounting to ₱0.01 million.*
***Excluding advances for business expenses and advances to officers and employees totaling to ₱0.03 million.*

	2021					
	Current			Past Due	Credit	
	Minimal Risk	Average Risk	High Risk	(1-90 Days)	Impaired	Total
Cash and cash equivalents*	₱311,068	₱–	₱–	₱–	₱–	₱311,068
Receivables**	5,121,101	–	–	–	–	5,121,101
Short-term investments	112,435	–	–	–	–	112,435
Debt reserve account	175,017	–	–	–	–	175,017
	₱5,719,621	₱–	₱–	₱–	₱–	₱5,719,621

**Excluding cash on hand amounting to ₱0.01 million.*
***Excluding advances for business expenses and advances to officers and employees totaling to ₱0.04 million.*

The Company classifies credit quality risk as follows:

Minimal risk - accounts with a high degree of certainty in collection, where counterparties have consistently displayed prompt settlement practices, and have little to no instance of defaults or discrepancies in payment.

Average risk - active accounts with minimal to regular instances of payment default, due to ordinary/common collection issues, but where the likelihood of collection is still moderate to high as the counterparties are generally responsive to credit actions initiated by the Company.

High risk - accounts with low probability of collection and can be considered impaired based on historical experience, where counterparties exhibit a recurring tendency to default despite constant reminder and communication, or even extended payment terms.

The following tables below summarize the staging considerations of the Company's financial assets as at December 31:

	2022			
	Stage 1 (12-Month ECL)	Stage 2 (Lifetime ECL)	Stage 3 (Credit Impaired)	Total
Cash and cash equivalents*	₱321,851	₱–	₱–	₱321,851
Receivables**	5,774,759	–	–	5,774,759
Short-term investments	123,725	–	–	123,725
Debt reserve account	403,845	–	–	403,845
	₱6,624,180	₱–	₱–	₱6,624,180

**Excluding cash on hand amounting to ₱0.01 million.*
***Excluding advances for business expenses and advances to officers and employees totaling to ₱0.03 million.*

	2021			
	Stage 1 (12-Month ECL)	Stage 2 (Lifetime ECL)	Stage 3 (Credit Impaired)	Total
Cash and cash equivalents*	₱311,068	₱–	₱–	₱311,068
Receivables**	5,121,101	–	–	5,121,101
Short-term investments	112,435	–	–	112,435
Debt reserve account	175,017	–	–	175,017
	₱5,719,621	₱–	₱–	₱5,719,621

**Excluding cash on hand amounting to ₱0.01 million.*
***Excluding advances for business expenses and advances to officers and employees totaling to ₱0.04 million.*

Liquidity Risk
Liquidity risk arises from the possibility that the Company may encounter difficulties in raising funds to meet or settle its obligations at a reasonable price. The Company maintains sufficient cash to finance its operations.

The table below summarizes the maturity profile of the Company's financial assets (held for liquidity purposes) and financial liabilities based on contractual undiscounted payments:

	2022						
	Due and Demandable	**Less than 6 Months**	**6-12 Months**	**More than 1 Year to 3 Years**	**4-5 Years**	**5 Years onwards**	**Total**
					(In Thousands)		
Financial Liabilities:							
Accrued expenses and other current liabilities*	₱63,038	₱–	₱–	₱–	₱–	₱–	₱63,038
Short-term loans**	–	2,813,152	–	–	–	–	2,813,152
Short-term commercial papers**	–	1,149,000	471,000	–	–	–	1,620,000
Long-term debts**	–	394,911	388,808	5,247,706	790,181	–	6,821,606
	63,038	4,357,063	859,808	5,247,706	790,181	–	₱11,317,796
Financial Assets:							
Cash and cash equivalents	321,861	–	–	–	–	–	321,861
Receivables***	5,768,045	–	6,714	–	–	–	5,774,759
Short-term investments	–	123,725	–	–	–	–	123,725
Debt reserve account	–	403,845	–	–	–	–	403,845
Equity investments designated at FVTOCI	–	–	–	–	–	2,255,090	2,255,090
	6,089,906	527,570	6,714	–	–	2,255,090	8,879,280
Liquidity Position (Gap)	**₱6,026,868**	**(₱3,829,493)**	**(₱853,094)**	**(₱5,247,706)**	**(₱790,181)**	**₱2,255,090**	**(₱2,438,516)**

**Excluding payables to government agencies and interest payable totaling to ₱58.56 million.*
***Including interest payable computed using prevailing rate as at December 31, 2022.*
****Excluding advances for business expenses and advances to employees totaling to ₱0.03 million.*

	2021						
	Due and Demandable	Less than 6 Months	6-12 Months	More than 1 Year to 3 Years	4-5 Years	5 Years onwards	Total
					(In Thousands)		
Financial Liabilities:							
Accrued expenses and other current liabilities*	₱54,084	₱–	₱–	₱–	₱–	₱-	₱54,084
Short-term loans**	–	1,577,158	–	–	–	–	1,577,158
Short-term commercial papers**	–	265,000	1,735,000	–	–	–	2,000,000
Long-term debts**	–	168,155	167,771	1,756,754	4,425,785	639,069	7,157,534
	54,084	2,010,313	1,902,771	1,756,754	4,425,785	639,069	10,788,776
Financial Assets:							
Cash and cash equivalents	311,076	–	–	–	–	–	311,076
Receivables***	5,114,613	–	6,488	–	–	–	5,121,101
Short-term investments	–	–	112,435	–	–	–	112,435
Debt reserve account	–	175,017	–	–	–	–	175,017
Equity investments designated at FVTOCI	–	–	–	–	–	2,261,546	2,261,546
	5,425,689	175,017	118,923	–	–	2,261,546	7,981,175
Liquidity Position (Gap)	₱5,371,605	(₱1,835,296)	(₱1,783,848)	(₱1,756,754)	(₱4,425,785)	₱1,622,477	(₱2,807,601)

**Excluding payables to government agencies and interest payable totaling to ₱33.15 million.*
***Including interest payable computed using prevailing rate as at December 31, 2021.*
****Excluding advances for business expenses and advances to employees totaling to ₱0.04 million.*

The Company monitors its cash position by a system of cash forecasting. All expected collections, check disbursements and other payments are determined on a weekly basis to arrive at the projected cash position to cover its obligations.

The Company assessed the concentration of risk with respect to refinancing its debt and concluded it to be low. The Company has access to a sufficient variety of source of funding and debt maturing within 12 months can be rolled over with existing lenders.

Equity Price Risk

Equity price risk is the risk that the fair value of quoted equity investment decreases as the result of changes in the value of individual stock. The Company's exposure to equity price risk relates primarily to the Company's quoted equity investments. The Company's policy requires it to manage such risk by setting and monitoring objectives and constraints on investments; diversification plan; and limits on investment in each industry or sector. The Company intends to hold these investments indefinitely in response to liquidity requirements or changes in market conditions.

The following table demonstrates the sensitivity to a reasonably possible change in equity price, with all other variables held constant, of the Company's equity. The reasonably possible change in equity price was based on the year-to-year change of stock market indices. The methods and assumptions used in the analysis remained unchanged over the reporting periods.

The table below summarizes the impact of changes in equity price on the equity.

Equity price risk of those equity investments listed in the Philippine Stock Exchange is as follows:

	2022		2021	
	Increase in Equity Price	**Decrease in Equity Price**	Increase in Equity Price	Decrease in Equity Price
Change in equity price	**+1%**	**-1%**	+1%	-1%
Increase (decrease) in equity	**₱338,210**	**(₱338,210)**	₱402,777	(₱402,777)

Foreign Currency Risk
The Company's exposure to foreign currency risk is limited to cash in banks, receivables and short-term investment denominated in currencies other than its functional currency. The Company closely monitors the fluctuations in exchange rates so as to anticipate the impact of foreign currency risk associated with its financial instruments.

In translating the foreign currency-denominated monetary assets and liabilities into peso amounts, the Philippine peso to U.S. dollar exchange rates used were ₱55.75 to US$1.0 and ₱50.99 to US$1.0 for December 31, 2022 and 2021, respectively.

The table below summarizes the Company's exposure to foreign currency risk. Included in the table are the Company's financial assets at their carrying amounts.

	2022		2021	
	In U.S. Dollar	**In Philippine Peso**	In U.S. Dollar	In Philippine Peso
Financial assets:				
Cash and cash equivalents	**$28,486**	**₱1,588,222**	$8,588	₱437,902
Short-term investments	**2,219,075**	**123,724,552**	5,205,115	265,408,814
	$2,247,561	**₱125,312,774**	$5,213,703	₱265,846,716

The following table demonstrates the sensitivity to a reasonably possible change in the U.S. dollar to Philippine peso exchange rate, with all other variables held constant, on the Company's income (loss) before income tax as at December 31, 2022 and 2021.

The reasonably possible change in exchange rate was based on forecasted exchange rate change using historical date within the last five years as at the reporting period. The methods and assumptions used remained unchanged over the reporting periods being presented.

	2022		2021	
	Philippine Peso		Philippine Peso	
	Increase	**Decrease**	Increase	Decrease
Change in foreign exchange rate	**+1.00%**	**-1.00%**	+1.00%	-1.00%
Increase (decrease) in income before income tax	**(₱1,253,128)**	**₱1,253,128**	(₱2,658,467)	₱2,658,467

The increase in ₱ against US$1 means stronger U.S. dollar against peso while the decrease in ₱ against US$1 means stronger peso against U.S. dollar.

Capital Management
The primary objective of the Company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its businesses and maximize shareholder's value.

The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to stockholders, return capital to stockholders or issue new shares. There were no changes made in the objectives, policies or processes during the years ended December 31, 2022 and 2021. The Company met its objectives, policies or processes in 2022 and 2021.

The Company monitors capital on the basis of the debt-to-equity ratio and interest coverage ratio in compliance for its long-term debts. Debt-to-equity ratio is calculated as total liabilities over total equity, excluding accounts payable and other current liabilities arising from operations and other reserves. Interest coverage ratio is calculated as earnings before interest expense, taxes, depreciation and amortization over total interest expense.

The Company's strategy, which was unchanged from prior year, was to maintain the debt-to-equity ratio and interest coverage ratio at manageable levels.

The Company's debt-to-equity ratio and interest coverage ratio are as follows (based on consolidated numbers):

a. Debt-to-equity Ratio:

	2022	2021
Long-term debts	**₱20,055,015,980**	₱20,587,209,489
Total equity	**12,525,992,386**	12,008,281,501
Debt-to-equity ratio	**1.60:1**	1.71:1

b. Interest Coverage Ratio:

	2022	2021
Income before income tax	**₱2,220,298,054**	₱1,486,319,578
Add depreciation, amortization and interest expense	**3,093,359,852**	3,238,976,285
Add: ending cash balance	**2,796,280,747**	2,864,190,106
Total cash available for interest expense	**8,109,938,653**	7,589,485,969
Divided by aggregate principal and interest during the next period	**4,036,786,698**	3,266,685,474
	2.01:1	2.32:1

22. Financial and Non-financial Instruments

The Company held the following financial and non-financial instruments that are carried at fair value or where fair value is required to be disclosed:

As at December 31, 2022:

	Carrying Value	Fair Value Total	Level 1	Level 2	Level 3
Financial asset - Measured at fair value - Equity investment designated as FVTOCI	₱2,255,089,743	₱2,255,089,743	₱33,820,974	₱–	₱2,221,268,769
Financial liability - Fair value is disclosed - Long-term debts	₱5,884,007,396	₱5,894,843,798	₱–	₱–	₱5,894,843,798

As at December 31, 2021:

	Carrying Value	Fair Value Total	Level 1	Level 2	Level 3
Financial asset - Measured at fair value - Equity investment designated as FVTOCI	₱2,261,546,426	₱2,261,546,426	₱40,277,657	₱–	₱2,221,268,769
Financial liability - Fair value is disclosed - Long-term debts	₱5,894,843,798	₱6,920,845,753	₱–	₱–	₱6,920,845,753

During the years ended December 31, 2022 and 2021, there were no transfers between Level 1 and 2 fair value measurements, and no transfers into and out of Level 3 measurements.

The following methods and assumptions are used to estimate the fair value of each class of financial and non-financial instruments:

Cash and cash equivalents, receivables, short-term investments, accrued expenses and other current liabilities and short-term loans
The carrying amounts of these financial assets approximate their fair values due to the short-term maturity of these instruments.

Financial assets at FVTOCI
The Company's financial assets include investments in quoted and unquoted securities and golf club shares. The fair value of investment in quoted securities is determined based on the closing market rate in PSE as at statement of financial position dates. The fair value of investment in golf club shares which are traded in organized financial markets is determined based on any price within the lower selling quotes and higher buyer quotes at the close of business at reporting date.

As of December 31, 2022, and 2021, the Company's investment in unquoted equity investments is measured at fair value using the adjusted net asset value approach as of December 31, 2022 and 2021, respectively (see Note 11).

The significant unobservable inputs used in the fair value measurements categorized within Level 3 of the fair value hierarchy, together with a quantitative sensitivity analysis are shown below:

As at December 31, 2022:

Significant unobservable inputs	Inputs	Increase (Decrease)	Amount (in millions)
Average price per square meter	₱121,000	+1%	₱18
for real estate properties		-1%	(18)
Multiplier to arrive at the			
estimated net	2.22 times	+1%	74
realizable value for real estate			
inventories		-1%	(74)
Discount for lack of control and	10%	+5%	(235)
Marketability		-5%	254

As at December 31, 2021:

Significant unobservable inputs	Inputs	Increase (Decrease)	Amount (in millions)
Average price per square meter	₱101,000	+1%	₱15
for real estate properties		-1%	(15)
Multiplier to arrive at the			
estimated net	2.28 times	+1%	53
realizable value for real estate			
inventories		-1%	(53)
Discount for lack of control and	10% - 15%	+5%	(244)
Marketability		-5%	259

Long-term debts
The fair value of long-term debts with fixed interest rate is determined by discounting the estimated future cash flows using the discount rates applicable for similar types of instruments. For the years ended December 31, 2022 and 2021, rates used ranged from 5.43% to 8.15%.

23. Lease Agreement

The Company leases office space from ALC for a period of one year. Rent expense amounted to ₱2.4 million in 2022 and ₱2.8 million in 2021.

24. Contingencies

There are contingent liabilities that arise in the normal course of the operations of the Company and its subsidiaries and associates that are not reflected in the accompanying parent company financial statements as management believes that the resolution will not materially affect the Company's financial performance.

25. Notes to Statements of Cash Flows

a. The principal noncash financing activity of the Company are as follows:

	2022	2021
Conversion of advances (Note 9)	**₱-**	₱1,973,212,500

b. Reconciliation of the movement of liabilities arising from financing activities as at and for the years ended December 31, 2022 and 2021 are as follows:

	2022		
	Short-term loans	**Short-term commercial papers**	**Long-term debts**
Beginning balance	**₱1,570,535,030**	**₱1,943,104,063**	**₱5,894,843,798**
Cash movements:			
Availment of additional debt	**2,794,099,417**	**1,885,000,000**	**–**
Settlement of debt	**(1,570,535,030)**	**(2,251,481,680)**	**(30,000,000)**
Noncash movements:			
Amortization of debt issue costs	**–**	**–**	**19,163,598**
Ending balance	**₱2,794,099,417**	**₱1,576,622,383**	**₱5,884,007,396**

	2021		
	Short-term loans	Short-term commercial papers	Long-term debts
Beginning balance	₱1,382,667,507	₱892,790,136	₱5,906,571,565
Cash movements:			
Availment of additional debt	1,378,400,000	2,000,000,000	–
Settlement of debt	(1,190,532,477)	(949,686,073)	(30,000,000)
Noncash movements:			
Amortization of debt issue costs	–	–	18,272,233
Ending balance	₱1,570,535,030	₱1,943,104,063	₱5,894,843,798

c. Reconciliation of the movement of interest payable and dividend payable arising from financing activities as at and for the years ended December 31, 2022 and 2021 are as follows:

	2022	
	Interest payable	**Dividend payable**
Beginning balance	**₱29,034,417**	**₱5,038,321**
Cash movements:		
Payment	**(326,445,524)**	**(128,213,336)**
Noncash movements:		
Declaration	**–**	**130,230,003**
Application of dividends to subscriptions receivable (Note 17)	**–**	**(2,016,667)**
Interest expense, excluding discount and debt issue cost	**340,168,313**	**–**
Ending balance	**₱42,757,206**	**₱5,038,321**

	2021	
	Interest payable	**Dividend payable**
Beginning balance	₱29,160,020	₱5,038,321
Cash movements:		
Payment	(312,157,273)	(125,830,000)
Noncash movements:		
Declaration	–	130,230,000
Application of dividends to subscriptions receivable (Note 17)	–	(4,400,000)
Interest expense, excluding discount and debt issue cost	312,031,670	–
Ending balance	₱29,034,417	₱5,038,321

26. Supplementary Information Required Under Revenue Regulations No. 15-2010

In compliance with the requirements of Revenue Regulations No. 15-2010, presented below are the taxes paid and accrued by the Company in 2022:

Value-added Tax (VAT)

a. The Company is a VAT-registered company. However, the Company did not have any output VAT declaration during the year.

b. The Company's purchases of goods and services from other VAT-registered individuals or corporations are subject to input VAT of 12%.

Balance as at January 1, 2022	₱5,261,788
Current year's transactions:	
Domestic purchases of services	1,126,038
Domestic purchases of goods other than capital goods	49,440
Balance as at December 31, 2022	₱6,437,266

Taxes and Licenses

Taxes and licenses fees include licenses and permit fees recorded in the "Taxes and licenses" account under the parent company statement of income for the year ended December 31, 2022:

Documentary stamp tax	₱26,104,480
Business permits and licenses	754,980
Annual listing maintenance fee	23,605
Others	1,000
	₱26,884,065

Withholding Taxes

	Paid	Accrued
Final withholding taxes	₱19,829,043	₱8,003,527
Expanded withholding taxes	4,296,950	3,469,340
Withholding taxes on compensation	1,471,266	162,154

Tax Assessments and Cases

The Company has no final tax assessments and cases pending before the BIR as at December 31, 2022. Likewise, the Company has no other pending tax cases outside the administration of the BIR as at December 31, 2022.