PROSPECTUS

KING ENERGY GENERATION, INC.

(Power Generation Company)

The Offer Shares consists of Four Million Five Hundred (4,500,000) common stock with a par value of PhP100.00 per share, to be offered at Net Asset Value Per Share.
The Offer Shares will be traded over the counter.

Misamis Oriental Power Plant (MOPP1), Along National Highway, Brgy. San Luis, Gingoog City,
Misamis Oriental, Philippines, 9000
kegi@kingenergy.info
Contact No. 0917-802-4216

The date of this Prospectus is 31 December 2022.

THIS PROSPECTUS SHOULD BE READ CAREFULLY BEFORE INVESTING AND RETAINED FOR FUTURE REFERENCE

THE SECURITIES AND EXCHANGE COMMISSION HAS NOT REVIEWED AND CHECKED THE REGISTRATION STATEMENT AND THE EXHIBITS ATTACHED. FURTHER, THE SEC HAS NOT AFFIRMED THIS SECURITIES OR DETERMINED THAT THE PROSPECTUS IS ACCURATE OR COMPLETE. ANY REPRESENTATION IN THE CONTRARY IS A CRIMINAL OFFENSE AND SHOULD BE REPORTED IMMEDIATELY TO THE SECURITIES AND EXCHANGE COMMISSION.

KING ENERGY GENERATION, INC.
(A corporation organized under Philippine laws)

This Prospectus relates to the offer of 4,500,00 shares of KING ENERGY GENERATION, INC. ("KEGI"), to be offered at Net Asset Value Per Share ("NAVPS"). However, per SEC mandate, all 30,000,000 common shares, unissued and issued, shall be registered.

The gross proceeds of the 4,500,000 Offer Shares are estimated at PhP549,120,190.50 (computed as follows: 4,500,000 unissued shares by multiplying by PhP122.026709/share offer price – NAVPS as of 12/31/2021).

The 4,500,000 share being offered is a compliance with the mandate of Republic Act No. 9136, otherwise known as the Electric Power Industry Reform Act of 2001 (EPIRA), as well as its Implementing Rules and Regulation in which generation companies, where KEGI belongs, which are not publicly listed shall offer and sell to the public a portion not less than fifteen percent (15%) of their common shares. As of year 2021, KEGI has 30,000,000 authorized common shares, on which 15% is 4,500,000 common shares.

The net proceeds from the sale of securities will be used to invest in renewable generation sources. For more detailed discussion, please refer to the section entitles "Use of Proceeds".

The Offer Shares are being offered in the Philippines through the STOCK-PUBLIC OFFERING DIVISION – KEGI ("SPOD-KEGI"). Since SPOD-KEGI is part of KEGI, it will not be paid any fees in relation to transactions involving transfers of stocks. It will only be paid remuneration as managers, supervisors and employees. For more detailed discussion on SPOD-KEGI, please refer to the section entitled "Plan of Distribution".

All the offered shares are common shares, voting with identical rights and privileges, and may be owned by any person or entity, regardless of nationality. The shares are eligible for payment of dividends, which depends, among other factors, upon the funds unrestricted retained earnings, cash flow and financial condition.

The Board of Directors of KEGI has the power to fix and determine the amount to be reserved or provided for declaration and payment of dividends from KEGI's unrestricted retained earnings. The amount of such dividends (either in cash, stock, property or combination of the foregoing) will depend on KEGI's profits, cash flows, capital expenditure, financial condition, and other factors and will follow SEC's guidelines on determining retained earnings available for dividend declaration. The existence of surplus profit is a condition precedent before a dividend can be declared. The surplus profits or income must be a bona fide income founded upon actual earning or profits. Actual earnings or profits shall be the net income for the year based on the audited financial statements, adjusted for unrealized items, capital expenditure, investment objective and financial condition.

Dividends so declared will be automatically reinvested in additional shares on behalf of the shareholders, without sales charges, at the NAVPS on the payment date established for such dividends. Shareholders may also elect not to have dividends reinvested and receive payment in cash, net of tax.

Unless otherwise stated, the information contained in this Prospectus has been supplied by KEGI, which accepts full responsibility for the accuracy of the information and confirms, having made all reasonable inquiries, that to the best of its knowledge and belief, there are no material facts the omission of which would make any statement in this Prospectus misleading in any material respect. Neither the delivery of this Prospectus nor any sale made hereunder shall, under any circumstances, create any implication that the information contained herein is correct as of any time subsequent to the date hereof.

ALL REGISTRATION REQUIREMENTS HAVE BEEN MET AND ALL INFORMATION CONTAINED HEREIN ARE TRUE AND CURRENT.

EDELYN JANE A. SALVAME
President

FEB 07 2023

SUBSCRIBED AND SWORN TO BEFORE ME this __ day of _______ 2023 in CAGAYAN DE ORO CITY, affiant exhibiting to me his Passport P3611431B issued by Department of Foreign Affairs.

Notary Public

Doc No. 227
Page No. 96
Book No. XXVI
Series of 2023

ALBERT WENCES C. DABA III
ROLL No.74777; TIN 484-267-868
PTR No. 5569558, 1/3/2023
IBP OR No. 258548, 1/3/2023
MCLE Compliance No. VII-0013714
Notarial Commission No. 2022-93
Cagayan de Oro City

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PRINCIPAL PARTIES TO THE OFFER

REGISTRANT

KING ENERGY GENERATION, INC. (KEGI)

Misamis Oriental Power Plant (MOPP1), Along National Highway, Brgy. San Luis, Gingoog City, Misamis Oriental, Philippines, 9000

KEGI@kingenergy.info

myp@kingenergy.info

Contact No. 0917-802-4216

INVESTMENT COMPANY ADVISER, DISTRIBUTOR AND TRANSFER AGENT

STOCK - PUBLIC OFFERING DIVISION – KEGI (SPODKEGI)

Tepolo St. Purok 10 Baloy,

Cagayan de Oro, 9000 Misamis Oriental

myp@kingenergy.info

Contact No. 0917-802-4216

CUSTODIAN BANK

BDO UNIBANK, INC.

Limketkai Branch

Cagayan de Oro City

LEGAL COUNSEL

ATTY. ALBERT WENCES C. DABA III

Patag, Cagayan de Oro City

INDEPENDENT AUDITOR

BACONGA PATRIANA & CO.

TTK Tower Imperial Appliance Plaza Building,

Don Apolinar Velez St, Cagayan de Oro, 9000 Misamis Oriental

GLOSSARY

ACS	Authorized Capital Stock
BANKING DAYS	Are days other than Saturdays, Sundays and other legal holidays or days on which the principal office of the Bank is closed.
BDO	Banco De Oro Unibank, Inc.
BETZ LAW	Betz's law indicates the maximum power that can be extracted from the wind, independent of the design of a wind turbine in open flow. It was published in 1919 by the German physicist Albert Betz.
BSP	Bangko Sentral ng Pilipinas
BUSINESS DAY	Are days from Monday to Saturday, from 10:00 AM to 3:00 PM, except for declared non-working holidays and declared non-working days due to calamities, emergencies and all categories under fortuitous event.
COMMON STOCK	Common stocks can be defined as securities that represent individuals' ownership in a said corporation and their claim on the venture's accrued profits. Such stock option offers individuals a power to elect the company's board of directors and further extends them voting rights to formulate corporate policies.
COS	Certificate of Stock
DFFS	Deposit for Future Subscription
DSC	Deferred Sales Charge is a charge you pay when you sell your shares.
DU	Distribution Utilities
KEGI	King Energy Corporation Inc.
LGU	Local Government Unit
NAVPS	Net Asset Value Per Share
OFFER	The offering for subscription of additional shares of common stock at an offer price of the current NAVPS.

OFFER SHARES	Consists of Four Million Five Hundred (4,500,000) common stock with a par value of PhP100.00 per share
PAGASA	Philippine Atmospheric, Geophysical and Astronomical Services Administration
PAR VALUE	Par value for a share refers to the stock value stated in the corporate charter
PESO / PHP	The currency of the Republic of the Philippines
PDIC	Philippine Deposit Insurance Corporation
PHILVOLCS	Philippine Institute of Volcanology and Seismology
PSE	Philippine Stock Exchange
PSEi	Philippine Stock Exchange Index
R.A. No. 2629	Investment Company Act
R.A. No. 7156	Mini-hydroelectric Power Incentive Act
R.A. No. 9136	Electric Power Industry Reform Act of 2001
R.A. No. 9160	Anti-Money Laundering Act Of 2001, as amended.
R.A. No. 10168	The Terrorism Financing Prevention and Suppression Act of 2012
R.A. No. 10173	Data Privacy Act of 2012
SEC	Securities and Exchange Commission
SPOD-KEGI	Stock – Public Offering Division – King Energy Corporation, Inc.
SRC	Securities Regulation Code (Republic Act No. 8799)
VAT	Value Added Tax

SUMMARY

The following summary is qualified in its entirety by the more detailed information appearing elsewhere in this Prospectus. Certain terms used herein are defined under "Glossary".

KING ENERGY GENERATION INC. (KEGI)

KEGI is a Philippine corporation registered as a stock corporation with primary purpose to build, construct, erect, own, equip, install, operate, maintain, sell and lease power generation plants and related facilities, machineries, equipment for the generation and supply of electric power utilizing any fuel or energy source; to provide ancillary services and to supply services such as billing, collection, customer service, energy trading and electricity sales for the contestable market and/or customers, including, but not limited to, electric cooperatives and private distribution utilities.

KEGI was incorporated and registered with the Securities and Exchange Commission (SEC) on December 10, 2010 and issued a Certificate of Incorporation No. CS201019693.

KEGI's principal place of business is at San Luis, Gingoog City. As of June 30, 2022, it operates and maintains seven (7) power plants located at Bukidnon, Misamis Oriental, Misamis Occidental, Camiguin and Surigao del Sur.

FINANCIAL HIGHLIGHTS (IN PESOS)

KING ENERGY GENERATION INC.

Summary of Financial Information

Audited Statement of Financial Position

As of December 31, 2021

Total Assets	PhP	4,740,965,019.00
Total Liabilities		1,605,366,703.00

Net Assets	PhP	3,135,598,316.00
Capital Stock		
Authorized Capital Stock – 30,000,000 shares		
Issued and Outstanding – 25,696,000 shares	PhP	2,569,600,000.00
Share Premium		337,469,946.00
Net Income		65,209,201.00

Net Assets	PhP	3,135,598,316.00
Capital Stock – Issued and Outstanding		25,696,000
Capital Stock – Unissued Shares		4,304,000

Net Asset Value Per Share (NAVPS)	PhP	122.026709

KING ENERGY GENERATION INC.

Summary of Financial Information

Audited Statement of Financial Position

As of March 31, 2022

Total Assets	PhP	4,637,936,953.00
Total Liabilities		1,515,867,034.00
Net Assets	PhP	3,121,433,653.00
Capital Stock		
Authorized Capital Stock – 30,000,000 shares		
Issued and Outstanding – 25,478,000 shares	PhP	2,547,800,000.00
Treasury Shares – 218,000 shares		21,800,000.00
Share Premium		337,469,946.00
Net Income		7,635,337.00

Net Assets	PhP	3,121,433,653.00
Capital Stock – Issued and Outstanding		25,478,000
Capital Stock – Unissued Shares including Treasury Shares		4,522,000

Net Asset Value Per Share (NAVPS)	PhP 122.514862

RISK OF INVESTING

Prospective investors should carefully consider the matters addressed under "Risk Factors" before making an investment decision regarding the Offer Shares. Each of these risk factors could have adverse consequences to the KEGI.

These risks (as described and explained under "Risk Factors") include:

- Dilution Risk - Dilution occurs when a company issues new shares that result in a decrease in existing stockholders' ownership percentage of that company. Stock dilution can also occur when holders of stock options, such as company employees, or holders of other optionable securities exercise their options. When the number of shares outstanding increases, each existing stockholder owns a smaller, or diluted, percentage of the company, making each share less valuable.

- Equity Risk - Equity risk is a type of market risk that applies to investing in shares. The market price of stocks fluctuates all the time, depending on supply and demand. Equity Risk is also a risk of losing money due to a reduction in the market price of shares.

- Large Transaction Risk - Transaction risk refers to the adverse effect that foreign exchange rate fluctuations can have on a completed transaction prior to settlement. It is the exchange rate, or currency risk associated specifically with the time delay between entering into a trade or contract and then settling it.

- Liquidity Risk - Liquidity risk occurs when an individual investor, business, or financial institution cannot meet its short-term debt obligations. The investor or entity might be unable to convert an asset into cash without giving up capital and income due to a lack of buyers or an inefficient market.

- Market Risk - Market risk is the risk of losing investments due to factors, such as political risk and macroeconomic risk that affect the performance of the overall market. Market risk cannot be easily mitigated through portfolio diversification.

- Non-Guarantee Risk - But there are no guarantees of profits when you buy stock, which makes stock one of the most risky investments. If a company doesn't do well or falls out of favour with investors, its stock can fall in price, and investors could lose money.

- Not Insured – Investment in stocks is not covered and backed in any king of insurance. And the PDIC insures deposits only. It does not insure securities, mutual funds, or similar types of investments that banks and thrift institutions may offer.

- Passive Management Risk - Passive investing broadly refers to a buy-and-hold portfolio strategy for long-term investment horizons, with minimal trading in the market. Proponents of active investing would say that passive strategies have these weaknesses: (1) Too limited: Passive funds are limited to a specific index or predetermined set of investments with little to no variance; thus, investors are locked into those holdings, no matter what happens in the market; (2) Smaller potential returns: By definition, passive funds will pretty much never beat the market, even during times of turmoil, as their core holdings are locked in to track the market. Sometimes, a passive fund may beat the market by a little, but it will never post the big returns active managers crave unless the market itself booms. Active managers, on the other hand, can bring bigger rewards (see below), although those rewards come with greater risk as well.

- Regulatory Risk - Regulatory risk refers to the risk that a change to the laws or regulations will hurt a business or investment by affecting that business, sector, or market.

The enumerated risks could adversely affect the redemption value of the securities for the shareholders resulting in losses should the shareholder redeem his shares when the NAVPS of KEGI is below his acquisition cost. For a more detailed discussion of these risks to be considered in connection with an investment in the KEGI's shares, see "Risk Factors".

TERMS OF THE OFFER

The KEGI is offering 4,500,000 shares of common stock with a par value of PHP 100 per share, at offer price of the current NAVPS. The Offer Shares are being offered in the Philippines through SPOD-KEGI, a division of KEGI that will handle the buying, selling and all transactions in relation to the public offering of shares.

Minimum Initial Investment	PhP 10,000.00
Minimum Subsequent Investment	PhP 1,000.00
Minimum Redemption Amount	PhP 1,000.00 The minimum redemption amount of PHP1,000.00 is observed unless the redemption is part of a special arrangement or other services offered by SPOD-KEGI. Should the shares of the investor fall below the minimum redemption amounts after redemption, SPOD-KEGI may, without notice, redeem the remaining shares and pay the proceeds to the investor. The KEGI reserves the right to change the minimum maintaining

	balance from time to time as it deems necessary, subject to the approval of the SEC.
Offer Price	The Offer Price per Share is the current NAVPS
Voting Rights	Each holder of a share in KEGI is entitled to one vote, in Person or by proxy, for each share held by such shareholder.
Dividends	The Board of Directors of KEGI has the power to fix and determine the amount to be reserved or provided for declaration and payment of dividends from KEGI's unrestricted retained earnings. The amount of such dividends (either in cash, stock, property or a combination of the foregoing) will depend on KEGI's profits, cash flows, capital expenditure, financial condition, and other factors and will follow SEC's guidelines on determining retained earnings available for dividend declaration. The existence of surplus profit is a condition precedent before a dividend can be declared. The surplus profits or income must be a bona fide income founded upon actual earnings or profits. Actual earnings or profits shall be the net income for the year based on the audited financial statements, adjusted for unrealized items, which are considered not available for dividend declaration. Taking into account the KEGI's cash flows, capital expenditure, investment objective and financial condition, at least 10% of the actual earnings or profits may be declared by the Board of Directors as dividends.
Automatic Reinvestment of Dividends	Dividends so declared will be automatically reinvested in additional shares on behalf of the shareholders, without sales charges, at the NAVPS on the payment date established for such dividends. As such, shareholders realize their gains when shares are redeemed. Shareholders may elect not to have

	dividends reinvested and receive payment in cash, net of tax.
Eligibility	Both Philippine nationals and non-Philippine nationals can subscribe to KEGI's shares, including the Offer Shares.
Application and Payment	Shares of KEGI are sold on cash basis only. Instalment sales will not be made. Shares of KEGI are offered for sale on a continuous basis at the NAVPS through SPOD-KEGI's registered representatives and dealers. The dealers and registered representatives are required to forward the prescribed and complete documents to purchase shares of KEGI on the same business day they are received. For purposes of facilitating transactions, the completed documents may be submitted electronically through fax or on-line, or any mode of transmittal which SPOD-KEGI may establish and deem acceptable from time to time. All payments to be forwarded to and received by SPOD-KEGI should come with and must be supported by the appropriate documents. Payments must also be forwarded and received by SPOD-KEGI through mediums recognized and accredited by SPOD-KEGI. The investor's account will be credited for the subscription only when the payment is in the form of cash, cheque or electronic transfer. The subscription will not be processed into the investor's account until the payments have become available to KEGI for investment deployment. Investors should inquire with their banks the clearing time required for each form of payment and when their investments will be available to KEGI. Applicable bank charges will be deducted from the investible amount.

	SPOD-KEGI has the option to process local cheques denominated in Philippine pesos as cleared KEGIs provided that: 1. The investor accomplishes a waived clearing form upon payment. 2. The cheque will be deposited into a bank accredited by SPOD-KEGI for such purpose. To reduce the adverse effect to existing investors of large redemptions in KEGI, a subscription may be amended or rejected if it makes the investor a holder of 10% or more of the KEGI's net assets on subscription date.
Sales Loads	The investor may choose to buy shares of KEGI on a "front-end" (Option A) or a "back-end" (Option B) basis, as described below:
Option A	A sales charge of 3% of the purchase price plus VAT is charged upon the acquisition of KEGI's offered shares. Sales Charge will either increase or decrease upon approval of KEGI's Board of Directors.
Option B	Allows all of an investor's money to be invested, with no initial sales commission deducted. However, the investor agrees to pay SPOD-KEGI a deferred sales charge ("DSC") plus VAT, but only if the investor sells the investment, or a portion thereof, within 5 years. If the investor sells the investment after 5 years, the DSC will no longer be collected.

	In order to determine the DSC payable, the oldest shares of the investor in KEGI will be redeemed first. Sales Charge will either increase or decrease upon approval of KEGI's Board of Directors.
Minimum Holding Period Early Redemption Fee	There will be a minimum holding period of at least 30 days for shares purchased under the Option A sales load. Redemptions made within the minimum holding period from the date of investment will be charged up to 2% early redemption fee based on the redemption amount. Redemption Charge will either increase or decrease upon approval of KEGI's Board of Directors.
Subscription Process	Subscriptions received by SPOD-KEGI before 12 o'clock noon on a business day will be processed at the NAVPS determined at the close of business that day. Subscriptions received by SPOD-KEGI by 12 o'clock noon on a business day will be processed at the NAVPS determined at the close of business the next day. SPOD-KEGI reserves the right to reject any specific subscription or to restrict purchases by a particular investor, for example, when such purchase is contrary to the best interests of the other shareholders or would otherwise disrupt the management of KEGI. This decision will be made within two (2) business days after receipt of the subscription and, in the event of a rejection, the subscription amount will be returned as

	soon as possible to the investor without interest and after deducting applicable bank charges. Due to said right to reject specific subscription for reasons cited above, the COS on the purchase of KEGI's shares of stock will be released on the 3rd business day after the receipt of the subscription.
Cut Off Period	If received after 3 o'clock, subscriptions will be processed at the NAVPS calculated for the next business day.
Redemption Process	Shares are redeemable at any time at their respective NAVPS. A shareholder may request for the redemption of his shares by delivering an order ticket or any document to be prescribed and recognized by SPOD-KEGI for redemption to SPOD-KEGI. The order ticket for redemption must be accompanied by the appropriate certificate(s), if applicable, representing the shares to be redeemed. The redemption price is the NAVPS at the close of business day if order ticket is received on or before 12 o'clock noon. After 12 o'clock noon, the order ticket is deemed to have been received the following business day, and the redemption price will be the NAVPS determined at the close of business on the next business day. Payment upon redemption will be made either by issuing a cheque to the registered shareholder or

	through bank remittance. Payments for shares redeemed, less any redemption charges and taxes applicable, will be made by KEGI within seven (7) business days from its receipt of the request for redemption. Payment made through bank remittance may be subjected to applicable bank charges, subject to client's arrangement with the remitting and receiving bank. SPOD-KEGI reserves the right to deduct any applicable bank charges from the redemption value. For payment made through cheque issuance, investor will receive payment within seven (7) banking days from date of redemption for the amount redeemed. KEGI may suspend redemptions or postpone the date of payment for a redemption upon the occurrence of any of the following: (i) when the Philippine banking system is closed, (ii) for any period when normal trading is restricted or suspended in the markets where KEGI may be investing, (iii) for any period during which an emergency exists as a result of which (a) disposal by KEGI of securities owned by it is not reasonably practicable or (b) it is not reasonably practicable for KEGI to fairly determine the value of its net assets, (iv) when any breakdown occurs in the means of communication normally employed in determining the value of any of the investments of KEGI or when for any other reason the value of any of the investments or other assets of KEGI cannot reasonably or fairly be ascertained, (v) when the shareholder fails to surrender to SPOD-KEGI the original share certificate on the redeemed or transferred shares, or (vi) all other conditions for the suspension of redemption are subject

	to the approval of SEC per section 22(b) (3) of R. A. No. 2629. The SEC may, whenever necessary or appropriate, in the public interest or for the protection of investors, suspend the redemption of securities of KEGI. No deferred sales charge or redemption fee is imposed on redemptions on transferred shares under Option B in case of death of the investors. In order to qualify for this waiver, redemption must be made within 1 year of a shareholder's death. SPOD-KEGI must be notified in writing of such death at the time of the redemption request either by the legal heir or administrator of the estate appointed by the court. SPOD-KEGI must be provided with satisfactory evidence of the death, identity of the heirs, or appointment of the administrator, or such other documents necessary to process the redemptions.
Restriction on Issue and Transfer of Shares	Shareholders who are shareholders of KEGI as of March 31, 2022, shall not be allowed to sell, transfer, convey, encumber or otherwise dispose of their shares within twelve (12) months from the original registration.
Pre-Emptive Right	No stockholder shall, because of his ownership of stock, have a pre-emptive or other right to purchase, subscribe for, or take any part of any stock or of any other securities convertible into carrying options or warrants to purchase stock of the registrant.

Issuance of Stock Certificate	Certificates of shares will only be issued if so requested in writing by the shareholder. A fee of PHP1,000.00 per certificate will be charged to replace lost certificates. Shareholders are given official receipts and confirmation slips upon subscription. Shares are recorded on a stock register by SPOD-KEGI, and shareholders who do not elect to receive certificates have the same rights as if certificates had been issued to them.

RISK DISCLOSURE STATEMENT

1. GENERAL WARNING

The price of securities can and does fluctuate, and any individual security may experience upward or downward movements, and may even become valueless. There is an inherent risk that losses may be incurred rather than profit made as a result of buying and selling of securities.

Past performance is not a guide to future performance.

There is an extra risk of losing money when securities are bought. There may be a big difference between the buying price and the selling price of these securities.

An investor deals in a range of investments each of which may carry a different level of risk.

II. PRUDENCE REQUIRED

The risk of disclosure does not purport to disclose all the risk and other significant aspects of investing in these securities. An investor should undertake his own research and study on the trading of securities before commencing any trading activity. He may request information on the securities and issuer thereof from the Commission, which are available to the public.

III. PROFESSIONAL ADVICE

The investor should seek professional advice if he is uncertain or has not understood any aspect of the securities or the nature of risks involved in trading of securities, especially high-risk securities.

IV. INVESTOR SHOULD KNOW THE INVESTMENT GOAL

The investor should need to determine what he/she is investing for. And then, exactly what is the amount of money that you would need to achieve that goal.

V. INVESTOR SHOULD KNOW INVESTMENT TIME FRAME

Once the investor knows his/her own investment goal, then he/she should know the time frame to reach said investment goal.

VI. INVESTOR SHOULD KNOW THE RISK TOLERANCE

Every investor needs to find out his/her own risk tolerance. Some products can give higher returns than others, but there might be more risk involved. Taking more risk than you can tolerate can give you sleepless nights which can eventually make you stop the investment before achieving your goal. And never invest in something which you feel is riskier than your risk tolerance level.

RISK FACTORS

Before investing, potential investors should consider carefully the factors set forth below in conjunction with the other information contained in this Prospectus, in evaluating an investment in the Offer Shares.

There are many potential advantages to investing in the Offer Shares. However, in deciding to invest, the investor is strongly advised to also consider the risks involved in investing in the Offer Shares, as well as the risks that the KEGI faces, given its underlying assets whose respective values essentially affect KEGI's overall net asset value.

Aside from the risks listed below, the returns in investment with KEGIs are not guaranteed, and there is a risk that a KEGI might not achieve its investment objectives.

KEGI's Risk Officer is responsible for overseeing the management of risks resulting from the Business activities. He reports shall report directly to the Board of Directors. His duties and responsibilities include, among others:

- Monitoring the investments of the KEGI to ensure that all identified gaps in management's risk and management processes are resolved on a timely basis;
- Provide leadership to facilitate management's understanding of the risk management framework, policies and processes;
- Ensuring that the KEGI's management organization is appropriately staffed with individuals who have the requisite skills and competencies, and that the organization structure and reporting relationships are appropriate and sufficiently independent;
- Organizing and participating in the risk workshops of the annual risk identification process;
- ensuring that business units identify plausible risk scenarios;
- Ensuring that risk-based measurement and reporting metrics, including risk limits and exception reporting are established; assigning risk category to the final risk lists;
- Providing expertise in the development of action plans to address the risks identified;

- Reviewing and updating the risk report quarterly; identifying and escalating as appropriate any missed target dates for key risk action plans; and
- Providing documented quarterly status updates on key risks to the audit and compliance committee.

The Risk Officer shall report to directly to the Board of Directors.

Pursuant to the foregoing, the Risk Officer has identified the risks enumerated below in the order of their importance:

Equity Risk: Companies issue equities, or stocks, to help finance their operations and future growth. A company's performance outlook, market activity and the larger economic picture influence its stock price. When the economy is expanding, the outlook for many companies will be positive and the value of their stocks should rise. The opposite is also true. The value of KEGI is affected by changes in the prices of the stocks it holds. The risks and potential rewards are usually greater for small companies, start-ups, resource companies and companies in emerging markets.

Index Risk: The performance of KEGI may not precisely duplicate the performance of the benchmark index being used. KEGI may rebalance the portfolio to account for changes in the composition or valuation of the stocks within the index. This creates the possibility of a marked difference between KEGI's performance and that of the Index. Lacking active risk management, KEGI is fully exposed to all of the changes to the market benchmark. Considering that this risk is inherent to the KEGI, investors must be fully aware of it prior to investing.

Liquidity Risk: KEGI is usually able to service redemptions of investors within seven (7) business days after receipt of the notice of redemption by paying out redemptions from available cash or cash equivalents. When redemptions exceed these liquid holdings, KEGI will have to sell less-liquid assets, and during periods of extreme market volatility, KEGI may not be able to find a buyer for such assets. Consequently, KEGI may not be able to generate enough cash to pay for the redemptions within the normal 7-day period.

KEGI manages liquidity risk in a variety of ways. First, at least 5% of total assets are in the form of cash or cash equivalents. Second, KEGI invests a majority of their money in securities and issues with sufficient liquidity to ascertain that KEGI will be able to meet its financial obligations in a timely manner.

The following are additional risks present in managing KEGI, however, non-quantifiable.

Passive Management Risk: KEGI is a passively managed KEGI. Passively managed KEGIs would not sell a security if the security's issuer was in financial trouble, unless the security is removed from the applicable index being replicated. The passively managed KEGI must continue to invest in the securities of the index, even if the index is performing poorly. That means the passively managed KEGI won't be able to reduce risk by diversifying its investments into securities listed on other indices. As a result, the performance of a passively managed KEGI may differ significantly from the performance of an actively managed KEGI.

Large Transaction Risk: if an investor in KEGI makes a large transaction, KEGI's cash flow may be affected. For example, if an investor redeems a large number of shares of KEGI, it may be forced to sell securities and other liquid assets at unfavourable prices to pay for the proceeds of redemption. This unexpected sale may have a negative impact on the net asset value of KEGI.

Non-Guarantee Risk: Unlike deposits made with banks, an investment in the KEGI is neither insured nor guaranteed by the Philippine Deposit Insurance Corporation ("PDIC"). Hence, investors carry the risk of losing the value of their investment, without any guarantee in the form of insurance. Moreover, as with any investment, it is important to note that past performance of KEGI does not guarantee its future success.

Not Insured Risk: The investor should be aware that any investment in KEGI is not insured with the Philippine Deposit Insurance Corporation ("PDIC").

Regulatory Risk: KEGI's operations are subject to various regulations, such as those affecting accounting of assets and taxation. It is subject to the regulation of Department of Energy, Energy Regulatory Commission, Securities and Exchange Commission, Department of Environment and Natural Resources, Bureau of Internal Revenue, Local Treasurer of LGUs and various government agencies. These regulations do change, and as a result, investors may experience lower investment returns or even losses depending on what such a regulatory change entails. For example, higher taxes would lower returns, and a mandated ERC orders could result in KEGI experiencing at worst shut down of operations, which can result to loss in the value of assets.

The above risk factors are by no means exhaustive. New and/or unidentified risks may arise given the fast changing financial markets and economic environment.

USE OF PROCEEDS

Stock Public Offering of KEGI is primarily in compliance with the Energy Regulatory Commission mandate that all energy generation companies must go public and offer at least 15% of its authorized shares of stocks. On May 23, 2011, the Commission adopted Resolution No. 09, Series of 2011 "A Resolution Adopting The Rules Requiring Generation Companies and Distribution Utilities Which Are Not Publicly-listed to Offer and Sell to the Public a Portion of Not Less Than Fifteen Percent (15%) of their Common Shares of Stock Pursuant to Section 43 (t) of Republic Act No. 9136 and Rule 3, Section 4 (m) of its Implementing Rules and Regulations (IRR)."

Hence, KEGI has no immediate need for cash inflows that needs to be financed by selling KEGI's shares of stocks. KEGI is offering to the public its shares of stock as compliance to ERC's resolution and mandate.

However, proceeds from the sale of the Offer Shares shall be invested in the following:

(1) Investment in renewables sources

Renewable energy is energy derived from natural sources that are replenished at a higher rate than they are consumed. The following are the possible renewable energy projects planned by KEGI:

Solar Energy

From a geographic standpoint, the Philippines (Mindanao) is a strong candidate for the solar power implementation. According to a study conducted by the Nation Renewable Energy Laboratory, the Philippines has an average solar energy potential of 4.5 kWh/m2 per day throughout the country. Due to the amount of sunlight that the Philippines is exposed to throughout the country, developing solar plants is a good choice in terms of developing alternate energy solutions.

Because of several key benefits that solar energy possesses, it provides a valid solution to the increasing energy needs of the country. The Philippines has enacted legislature in recent years to encourage solar energy as an option, and this action has already proven to be useful in meeting the country's energy needs. Moving forward, it makes sense for the country to continue along this path, as continued investments in solar will continue to benefit the country and help meet its energy needs.

KEGI has identified several benefits in investing in solar power plants. First, Solar energy has the least negative impact on the environment compared to any other energy source. It does not produce greenhouse gases and does not pollute the water. It also requires very little water for its maintenance, unlike nuclear power plants for example, needing 20 times more water. Solar energy production does not create any noise, which is major benefit, since a lot of solar installations are in urban areas.

Secondly, energy demand tends to be higher in the 11:00-16:00 time frame and then early in the evening. Naturally, this is the period when the price of the electricity peaks. Solar energy happens to reach its maximum production capacity during those hours. Electricity produced at that time has higher value than if it was generated at night.

Third, solar energy can be deployed and constructed anywhere in Mindanao. This is particularly useful for remote regions with no access to any other source of electricity.

Fourth, KEGI is committed to provide affordable power supply to its clients. But around 3-5% of energy is lost during transportation and distribution to clients. The longer the distances between the production and the supply points, the more energy is lost. And these losses are charged to the electricity end-users (e.g. households and establishments) as System Loss. Building Solar Power Plants near distribution utilities (clients) significantly reduces energy loss.

Fifth, also one of KEGI's commitment to provide reliable and stable energy to clients, building and investing in Solar Power Plants improves Grid Security. The grid is less vulnerable to blackouts if there are many power plants which are spread out. A grid with high penetration of solar energy has thousands of energy production centres which are widely spread out. This improves the security of the grid in case of overload, natural or human-caused disasters.

And lastly, is job creation. Large part of the cost associated with solar systems comes from the installation of the panels. This contributes to local job creation. Using solar systems boosts the economy and positively affects the local community.

Wind Energy

The Philippines and in particular Mindanao (being an island) has significant onshore and offshore wind potential, but it has remained largely untapped. And KEGI plans to venture and utilize wind power in Mindanao.

According to the Department of Energy (DOE), The Philippines has an onshore wind installed capacity of 443 megawatts as of 2020. There is significant potential to expand the generation of wind power, especially offshore where wind farms generate more power because of higher wind speeds. A 2021 study by the World Bank identified the country's 3 gigawatts (GW) offshore wind potential by 2040, making up 3 percent of the country's electricity supply. Analysis of the high growth scenario by the Bank shows the potential to install 21GW making up 21 percent of the country's electricity supply as well as support job creation and low-cost sustainable energy.

KEGI also identified benefits in building a Wind Power Plant. First, like with Solar Energy, Wind Energy is also almost everywhere. Not only is wind present almost everywhere, the Philippines have an agency (PAGASA) which studies, monitors and provide information on where wind blows most frequently and powerfully. So it's easy to identify locations on where to build Wind Power Plants.

Secondly, wind power is consistent in the medium and long-term. Unlike Solar Power, wind does not generally depend on specific times of day or the alternation of day and night. So it's a resource that in the medium to long-term offers an excellent guarantee of regularity.

Thirdly, wind power has excellent conversion efficiency. The transformation of wind power into electricity has already reached impressive performance levels. Efficiency ranges from 40% to 50%: very close to the maximum theoretical level, which according to Betz's law is 59%.

Fourth, wind power occupies very little land. Even though they're installed on land, wind turbines do not take up much space. The blades extend vertically and the size at the base is almost negligible, especially compared with photovoltaic plants, which makes wind power compatible with other uses of the land at the same time.

Fifth, wind power environmental impact is minimal. Although the visual aspect and the low level of noise pollution caused by the rotation of the turbine blades are still a work in progress in order to make wind plants even more environmentally friendly, it's worth noting that the actual impact today is, nonetheless, extremely limited. Wind power is, in fact, the green source with the lowest overall impact because any emissions and consumption of resources is limited solely to the production, transport and installation of the plant.

Sixth, wind power is a green source that is truly economical. Compared to other energy sources, wind power has very low installation and operating costs. Construction times are short: from two to twenty-four months depending on the size of the plant. Moreover, technological advances are driving costs down even further, with a cost per kilowatt hour of energy produced that has become negligible. Finally, wind power is increasingly accessible thanks in part to national incentives, which have reduced the cost to the end user and reduced costs more generally, thanks to the increasingly low cost of this technology.

Seventh, wind power maintenance is simple and only occasionally necessary. Unless there are breakages or exceptional events, which are nonetheless increasingly rare thanks to models that are more and more reliable and digital monitoring systems that are enabling ever higher performance levels, maintenance is minimal and inexpensive. In fact, towers and turbines can stay in operation for years without needing any interventions; with small adjustments they can continue to operate for periods in excess of twenty years.

And lastly, wind power has excellent circularity in the end-of-life phase. It can be said that wind plants are almost perfectly reversible. At the end of their working lives, it’s possible to recover practically everything: the land on which they are positioned can be completely returned to its former state, the plant itself can be dismantled into its basic components and the materials can then be recycled. In fact, the same raw materials can be used to create a new latest generation plant, in line with the circular economy model.

Geothermal Energy

Geothermal energy is a form of renewable energy produced by heat from the earth. It is considerably safer than most other energy sources. The Philippines is identified as one of the world’s possible top producers of geothermal power, as it is located along the Ring of Fire zone of Pacific volcanoes. As of February 2021, there were 15 strato volcanoes within the Mindanao region of the Philippines (PHILVOLCS).

KEGI also identifies benefits in constructing geothermal power plants. First, geothermal energy is always available. Aside from being essentially unlimited like many other renewables, geothermal energy is always available. It is not impacted upon by whether it is day or night like solar energy, and does not depend on season, climate or weather conditions like wind and solar power. On average, a geothermal power plant will produce energy for around 8,600 hours a year.

Secondly, geothermal is a silent energy. At least while functioning at full capacity, geothermal power plants produce negligible and imperceptible noise levels. During the construction phase of the plants – including excavations – a certain amount of noise is inevitable, but once construction is complete, everything is silent. This applies to both domestic systems and outside larger power stations that have at most several turbines spinning.

Thirdly, geothermal energy provides more energy for the same nominal power. Because delivery is constant, geothermal energy can work at full capacity non-stop (maintenance aside). This means that the resulting amount of energy will be the equivalent of the power multiplied by the hours of use. This is very different to photovoltaic, hydroelectric and wind systems, which only rarely work at full capacity. So more energy is produced for the same nominal power.

Fourth, geothermal power plants are long-lasting, safe and reliable. Both domestic and large scale plants have very long average life spans – up to 80 to 100 years. This is extraordinary longevity compared to a domestic boiler, which normally lasts around 15 years. The fact that there are no fuels involved also means there is no risk of fire, and the long experience we have gained with this type of system guarantees excellent reliability.

And lastly, geothermal power plants requires very little maintenance. Particularly when it comes to domestic use, geothermal plants do not require any special maintenance. As they are closed systems, the pressure of the fluid in the piping self-regulates, and the number of electrical and mechanical elements that can break down is also very small.

Hydropower Energy

KEGI is also planning Micro Hydropower Plants. Potential sites for mini and micro-hydro projects are evenly distributed in all the regions especially in Mindanao. The National Electrification Administration (NEA), National Power Corporation (NPC) and the DOE have studied specific mini-hydro potential sites and have lined them up as indicative projects.

Also, building Micro Hydropower Plants is supported and encourage by RA 7156, or the Mini-Hydro Law. The said law provides he following rights and privileges of mini-hydro developers, as follows: (1) Special privilege tax rates - Tax payable by developers/grantees to develop potential sites for hydroelectric power and to generate, transmit and sell electric power shall be 2 percent of their gross receipts; (2) Income tax holiday for seven (7) years from start of commercial operations; (3) Tax and duty free importation of machinery, equipment and materials- Exemption from payment of tariff duties and value-added tax (VAT) on importation of machinery and equipment (within seven (7) years from date of awarding of contract); (4) Tax credit on domestic capital equipment - For developers who buy machinery, equipment, materials and parts from a local manufacturers, tax credit is given equivalent to 100 percent of value of VAT and custom duties that would have been paid to import said machinery, equipment, etc.; (5) Special realty tax rates on equipment and machinery - Realty and other taxes on civil works, equipment, machinery and other improvements of a registered mini-hydroelectric power developer shall not exceed 2.5 percent of their original cost; and (6) VAT Exemption - Exemption from payment of 10 percent VAT on gross receipts derived from sale of electric power whether wheeled via the NPC grid or electric utility lines.

KEGI also identifies benefits in building Micro Hydropower Plants. First, Micro Hydropower plants is decentralised, renewable, robust, and simple technology. It only takes a small amount of flow (as little as few litres per minute) or a drop as low as 1 m to generate electricity with micro hydro. Electricity can be delivered as far as 1 km away to the location where it is being used. If planned carefully and well adapted to the environmental conditions, micro hydropower schemes produce a continuous and predictable supply of electrical energy in comparison to other small-scale renewable technologies.

Secondly, Micro Hydropower plants has low distribution and running costs (requires no fuel and only low maintenance) as well as local implementation and management.

Thirdly, Micro Hydropower plants is a durable and robust technology; systems typically last for 50 years or more without major new investments. Hence, it is also cost effective.

Lastly, Micro Hydropower plants promotes alternative hydro development. The run-of-river schemes of construction will allow for a balance of river ecosystems while providing communities dependent on the river for their livelihood to co-exist with hydropower projects.

(2) Investing in stocks that make up the Philippine Stock Exchange Index (PSEi)

Although not a primary option for the utilization of proceeds from sales of shares of stocks, KEGI may venture into investing with securities traded in the PSE. However, KEGI's management shall be guided by its investment policies and legal limitations and

(3) all other ventures deemed necessary by the Board of KEGI.

All the proceeds from the sale of shares, including the original subscription payments at the time of incorporation constituting the paid in capital of the KEGI shall be held by the KEGI's custodian bank.

KEGI shall not make loans to other interested persons such as members of its Board of Directors, officers of the KEGI and any of its affiliates/affiliated corporations. KEGI will not be utilizing the proceeds to settle any existing indebtedness or obligation.

Expenses charged to KEGI include, but are not limited to, SEC filing fees, documentary stamp taxes, registration statement fees, transfer, management and distribution fees.

Below are the estimated expenses for the registration of the Offer Shares:

Estimated Expenses for the Registration of the Company

SEC Registration Fees	PhP 1,337,280.05
Legal Research Fee	13,372.80
Documentary Stamp Tax	30.00
Publication	500,000.00
Formation of SPOD-KEGI	1,000,000.00
Professional Fees	500,000.00
TOTAL	PhP 3,350,682.85

The net proceeds of the KEGI are estimated to be as follows:

Gross Proceeds	PhP 549,120,190.50
Less: Estimated Expenses	3,350,682.85
Net Proceeds	PhP 545,769,507.65

The proceeds from the sale of the Offer Shares will not be used to reimburse any officer, director, employee or shareholder for service rendered, assets previously transferred, money loaned or advanced or otherwise.

DETERMINATION OF OFFERING PRICE

The offer price will be the NAVPS at the end of the day. NAVPS is computed by dividing net assets (total assets less total liabilities) by the total number of shares issued and outstanding, plus the total number of units outstanding due to DFFS and for conversion to shares, if any, as of the end of the reporting day.

Completed subscriptions received SPODKEGI or its authorized distributors by 12 o'clock noon will be processed at the NAVPS determined by SPODKEGI at the close of business that day. If received after 12 o'clock noon, subscriptions will be processed and calculated for the next business day.

KEGI will compute and post the NAVPS on a daily basis and will publish such daily prices in its authorized websites.

DILUTION

The net tangible book value of the Company at December 31, 2022 was PhP4,740.965,019.00, or PhP 123.070819 per share. "Net tangible book value per share" represents the amount of total tangible assets less total liabilities, divided by the number of shares of Common Stock outstanding. After giving effect to the sale by the Company of 4,500,000 shares of Common Stock (at the initial public offering price and before deduction of offering expenses), the pro forma net tangible book value of the Company at December 31, 2021, would have been or PhP122.8239502 per share, representing an immediate decrease in net tangible book value of PhP 0.2469 per share to existing stockholders and an immediate dilution of PhP PhP122.273609 per share to the persons purchasing shares at the initial public offering price ("New Investors").

SELLING SECURITY HOLDERS

KEGI is the holder of record and beneficial owners of securities that are subject to the tender offer, as of December 31, 2022.

PLAN OF DISTRIBUTION

KEGI does not have any underwriter, and has not entered into any underwriting agreement. There are no shares designated to specified persons. There is no plan to apply for listing in any exchange the shares of Registrant. Thus, none of the Registrant's shares are to be allocated to an exchange and/or to its members.

PRINCIPAL DISTRIBUTOR

SPODKEGI serves as the KEGI's Principal Distributor. As principal distributor, SPODKEGI will continuously offer for sale shares of KEGI through its registered representatives legally qualified to sell KEGI's shares.

Any order for shares may be rejected by SPODKEGI. The SEC, KEGI, or SPODKEGI may suspend the continuous offering of shares to the general public at any time in response to conditions in the securities markets or otherwise and may thereafter resume such offering from time to time. Neither SPODKEGI nor the eligible agents are permitted to withhold placing orders to benefit themselves from a price change.

All proceeds from sale of shares/securities, including the original subscription/payments at the time of incorporation constituting the paid-in capital of KEGI shall be held by the designated custodian banks.

CUSTODIANS OF PORTFOLIO SECURITIES

BDO Unibank, Inc. (BDO) acts as KEGI's custodian. In consideration of the services to be rendered by the custodians, KEGI shall pay the custodian all fees, charges and obligations incurred from time to time for services rendered pursuant to the direct custodial services agreements between each registrant and custodian with the terms of the fees schedule specified from time to time by the custodian, upon prior notice to the registrants. The custodianship fees are usually quoted as a percentage per annum (% p.a.) of the securities' notional or market value, billed at every month-end. The designated custodians also charge transaction fees for the purchase and sale of portfolio securities, usually at a flat fee per transaction.

As custodian, BDO holds KEGI's investments, including the original subscriptions and payments at the time of incorporation, for safekeeping.

INVESTMENT COMPANY ADVISER

KEGI will not be offering and selling its shares of stocks in the PSE, since listing at the PSE is a more expensive mode of compliance with the mandate of ERC. Hence, KEGI will not be needing the services of accredited underwriters and any investment houses/corporation that will facilitate the buying and selling of its shares of stocks.

Rule 3, Section 4 (m) of the Implementing Rules and Regulation of RA 9135 recognize the registration of common shares in the SEC as one of the modes of public offering, to wit:

"Rule 3, Section 4 (m)

Modes of Public Offering

The EPIRA mandates that generation companies and DUs which are not publicly listed shall offer and sell to the public a portion of not less than fifteen percent (15%) of their common shares of stocks. It does not provide that the only mode of offering is through *listing in the PSE. In other words, public offering is not limited to listing in the PSE. Listing in the PSE is only one of the modes of public offering. Any offer of common shares of stocks for sale to the public through any of the following modes shall be deemed as public offering:*

a. Listing of the generation companies and DUs in the PSE;
b. Registration of the common shares of stocks with the SEC;
c. Listing of the shares of stocks in any accredited stock exchange or direct offer of the portion of registered enterprises' capital stock to the public and/or their employees, when deemed feasible and desirable by the Board of Investment."

Also, on June 13, 2014, the SEC issued SEC-OGC Opinion No. 14-14, clarifying the statutory meaning of "Public Offering", as follows:

"Listing in an exchange is a form of public offering. By listing in an exchange, the issuer is randomly and indiscriminately offering for sale or selling of securities to the public. However, listing in an exchange is not the only form of public offering, pursuant to the aforequoted Rule 3, Section (N) of the IRR of the SRC. Hence, public offering does not involve only listing in the stock exchange."

In addition, Securities Regulation Code of the SEC does not require the hiring of underwriters in the registration of securities to be sold to the public. Section 8 of Republic Act No. 8799 enumerates and provides the requirements of registration of securities, as provided below:

"CHAPTER III

REGISTRATION OF SECURITIES

Section 8. Requirement of Registration of Securities.– 8.1. Securities shall not be sold or offered for sale or distribution within the Philippines, without a registration statement duly filed with and approved by the Commission. Prior to such sale, information on the *securities, in such form and with such substance as the Commission may prescribe, shall be made available to each prospective purchaser.*

8.2. The Commission may conditionally approve the registration statement under such terms as it may deem necessary.

8.3. The Commission may specify the terms and conditions under which any written communication, including any summary prospectus, shall be deemed not to constitute an offer for sale under this Section.

8.4. A record of the registration of securities shall be kept in Register Securities in which shall be recorded orders entered by the Commission with respect such securities. Such register and all documents or information with the respect to the securities registered therein shall be open to public inspection at reasonable hours on business days.

8.5. The Commission may audit the financial statements, assets and other information of firm applying for registration of its securities whenever it deems the same necessary to insure full disclosure or to protect the interest of the investors and the public in general."

Therefore, KEGI will be creating an office and will be called STOCK - PUBLIC OFFERING DIVISION – KEGI (SPODKEGI). Its primary purpose is to manage, provide and render management and technical advice and service as far as may be permitted by law, to purchase, subscribe for or otherwise acquire, mortgage, sell or otherwise dispose of, and deal in KEGI securities including, but not limited to, stocks, bonds, notes, commercial papers and to promote, manage and participate in the distribution of this securities, to the extent provided by law.

There is no share designated to be sold to specified persons. No share is to be designated to an exchange and/or its members, or by an exchange to its members.

The services provided by SPODKEGI are subject to the supervision of its officers and directors. They include marketing KEGI, being responsible for investments, investor communications, KEGI accounting, shareholder record-keeping and other day-to-day administration of matters related to the corporate existence of KEGI, maintenance of records and preparation of shareholder reports, Board of Directors' meetings and annual Shareholders' Meetings.

SPODKEGI may engage the services of consultants and other persons or firms to furnish SPODKEGI statistical and other information, advice regarding economic factors and trends, information with respect to technical and scientific developments, and such other information, advice and assistance as SPODKEGI may desire, including investment management and other related duties.

TRANSFER AGENT

SPODKEGI also serves as KEGI's Transfer Agent. The transfer agent records transactions, cancels and issues certificates, processes investor mailings, and handles a host of other investor problems, including reissuing lost or stolen certificates, account/certificate registration, processing of dividend and capital gains cheques, periodic preparation and mailing of shareholder statements and management reports, as required.

Transfer agents also work to ensure investors receive their due interest and dividend payments in a timely manner. Transfer agents likewise oversee the mailing of monthly investment statements to mutual fund shareholders.

DESCRIPTION OF SECURITIES TO BE REGISTERED

CAPITALIZATION

As of December 31, 2021, KEGI had an authorized capital stock of PHP 30,000,000,000.00 divided into common shares with a par value of PHP100 per share.

SECURITIES OF THE KEGI

Each share of stock of KEGI is a voting stock with voting rights equal to every other outstanding share of stock of the same KEGI, and subject to the following conditions:

(1) Distribution of Dividends. Each shareholder has a right to any dividends declared by the KEGI.

(2) Denial of Pre-emptive Rights. No stockholder shall, because of his ownership of stock, have pre-emptive or other right to purchase, subscribe for, or take any part of any other securities convertible into or carrying options or warrants to purchase stock of KEGI.

(3) Right of Redemption. The holder of any share of KEGI, upon its presentation KEGI or to any of its duly authorized representatives, is entitled to receive by way of redemption approximately his proportionate share of KEGI's current net assets or the cash equivalent thereof.

(4) Modification of Rights of Shareholders. The rights of shareholders of KEGI shall not be modified except by amendment of KEGI's Articles Of Incorporation and/or By-Laws. Other than the above and those provided by law, there are no other material rights accorded to the shareholders.

INTERESTS OF NAMED EXPERTS AND INDEPENDENT COUNSEL

LEGAL MATTERS

Certain legal matters under Philippine law will be passed upon for KEGI by Atty. Albert Wences C. Daba III with office address at Patag, Cagayan de Oro City. Except as otherwise disclosed herein, no independent counsel acted or will act as promoter, underwriter, voting trustee, director or employee of KEGI.

INDEPENDENT AUDITORS

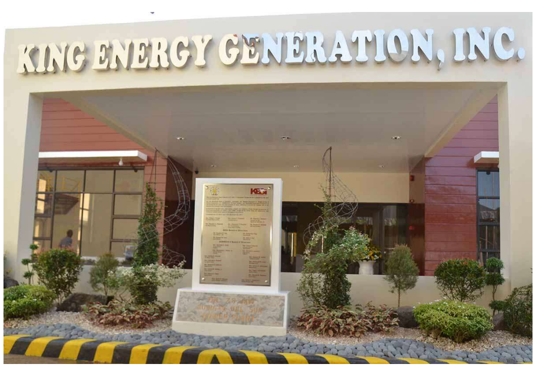
The Financial Statements of the KEGI together with the notes thereto have been examined by BACONGA PATRIANA & CO. (BPC), with office address at TTK Tower Imperial Appliance Plaza Building, Don Apolinar Velez St, Cagayan de Oro, 9000 Misamis Oriental. BPC, independent public accountants, as indicated in their report with respect thereto and included herein. The reports have been so included in reliance upon the authority of these experts in giving such reports. BPC has given, and not withdrawn, its consent to the inclusion of these reports as they appear herein.

BPC will continue being the external auditors for KEGI. BPC will not have any direct or indirect interest in KEGI or in any securities thereof (including options, warrants or rights thereto) nor has it acted at any time as promoter, underwriter, voting trustee, director, officer or employee of KEGI.

INFORMATION WITH RESPECT TO THE REGISTRANT

DESCRIPTION OF BUSINESS

KING ENERGY GENERATION, INC. (KEGI)







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Background

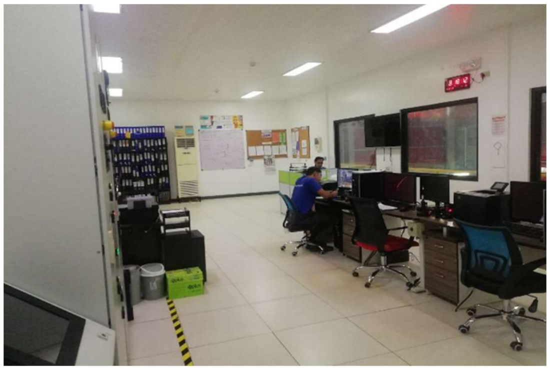
KEGI was incorporated and registered with the Securities and Exchange Commission (SEC) on December 6, 2010 and issued Company Registration No. CS201019693, primarily to build, construct, erect, own, equip, install, operate, maintain, sell and lease power generation plants and related facilities, machineries, equipment for the generation and supply of electric power utilizing any fuel or energy source; to provide ancillary services and to supply services such as billing, collection, customer service, energy trading and electricity sales for the contestable market and private distribution utilities. It started with six (6) incorporators, namely: (1) Edgardo L. Salvame; (2) Rosalie A. Salvame; (3) Zhliang Fei Long; (4) Raymond Ang; (5) Chong Man Ping; and (6) Sally Ang.

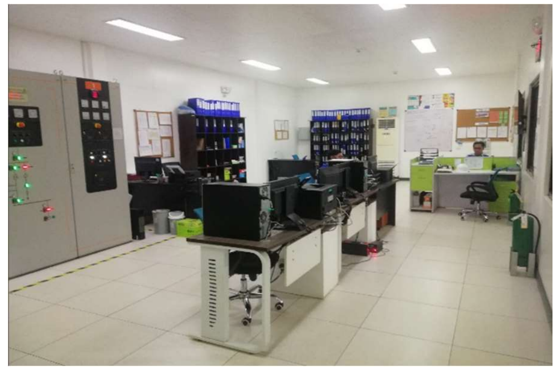
As of December 31, 2021, KEGI is owned by nineteen (19) stockholders, wherein seventy (70%) are Filipino and thirty percent (30%) foreign-owned. As of November 15, 2022, the following are the concurrent Board of Directors of KEGI, as follows: (1) Engr. Edelyn Jane A. Salvame; (2) Erika Jean A. Salvame; (3) Zhliang Fei Long; (4) Chong Man Ping; (5) Raymond B. Ang; (6) Sally O. Ang; (7) Milagros S. Castro; (8) Lilia T. Chan; and (9) Jaime R. Hila.

And since 2010, KEGI has expanded and built seven (7) power plants in Mindanao. And the following are the list of power plants maintained by KEGI, as follows:

(1) Bukidnon 1 Power Plant (BPP-1) located at Brgy. Puntian, Quezon, Bukidnon;

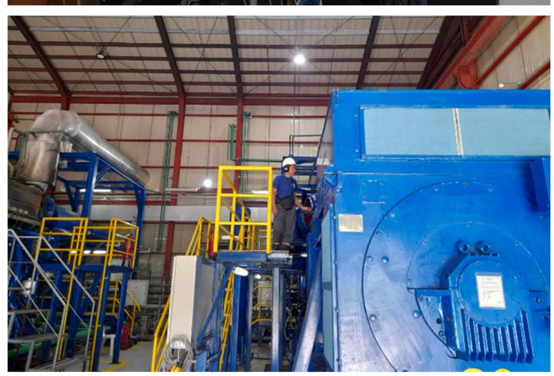
(2) Bukidnon II Power Plant (BPP-2) located at Brgy. Dologon, Maramag, Bukidnon;





(3) Camiguin Power Plant (CPP) located at Brgy. Maubog, Mambajao, Camiguin;

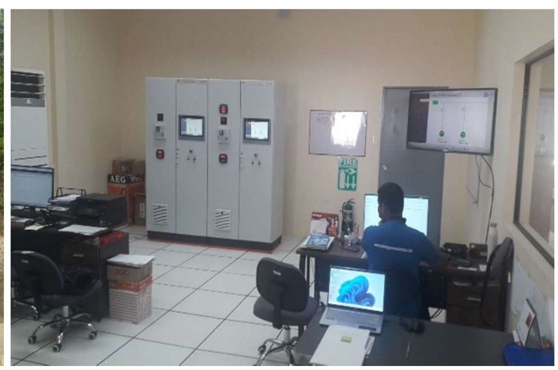

KING ENERGY



(4) Surigao Sur Power Plant (SSPP) located at Brgy. Talaje, Tandag City, Surigao Del Sur;

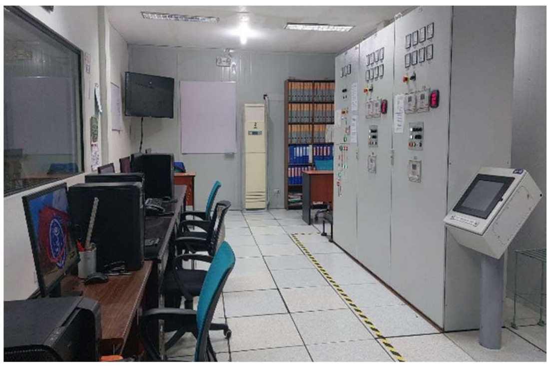






(5) Misamis Oriental 1 Power Plant (MOPP-1) located at Brgy. San Luis, Gingoog City, Misamis Oriental;







(6) Misamis Occidental II Power Plant (MOPP-2) located at Brgy. Map-an, Panaon, Misamis Occidental; and





(7) Misamis Occidental III Power Plant (MOPP-3) located at Brgy. San Isisdro, Jimenez, Misamis Occidental.






KEGI officially started its business operation last December 6, 2010 when its Articles of Incorporation was approved by the Securities and Exchange Commission and was issued a Certificate of Incorporation and Registration No. CS201019693. Below is the mentioned Articles of Incorporation and By Laws, as follows:

REPUBLIC OF THE PHILIPPINES
SECURITIES AND EXCHANGE COMMISSION
SEC Building, EDSA, Greenhills
City of Mandaluyong, Metro Manila

COMPANY REG. NO. CS201019693
COMPANY TIN 007-935-629

CERTIFICATE OF INCORPORATION

KNOW ALL PERSONS BY THESE PRESENTS:

This is to certify that the Articles of Incorporation and By-Laws of

KING ENERGY GENERATION INC.

were duly approved by the Commission on this date upon the issuance of this Certificate of Incorporation in accordance with the Corporation Code of the Philippines (Batas Pambansa Blg. 68), and copies of said Articles and By Laws are hereto attached.

This Certificate grants juridical personality to the corporation but does not authorize it to undertake business activities requiring a Secondary License from this Commission such as, but not limited to acting as: broker or dealer in securities, government securities eligible dealer (GSED), investment adviser of an investment company, close-end or open-end investment company, investment house, transfer agent, commodity/financial futures exchange/ broker/merchant, financing company, pre-need plan issuer, general agent in pre-need plans and time shares/club shares/membership certificates issuers or selling agents thereof. Neither does this Certificate constitute as permit to undertake activities for which other government agencies require a license or permit.

As a registered corporation, it shall submit annually to this Commission the reports indicated at the back of this Certificate.

IN WITNESS WHEREOF, I have hereunto set my hand and caused the seal of this Commission to be affixed to this Certificate at Mandaluyong City, Metro Manila, Philippines, this 6th day of December Twenty Ten.

BENITO A. CATARAN
Director
Company Registration and Monitoring Department

ARTICLES OF INCORPORATION

OF

KING ENERGY GENERATION INC.
(Name of the Corporation)

CRMD-CFRD
SEC
12 Oct 10
RECEIVED BY:

KNOW ALL MEN BY THESE PRESENTS:

That we, all of legal age and majority of whom are residents of the Philippines have this day voluntarily associated ourselves together for the purpose of forming a corporation under the laws of the Philippines.

AND WE HEREBY CERTIFY:

FIRST: That the name of the said corporation shall be:

KING ENERGY GENERATION INC.

SECOND: That the purposes for which the said corporation is formed are:

PRIMARY PURPOSE

To build, construct, erect, own, equip, install, operate, maintain, sell, and lease power generation plants and related facilities, machineries, equipment for the generation and supply of electric power utilizing any fuel or energy source; to provide ancillary services and to supply services such as billing, collection, customer service, energy trading and electricity sales for the contestable market and/or customers, including but not limited to, electric cooperatives and private distribution utilities.

SECONDARY PURPOSES

1. To purchase, acquire, own, lease, sell and convey real properties such as lands, buildings, factories, warehouses, machineries, equipment and other personal properties situated in any part of the world as may be necessary or incidental to the conduct of the corporate business, without engaging in retail business, and to pay in cash, shares of its capital stock, debentures and other evidences of indebtedness, or other securities, as may be deemed expedient for any business or property acquired by the Corporation;

2. To borrow or raise money necessary to meet the financial requirement of its business by the issuance of bonds, promissory notes and other evidences of indebtedness, and to

secure the repayment thereof by mortgage, pledge, deed of trust or lien upon the properties of the Corporation or to issue pursuant to law shares of its capital stock, debentures and other evidences of indebtedness, in payment for properties acquired by the Corporation or for money borrowed in the prosecution of its lawful business;

3. To invest and deal with the money and properties of the Corporation in such manner as may from time to time be considered wise or expedient for the advancement of its interests and to sell, dispose of or transfer the business, properties and goodwill of the Corporation or any part thereof for such consideration and under such terms as it shall see fit to accept;

4. To aid in any manner any corporation, association, or trust estate, domestic or foreign, or any firm or individual, any shares of stock in which or any bonds, debentures, notes, securities, evidences of indebtedness, contracts, or obligations of which, are held by or for the Corporation, directly or indirectly or through other corporations or otherwise;

5. To enter into any lawful arrangement for sharing profits, union of interest, unitization or farm out agreement, reciprocal concession, or cooperation, with any corporation, association, partnership, syndicate, entity, person or governmental, municipal or public authority, domestic or foreign in the carrying on of any business or transaction deemed necessary, convenient or incidental to carrying out any of the purposes of the Corporation;

6. To acquire or obtain from any government or authority, national, provincial, municipal or otherwise, or any corporation, company or partnership or person, such charter, contracts, franchise, privileges, exemption, licenses and concessions as may be conducive to any of the objects of the Corporation;

7. To establish and operate one or more branch offices or agencies and to carry on any or all of its operations and business without any restrictions as to place or amount including the right to hold, purchase or otherwise acquire, lease, mortgage, pledge and convey or otherwise deal in and with real and personal property anywhere in the Philippines;

8. To distribute the surplus profits of the Corporation to the stockholders thereof in kind, namely: properties of the Corporation, particularly any shares of the stock, debentures or securities of other companies belonging to the Corporation;

9. To engage in the general business of providing management and/or consultancy services either as principals, advisers, representatives, or agents for any individual, firm, partnership, association or corporation engaged in any business and any industry including, but not limited to, holding title to property, real or personal, and entering into arrangements of technical assistance and providing management services for the various aspects of the business of others;

10. To purchase, import, acquire, own, lease, sell and convey machineries, equipment, parts, power generation facilities, and other personal properties as may be necessary or incidental to the conduct of the corporate business, without engaging in retail business, and to pay in cash, shares of its

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capital stock, debentures and other evidence of indebtedness or other securities, as may be deemed expedient, for any business or properties acquired by the Corporation;

11. To conduct and transact any and all lawful activities, and to do or cause to be done any one or more of the acts and things herein set forth as its purposes, within or without the Philippines, and in any and all foreign countries, and to do everything necessary, desirable or incidental to the accomplishment of the purposes of the exercise of any one or more of the powers herein enumerated, or which shall at any time appear conducive to or expedient for the protection or benefit of the Corporation.

THIRD: That the place where the principal office of the corporation is to be established or located is at G/F Divine Savior Building 102 Juan Luna St., Davao City, Philippines.

FOURTH: That the term for which said corporation is to exist is Fifty (50) years from and after the date of incorporation.

FIFTH: That the names, nationalities and residences of the incorporators of said corporation are as follows:

Name	Nationality	Residence
1.Edgardo L. Salvame	Filipino	176 2nd St., 6th Ave, Grace Park, Caloocan City
2.Rosalie A. Salvame	Filipino	176 2nd St., 6th Ave, Grace Park, Caloocan City
3.Zhuang Fei Long	Chinese	3315 Hoi Lam HSE, Hoi Fu CRT, Mongkok Kowloon, Hongkong
4.Chong Man Ping	Chinese	3315 Hoi Lam HSE, Hoi Fu CRT, Mongkok Kowloon, Hongkong
5. Raymond Ang	Filipino	16 Tepolo St., Baloy Tablon Cagayan De Oro City
6. Sally Ang	Filipino	16 Tepolo St., Baloy Tablon Cagayan De Oro City

SIXTH: That the number of directors of said corporation shall be **five (5)** and the names, nationalities and residences of the directors who are able to serve until their successors are elected and qualified as provided by the by-laws are as follows:

Name	TIN	Nationality	Residence
1.Edgardo L. Salvame	213-368-028	Filipino	176 2nd St., 6th Ave, Grace Park, Caloocan City
2.Rosalie A. Salvame	109-022-	Filipino	176 2nd St., 6th Ave, Grace Park,

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	270		Caloocan City
3. Zhuang Fei Long	Passport No. K01362627	Chinese	3315 Hoi Lam HSE, Hoi Fu CRT, Mongkok Kowloon, Hongkong
4. Chong Man Ping	Passport No. K00110354	Chinese	3315 Hoi Lam HSE, Hoi Fu CRT, Mongkok Kowloon, Hongkong
5. Raymond Ang	167-682-065	Filipino	16 Tepolo St., Baloy Tablon Cagayan De Oro City

SEVENTH: That the authorized capital stock of said corporation is **Two Million (PhP2,000,000.00)**, Philippine currency, and said capital stock is divided into **Twenty Thousand (20,000)** shares with the par value of **One Hundred Pesos (PhP P100)** per share.

EIGHT: That the amount of said capital stock which has been actually subscribed is **Two Million Pesos (PhP 2,000,000.00)**, and the following persons have subscribed to the number of shares and the amount of capital stock indicated opposite their respective names:

Name	Nationality	No. Of Shares Subscribed	Amount Subscribed
1. Edgardo L. Salvame	Filipino	6,000	P 600,000
2. Rosalie A. Salvame	Filipino	5,000	P 500,000
3. Zhuang Fei Long	Chinese	3,000	P300,000
4. Chong Man Ping	Chinese	3,000	P300,000
5. Raymond Ang	Filipino	2,000	P200,000
6. Sally Ang	Filipino	1,000	P100,000
	Total	**20,000**	**P2,000,000**

Prior to selling, assigning, or transferring any of its shares, the Selling Shareholder must first offer in writing to sell the shares to the other shareholders. The Selling Shareholder must state the price and other terms and conditions for the sale or transfer of his shares. If the other shareholders do not accept the offer within 30 days from the date the offer was received by the said shareholder, the selling shareholder may sell or transfer the shares to third parties on terms and condition no more favourable than those offered to other shareholders, provided such third party or parties thereupon agree, by writing delivered to each party hereto, to be bound by all of the terms and provisions of the Articles of Incorporation and By-Laws of the Corporation.

NINTH: That the following persons have paid on the shares of capital stock for which they have subscribed, the amount set out after their respective names:

Name	Amount Paid
1. Edgardo L. Salvame	P150,000
2. Rosalie A. Salvame	P125,000

3. Zhuang Fei Long	P300,000
4. Chong Man Ping	P300,000
5. Raymond Ang	P50,000
6. Sally Ang	P25,000
Total	**P950,000**

TENTH: That no issuance or transfer of shares of stock of the corporation which would reduce the stock ownership of Filipino citizens to less than the percentage of the outstanding capital stock required by the law to be owned by Filipino citizens, shall be allowed or permitted to be recorded in the books of the corporation. This restriction shall be located or indicated in all the certificates of stock to be issued by the corporation.

ELEVENTH: That **Rosalie A. Salvame (TIN 109-022-270)** has been elected by the subscribers as Treasurer-in-Trust of the corporation to act as such until his successor is duly elected and shall have qualified in accordance with the by-laws; and that, as such Treasurer, he has been authorized to receive for the corporation, and to issue in its name receipts for all subscriptions paid in by the subscribers.

IN WITNESS WHEREOF, we have hereunto set out hands, this 15TH day of SEPT. 2010 at QUEZON CITY.

Edgardo L. Salvame
TIN 213-368-028

Rosalie A. Salvame
TIN 109-022-270

Zhuang Fei Long
Passport No. K01362627
HK China, 10/29/09

Chong Man Ping
Passport No. K00110354
HK China, 04/04/07

SIGNED: 11/02/10

Raymond Ang
TIN 167-682-065

Sally Ang
TIN 923-609-539

SIGNED IN THE PRESENCE OF:

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3. Zhuang Fei Long	P300,000
4. Chong Man Ping	P300,000
5. Raymond Ang	P50,000
6. Sally Ang	P25,000
Total	**P950,000**

TENTH: That no issuance or transfer of shares of stock of the corporation which would reduce the stock ownership of Filipino citizens to less than the percentage of the outstanding capital stock required by the law to be owned by Filipino citizens, shall be allowed or permitted to be recorded in the books of the corporation. This restriction shall be located or indicated in all the certificates of stock to be issued by the corporation.

ELEVENTH: That **Rosalie A. Salvame (TIN 109-022-270)** has been elected by the subscribers as Treasurer-in-Trust of the corporation to act as such until his successor is duly elected and shall have qualified in accordance with the by-laws; and that, as such Treasurer, he has been authorized to receive for the corporation, and to issue in its name receipts for all subscriptions paid in by the subscribers.

IN WITNESS WHEREOF, we have hereunto set out hands, this 15TH day of SEPT. 2010 at QUEZON CITY.

Edgardo L. Salvame
TIN 213-368-028

Rosalie A. Salvame
TIN 109-022-270

SIGNED:
11/02/10

Zhuang Fei Long
Passport No. K01362627
HK China, 10/29/09

Chong Man Ping
Passport No. K00110354
HK China, 04/04/07

Raymond Ang
TIN 167-682-065

Sally Ang
TIN 923-609-539

SIGNED IN THE PRESENCE OF:

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ACKNOWLEDGMENT

REPUBLIC OF THE PHILIPPINES)
QUEZON CITY) S.s.

BEFORE ME, a Notary Public for and in QUEZON CITY, Philippines, this ______ day of SEP 1 5 2010 2010 personally appeared:

Name	CTC No.	Date/Place of Issued
1. Edgardo L. Salvame	XX4601313	Pasay City 9/18/09
2. Rosalie A. Salvame	XX55796459	Pasay City 2/22/10
3. Zhuang Fei Long	K01362627	HK China 10/29/09
4. Raymond Ang	XX34544536	CDO 4/14/09
5. Sally Ang	XX39320155	CDO 6/10/09

all known to me and to me known to be the same persons who executed the foregoing Articles of Incorporation and they acknowledged to me that the same is their free and voluntary act and deed.

IN TESTIMONY WHEREOF, I have hereunto set my hand and affixed my notarial seal on the date and at the place first above-written.

NOTARY PUBLIC
JOSE L. MA. SANTOS
Notary Public
Comm. until Dec. 31, 2011
Comm. No. NP-020
PTR No. 3175793-QC-1/4/10
TIN: 133-063-043
IBP No. 774020-QC-11/17/09
Roll No. 14779-3/3/60
Office: 12 East Ave., QC
MCLE Comp. III-0003870

Doc. No. 4486
Page No. 19
Book No. 550
Series of 2010.

ACKNOWLEDGMENT

REPUBLIC OF THE PHILIPPINES)
QUEZON CITY) S.s.

BEFORE ME, a Notary Public for and in QUEZON CITY, Philippines, this ______ day of NOV - 2 2010 2010 personally appeared Chong Man Ping who has shown to me sufficient evidence of his identification consisting of a Passport I.D. with numbers K00110354 issued on April 4, 2007 and valid until April 20, 2017 in Hong Kong, China, known to me and to me known to be the same person who executed the foregoing Articles of Incorporation and he acknowledged to me that the same is his free and voluntary act and deed.

IN TESTIMONY WHEREOF, I have hereunto set my hand and affixed my notarial seal on the date and at the place first above-written.

NOTARY PUBLIC

JOSE L. MA. SANTOS
Notary Public
Comm. until Dec. 31, 2011
Comm. No. NP-020
PTR No. 3175793-QC-1/4/10
TIN: 133-063-043

IBP No. 774020-QC-11/17/09
Roll No. 14779-3/3/60
Office: 12 East Ave., QC
MCLE Comp. III-0003870

Doc. No. 5274;
Page No. 71;
Book No. 557;
Series of 2010.

BY - LAWS

OF

KING ENERGY GENERATION INC.
(Name of Corporation)

ARTICLE I

SUBSCRIPTION, ISSUANCE AND TRANSFER OF SHARES

Section 1. Subscription - Subscribers to the capital stock of the corporation shall pay to the corporation the subscription value or price of the stock in accordance with the terms and conditions prescribed by the Board of Directors. Unpaid subscriptions shall not earn interest unless determined by the Board of Directors.

Section 2. Certificate - The stockholder shall be entitled to one or more certificates for fully paid stock subscription in his name in the books of the corporation. The certificates shall contain the matters required by law and the Articles of Incorporation. They shall be in such form and design as may be determined by the Board of Directors and numbered consecutively. The certificates, which must be issued in consecutive order, shall bear the signature of the President, countersigned by the Secretary or Assistant Secretary, and sealed with the corporate seal.

Section 3. Transfer of Shares - Subject to the restrictions, terms and conditions contained in the Articles of Incorporation, shares may be transferred, sold, assigned or pledged by delivery of the certificates duly indorsed by the stockholder, his attorney-in-fact, or other legally authorized person. The transfer shall be valid and binding on the corporation only upon record thereof in the books of the corporation. The Secretary shall cancel the stock certificates and issue new certificates to the transferee.

Prior to selling, assigning, or transferring any of its shares, the Selling Shareholder must first offer in writing to sell the shares to the other shareholders. The Selling Shareholder must state the price and other terms and conditions for the sale or transfer of his shares. If the other shareholders do not accept the offer within 30 days from the date the offer was received by the said shareholder, the selling shareholder may sell or transfer the shares to third parties on terms and condition no more favourable than those offered to other shareholders, provided such third party or parties thereupon agree, by writing delivered to each party hereto, to be bound by all of the terms and provisions of the Articles of Incorporation and By-Laws of the Corporation.

No shares of stock against which the corporation holds unpaid claim shall be transferable in the books of the corporation.

All certificates surrendered for transfer shall be stamped "Cancelled" on the face thereof, together with the date of cancellation, and attached to the corresponding stub with the certificate book.

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Section 4. Lost Certificates - In case any stock certificate is lost, stolen, or destroyed, a new certificate may be issued in lieu thereof in accordance with the procedure prescribed under Section 73 of the Corporation Code.

ARTICLE II

MEETINGS OF STOCKHOLDERS

Section 1. Annual/Regular Meetings - The annual/regular meetings of stockholders shall be held at the principal office every 11th day of March of each year, if a legal holiday or a non-working day, then on the day following.

Section 2. Special Meeting - The special meetings of stockholders, for any purpose or purposes, may at any time be called by any of the following: (a) Board of Directors, at its own instance, or at the written request of stockholders representing a majority of the outstanding capital stock; (b) the President.

Section 3. Place of Meeting - Stockholders' meetings, whether regular or special, shall be held in the principal office of the corporation or at any place designated by the Board of Directors in the city or municipality where the principal office of the corporation is located.

Section 4. Notice of Meeting - Notices for regular or special meetings of stockholders may be sent by the Secretary by personal delivery or by mail or by facsimile at least two (2) weeks prior to the date of the meeting to each stockholder of record at his last known post office address or by publication in a newspaper of general circulation. The notice shall state the place, date and hour of the meeting, and the purpose or purposes for which the meeting is called.

When the meeting of stockholders is adjourned to another time or place, it shall not be necessary to give any notice of the adjourned meeting if the time and place to which the meeting is adjourned are announced at the meeting at which the adjournment is taken. At the reconvened meeting, any business may be transacted that might have been transacted on the original date of the meeting.

Section 5. Quorum - Unless otherwise provided by law, in all regular or special meetings of stockholders, a majority of the issued and outstanding capital stock must be present or represented in order to constitute a quorum. If no quorum is constituted, the meeting shall be adjourned until the requisite amount of stock shall be present.

Section 6. Conduct of Meeting - Meeting of the Stockholders shall be presided over by the Chairman of the Board, or in his absence, the President, or if none of the foregoing is in office and present and acting, by a chairman to be chosen by the stockholders. The Secretary shall act as Secretary of every meeting, but if not present, the chairman of the meeting shall appoint a secretary of the meeting. The chairman of the meeting may adjourn the meeting from time to time, without notice other than as announced at the meeting.

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Section 7. Manner of Voting - At all meetings of stockholders, a stockholder may vote in person or by proxy executed in writing by the stockholder or his duly authorized attorney-in-fact. Unless otherwise provided in the proxy, it shall be valid only for the meeting at which it has been presented to the Secretary.

All proxies must be in the hands of the secretary before the time set for the meeting. Such proxies filed with the Secretary may be revoked by the stockholders either in an instrument in writing duly presented and recorded with the Secretary prior to a scheduled meeting or by their personal presence at the meeting.

Section 8. Closing of Transfer Books for Fixing of Record Date - For the purpose of determining the stockholders entitled to notice of, or to vote at, any meeting of stockholders or any adjournment thereof or to receive payment of any dividend, the Board of Directors may provide that the stock and transfer books be closed for ten (10) working days immediately preceding such meeting.

ARTICLE III

BOARD OF DIRECTORS

Section 1. Powers of the Board - Unless otherwise provided by law, the corporate powers of the corporation shall be exercised, all business conducted and all property of the corporation controlled and held by the Board of Directors to be elected by and from among the stockholders. Without prejudice to such general powers and such other powers as may be granted by law, the Board of Directors shall also have the following powers:

a. From time to time, to make and change rules and regulations not inconsistent with these by-laws for the management of the corporation's business and affairs;

b. To purchase, receive, take or otherwise acquire in any lawful manner, for and in the name of the corporation, any and all properties, rights, interest or privileges, including securities and bonds of other corporations, as the transaction of the business of the corporation may reasonably and necessarily require, for such consideration and upon such terms and conditions as the Board may deem proper or convenient;

c. To invest the funds of the corporation in other corporations or business or for any other purposes other than those for which the corporation was organized, whenever in the judgment of the board of Directors the interest of the corporation would thereby be promoted, subject to such stockholders' approval as may be required by law;

d. To incur such indebtedness as the Board may deem necessary and, for such purpose, to make and issue evidence of such indebtedness including, without limitation, notes, deeds of trust, bonds, debentures, or securities, subject to such stockholders approval as may be required by law, and/or pledge, mortgage or otherwise encumber all or part of the properties of the corporation;

e. To establish pension, retirement, bonus, profit-sharing or other types of incentives or compensation plans for the employees, including officers and directors of the corporation and to determine the persons to participate in any such plans and the amount of their respective participations;

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f. To prosecute, maintain, defend, compromise or abandon any lawsuit in which the corporation or its officer are either plaintiffs or defendants in connection with the business of the corporation;

g. To delegate, from time to time, any of the powers of the Board which may lawfully be delegated in the course of the current business or businesses of the corporation to any standing or special committee or to any officer or agent and to appoint any person to be agent of the corporation with such powers (including the power to sub-delegate), and upon such terms, as may be deemed fit;

h. To approve, amend, revise, pre-terminate or cancel any contract (excluding recruitment of employee) with a contract value exceeding Ten thousand US dollars (USD10,000);

i. To approve, revise, or amend, the yearly budget of the Company;

j. To review the annual compensation and bonuses of the Company's employees;

k. To implement these by-laws and to act on any matter not covered by these by-laws, provided such matter does not require the approval or consent of the stockholders under the Corporation Code.

Section 2. Election and Term - The Board of Directors shall be elected during each regular meeting of stockholders and shall hold office for one (1) year and until their successors are elected and qualified.

Section 3. Vacancies- Any vacancy occurring in the Board of Directors other than by removal by the stockholders or by expiration of term, may be filled by the vote of at least a majority of the remaining directors, if still constituting a quorum; otherwise, the vacancy must be filled by the stockholders at a regular or at any special meeting of stockholders called for the purpose. A director so elected to fill a vacancy shall be elected only for the unexpired term of his predecessor in office.

The vacancy resulting from the removal of a director by the stockholders in the manner provided by law may be filled by election at the same meeting of stockholders without further notice, or at any regular or at any special meeting of stockholders called for the purpose, after giving notice as prescribed in these by-laws.

Section 4. Meetings - The Board of Directors shall hold one regular meeting every year and special meetings as warranted. The meeting venue shall be any place within the Philippines as determined by the Board.

The meetings of the Board of Directors may be conducted through officially authorized modern technologies such as, but not limited to, teleconferencing and video-conferencing.

The Secretary shall take the minutes of the meeting and the same shall be distributed to all directors using electronic mail within 2 days from the date of meeting. The Secretary shall require all the Directors who attend the meeting, whether personally or through tele/video conferencing, to sign the minutes of the meeting to dispel all doubts on matters taken up during the meeting.

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Section 5. **Notice** - Notice of the regular or special meeting of the Board, specifying the date, time and place of the meeting, shall be communicated by the Secretary to each director personally, or by telephone, telegram, or by written message. A director may waive this requirement, either expressly or impliedly.

The Notice to be sent to the Director shall include an inquiry on whether the Director will attend physically or through tele/video conferencing, contact number/s of the Secretary and office staff whom the director may call to notify and state whether he shall be physically present or attend through tele/video conferencing, agenda of the meeting, all documents to be discussed in the meeting, including attachments, shall be numbered and duly marked by the Secretary in such a way that all the Directors, physically present or attending through tele/video conferencing, can easily follow, refer to the documents and participate in the meeting.

If the Director chooses tele/video conferencing, he shall give notice at least five days prior to the scheduled meeting to the Secretary. The latter shall be informed of his contact number/s. In the same way, the Secretary shall inform the director concerned the contact number/s he will call to join the meeting. The Secretary shall keep the records of the details, and on the date of the scheduled meeting, confirm and note such details as part of the minutes of the meeting.

Section 6. **Quorum** - A majority of the number of directors as fixed in the Articles of Incorporation which shall include at least one foreign director shall constitute a quorum for the transaction of corporate business and every decision of at least a majority of the directors present at a meeting at which there is a quorum shall be valid as a corporate act except that no affirmative action can be taken unless with the consent of at least one (1) foreign director. The vote of a majority of all the members of the Board shall be required for the election of corporate officers.

Section 7. **Conduct of the Meetings** - Meetings of the Board of Directors shall be presided over by the Chairman of the Board, or in his absence, by any other director chosen by the Board. The Secretary shall act as secretary of every meeting, if not present, the Chairman of the meeting shall appoint a secretary of the meeting.

Section 8. **Compensation** - By resolution of the Board, each director shall receive a reasonable per diem allowance for his attendance at each meeting of the Board. As compensation, the Board shall receive and allocate an amount of not more than ten percent (10%) of the net income before income tax of the corporation during the preceding year. Such compensation shall be determined and apportioned among the directors in such manner as the Board may deem proper, subject to the approval of stockholders representing at least a majority of the outstanding capital stock at a regular or special meeting of the stockholders.

ARTICLE IV

OFFICERS

Section 1. **Election/Appointment** - Immediately after their election, the Board of Directors shall formally organize by electing the President, the Vice-President, the Treasurer, and the Secretary at said meeting.

The Board may, from time to time, appoint such other officers as it may determine to be necessary or proper. Any two (2) or more compatible positions may be held concurrently by the same person, except that no one shall act as President and Treasurer or Secretary at the same time.

Section 2. President - The President shall be the Chief Executive Officer of the corporation and shall exercise the following functions:

a. To preside at meetings of the Board of Directors and of the stockholders in the absence of the Chairman of the Board of Directors;

b. To initiate and develop corporate objectives and policies and formulate long range projects, plans and programs for the approval of the Board of Directors, including those for executive training, development and compensation;

c. To supervise and manage the business affairs and property of the corporation upon the direction of the Board of Directors;

d. To implement the administrative and operational policies of the corporation under his supervision and control;

e. To appoint, remove, suspend or discipline employees of the corporation, prescribe their duties, and determine their salaries;

f. To oversee the preparation of the budgets and the statement of accounts of the corporation;

g. To represent the corporation at all functions and proceedings;

h. To execute on behalf of the corporation all contracts, agreements and other instruments affecting the interests of the corporation which require the approval of the Board of Directors;

i. To make reports to the Board of Directors and stockholders;

j. To sign certificates of stock;

k. To perform such other duties as are incident to his office or are entrusted to him by the Board of Directors.

Section 3. The Vice-President - If one or more Vice-presidents are appointed, he/they, if qualified, act as President in the absence of the latter. He/They shall have such powers and duties as may from time to time be assigned to him/them by the Board of Directors or by the President.

Section 4. The Secretary - The Secretary must be a resident and a citizen of the Philippines. He shall be the custodian of and shall maintain the corporate books and record and shall be the recorder of the corporation's formal actions and transactions. He shall have the following specific powers and duties:

a. To record and see to the proper recording of the minutes and transactions of all meetings of the directors and the stockholders and to maintain minute books of such meetings in the form and manner required by law;

b. To keep or cause to be kept record books showing the details required by law with respect to the stock certificates of the corporation, including ledgers and transfer books showing all shares of the corporation subscribed, issued and transferred;

c. To keep the corporate seal and affix it to all papers and documents requiring a seal, and to attest by his signature all corporate documents requiring the same;

d. To attend to the giving and serving of all notices of the corporation required by law or these by-laws to be given;

e. To certify to such corporate acts, countersign corporate documents or certificates, and make reports or statements as may be required of him by law or by government rules and regulations;

f. To act as inspector at the election of directors and, as such, to determine the number of shares of stock outstanding and entitled to vote, the shares of stock represented at the meeting, the existence of a quorum, the validity and effect of proxies, and to receive votes, ballots or consents, hear and determine questions in connection with the right to vote, count and tabulate all votes, ballots or consents, determine the result, and do such acts as are proper to conduct the election or vote. The Secretary may assign the exercise or performance of any or all of the foregoing duties, powers and functions to any other person or persons, subject always to his supervision and control;

g. To perform such other duties as are incident to his office or as may be assigned to him by the Board of Directors or the President.

Section 5. The Treasurer - The Treasurer of the corporation shall have the following duties:

a. To keep full and accurate accounts of receipts and disbursements in the books of the corporation;

b. To have custody of, and be responsible for, all the funds, securities and bonds of the corporation;

c. To deposit in the name and to the credit of the corporation, in such bank as may be designated from time to time by the Board of Directors, all the moneys, funds, securities, bonds, and similar valuable effects belonging to the corporation which may come under his control;

d. To render an annual statement showing the financial condition of the corporation and such other financial reports as the Board of Directors, or the President may, from time to time require;

e. To prepare such financial reports, statements, certifications and other documents which may, from time to time, be required by government rules and regulations and to submit the same to the proper government agencies;

f. To exercise such powers and perform such duties and functions as may be assigned to him by the President.

Section 6. Term of Office - The term of office of all officers shall be for a period of one (1) year and until their successors are duly elected and qualified. Such officers may however be sooner removed for cause.

Section 7. Vacancies - If any position of the officers becomes vacant by reason of death, resignation, disqualification or for any other cause, the Board of Directors, by majority vote may elect a successor who shall hold office for the unexpired term.

Section 8. Compensation - The by-laws officers shall receive such remuneration as the Board of Directors may determine. All other officers shall receive such remuneration as the Board of Directors may determine upon recommendation of the President. A director shall not be precluded from serving the corporation in any other capacity as an officer, agent or otherwise and receiving compensation therefor.

ARTICLE V

OFFICES

Section 1. The principal office of the corporation shall be located at the place stated in Article III of the Articles of Incorporation. The corporation may have such other branch offices, either within or outside the Philippines as the Board of Directors may designate.

ARTICLE VI
AUDIT OF BOOKS, FISCAL YEAR AND DIVIDENDS

Section 1. External Auditor - At the regular stockholders' meeting, the external auditor of the corporation for the ensuing year shall be appointed. The external auditor shall examine, verify and report on the earnings and expenses of the corporation.

Section 2. Fiscal Year - The fiscal year of the corporation shall begin on the first day of January and end on the last day of December of each year.

Section 3. Dividends - Dividends shall be declared and paid out of the unrestricted retained earnings which shall be payable in cash, property or stock to all stockholders on the basis of outstanding stock held by them, as often and at such times as the Board of Directors may determine and in accordance with law.

COPY

ARTICLE VII

AMENDMENTS

Section 1. These by-laws may be amended or repealed by the affirmative vote of at least a majority of the Board of Directors and the stockholders representing a majority of the outstanding capital stock at any stockholders' meeting called for that purpose. However, the power to amend, modify, repeal or adopt new by-laws may be delegated to the Board of Directors by the affirmative vote of stockholders representing not less than two-thirds of the outstanding capital stock; provided, however, that any such delegation of powers to the Board of Directors to amend, repeal or adopt new by-laws may be revoked only by the vote of stockholders representing a majority of the outstanding capital stock at a regular or special meeting.

ARTICLE VIII

SEAL

Section 1. Form and Inscriptions - The corporate seal shall be determined by the Board of Directors.

IN WITNESS WHEREOF, we have hereunto set our hands, this 15TH day of SEPT. 2010 at QUEZON CITY.

Edgardo L. Salvame TIN 213-368-028	**Rosalie A. Salvame** TIN 109-022-270
Zhuang Fei Long Passport No. K01362627	**Chong Man Ping** Passport No. K00110354
Raymond Ang TIN 167-682-065	**Sally Ang** TIN 923-609-539

COPY

Republic of the Philippines)
Quezon City PASIG CITY.......) S.s.

TREASURER'S AFFIDAVIT

I, **ROSALIE A. SALVAME**, Filipino, of legal age, married, with address at 176 2nd St., 6th Ave, Grace Park, Caloocan City, Philippines, after being sworn to in accordance with law, depose and state:

That I have been elected by the subscribers of KING ENERGY GENERATION INC., as Treasurer thereof, to act as such until my successor has been duly elected and qualified in accordance with the by-laws of the corporation, and that as such Treasurer, I hereby certify under oath that at least twenty-five (25%) percent of the authorized capital stock has been subscribed and at least twenty-five (25%) percent of the subscription has been paid and received by me in cash for the benefit and credit of the corporation.

That two of the subscribers, **Zhuang Fei Long** and **Chong Man Ping**, are Chinese citizens, and each of them have subscribed to Three Thousand (3,000.00) shares with a total value of Three Hundred Thousand Pesos (P300, 000.00) and have fully paid their subscription in Philippine Currency which amount was duly received by me to the benefit and credit of the corporation.

This is also to authorize the Securities and Exchange Commission (SEC) and Bangko Sentral ng Pilipinas (BSP) to examine and verify the deposit in the Banco De Oro, Rizal Avenue-Bambang Branch in my name as Treasurer-in-Trust for **KING ENERGY GENERATION INC.** in the amount of Nine Hundred Fifty Thousand Pesos (P950, 000.00) representing the paid-up capital of the said corporation which is in the process of incorporation. This authority is valid and inspection of said deposit may be made even after the issuance of the Certificate of Incorporation to the corporation. Should the deposit be transferred to another bank prior to or after incorporation, this will also serve as authority to examine the pertinent books and records of accounts of the corporation as well as supporting papers to determine the utilization and disbursement of the said paid-up capital.

In case the said paid-up capital is not deposited or withdrawn prior to the approval of the articles of incorporation, I, in behalf of the above named corporation, waive our right to a notice and hearing in the revocation of our Certificate of Incorporation

RSalvame
ROSALIE A. SALVAME
Treasurer-in-Trust

SUBSCRIBED AND SWORN to before me NOV 24 2010 this 23rd day of November 2010 at Quezon City, Philippines, affiant exhibited to me her Passport No. XX55796645 issued at DFA-Manila on February 22, 2010.

NOTARY PUBLIC

ATTY. RAMON L. CARPIO
NOTARY PUBLIC
Until December 2010
PTR 5821989 Issued at Pasig City on Jan. 4, 2010
IBP No. 820340 / Issued at Pasig City on 1/4/10
Roll # 22, 172 Tin # 106-918-897
MCLE # II – 0012119

Doc No. 409
Page No. 83
Book No. LXI
Series of 2010.

Print | Finish

Republic of the Philippines

SECURITIES AND EXCHANGE COMMISSION

Reservation Payment Confirmation

This certifies that the name **KING ENERGY GENERATION INC.** has been reserved from **October 18, 2010** to **January 16, 2011.**

Reference Reservation Number (RRN): **RRN20101018174604667**

Type of Industry: Miscellaneous Business Activities

Breakdown of Fees:

Reservation Fee: Php 80.00

TOTAL: Php 80.00

Important Reminders:

NOTE: The fact that the name is available at the date verified, it is not to be regarded as an approval of the registration of the company or any application for change of name. No expense for printing of materials using a verified name should be incurred until registration takes effect. As this is a computer printout, any erasure or alteration on this document nullifies verification.

The applicant undertakes to change the reserved name in case another person or firm has acquired a prior right to the use of the said firm name or the same is deceptively or confusingly similar to one already registered.

Please do not pay for your Name Reservation and Extension WITHIN THE SAME DAY via Funds Transfer. You may course your payment at any selected UnionBank branches or at the SEC Teller.

2004 SEC-iRegister

www.sec.gov.ph

REPUBLIC OF THE PHILIPPINES)
QUEZON CITY........................) S.S.

JOINT AFFIDAVIT OF UNDERTAKING TO CHANGE NAME

I, **EDGARDO L. SALVAME** and **ROSALIE A. SALVAME**, both of legal age, Filipinos, and residents of # 176 2nd St., 6th Avenue, Grace Park, Caloocan City, Philippines, after having been duly sworn to in accordance with law do hereby depose and state that:

That we are the Incorporators of **KING ENERGY GENERATION INC.**, which is in the process of registering its corporate/ partnership name with the Securities and Exchange Commission.

That we, in behalf of said corporation, hereby undertake to change its corporate/ partnership name immediately upon receipt of notice or directive from the Commission that another corporation, partnership or person has acquired a prior right to the use of that name or that the name has been declared as misleading, deceptive, confusingly similar to a registered name, or contrary to public morals, good customs or public policy.

This affidavit is executed to attest to the truth of the foregoing and for whatever legal purpose and intent it may serve.

IN WITNESS WHEREOF, we hereby signed this affidavit this 23rd day of November 2010 at Quezon City.

EDGARDO L. SALVAME
Affiant

ROSALIE A. SALVAME
Affiant

SUBSCRIBED AND SWORN to before me this ~~23rd~~ 24th day of November 2010 in Quezon City by the above-named persons who exhibited to me their Passport I.D. Nos. as follows:

NAME	PASSPORT NO.	DATE/ PLACE OF ISSUE
Edgardo L. Salvame	XX4601313	Pasay City 9/18/09
Rosalie A. Salvame	XX55796459	Pasay City 2/22/10

NOTARY PUBLIC
JOSE L. MA. SANTOS
Notary Public
Comm. until Dec. 31, 2011
Comm. No. NP-020
PTR No. [illegible]-QC-1/4/10
TIN: 153-663-043
IBP No. 774020-QC-11/17/09
Roll No. 14779-3/3/60

Doc. No. 5626
Page No. 37
Book No. 552
Series of 2010.

KEGI, in order to increase capitalization and meet the demands of its expansion and loan financings, decided to increase its capital stocks from PhP2,000,000.00 divided into 20,000.00 shares into PhP750,000,00000 divided into 30,000,000 shares. Such increase of capitalizations were duly approved by the Securities and Exchange Commission and was issued a Certificate of Approval of Increase of Capital Stock, as provided below:

REPUBLIC OF THE PHILIPPINES
SECURITIES AND EXCHANGE COMMISSION
SEC Building, EDSA, Greenhills
City Of Mandaluyong, Metro Manila

COMPANY REG. NO. CS201019693

CERTIFICATE OF APPROVAL OF INCREASE OF CAPITAL STOCK

KNOW ALL PERSONS BY THESE PRESENTS:

This is to certify that the increase of capital stock of the

KING ENERGY GENERATION INC.

from P2,000,000.00 divided into 20,000 shares with the par value of P100.00 each, to P250,000,000.00 divided into 2,500,000 shares with the par value of P100.00 each, approved by majority of the Board of Directors and by the vote of the stockholders owning or representing at least two-thirds of the outstanding capital stock at a meeting held on August 25, 2011 certified to by the Chairman and the Secretary of the stockholders' meeting and a majority of the Board of Directors of the corporation, was approved by the Commission on the date indicated hereunder in accordance with the provision of Section 38 of the Corporation Code of the Philippines (Batas Pambansa Blg. 68), approved on May 1, 1980. A copy of the Certificate of Increase of Capital Stock filed with the Commission is attached hereto.

IN WITNESS WHEREOF, I have set my hand and caused the seal of this Commission to be affixed to this Certificate at Mandaluyong City, Metro Manila, Philippines, this 20th day of October, Twenty Eleven.

BENITO A. CATARAN
Director
Company Registration and Monitoring Department

COVER SHEET

CS201619493
S.E.C. Registration Number

K I N G E N E R G Y G E N E R A T I O N I N C .

(Company's Full Name)

G / F D i v i n e S a v i o r B u i l d i n g 1 0 2
J u a n L u n a S t . D a v a o

(Business Address: No. Street City / Town / Province)

Rosalie A. Salvame
Contact Person

227-7104
Company Telephone Number

1 2 | 3 1
Month | Day
Fiscal Year

C I C S
FORM TYPE

0 3 | 1 1
Month | Day
Annual Meeting

Secondary License Type, if Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU 10-11-19

Document I.D.

Cashier

STAMPS

CRMD-CFRD SEC RECEIVED BY 18.11.11

CERTIFICATE OF INCREASE OF CAPITAL STOCK
OF
KING ENERGY GENERATION INC.

KNOW ALL MEN BY THESE PRESENTS:

That, we, the undersigned, the Chairman and the Secretary of the stockholder's meeting and majority of the members of the Board of Directors of the above-named corporation, organized and existing under and by virtue of the laws of the Philippines do hereby CERTIFY:

1. That at the meeting of the stockholders of the said corporation held at the principal office on August 25, 2011, at which meeting there was a quorum, the stockholders representing at least two-thirds (2/3) of the outstanding capital stock in person or by proxy, approved the increase of the corporation's authorized capital stock from TWO MILLION PESOS (P 2,000,000.00) divided into TWENTY THOUSAND (20,000) shares, with a par value of ONE HUNDRED PESOS (P 100.00) per share to TWO HUNDRED FIFTY MILLION PESOS (P 250,000,000.00) divided into TWO MILLION FIVE HUNDRED THOUSAND (2,500,000) shares with a par value of ONE HUNDRED PESOS (P 100.00) per share;

2. That the increase was likewise approved by at least majority of the directors at the meeting held on August 25, 2011;

3. That of the net increase in the authorized capital stock of TWO HUNDRED FORTY EIGHT MILLION PESOS (P 248,000,000.00) the amount of SIXTY TWO MILLION PESOS (P 62,000,000.00) has been actually subscribed by the subscribers indicated hereunder, and of said subscription, the amount of FIFTEEN MILLION FIVE HUNDRED THOUSAND PESOS (P 15,500,000.00)

has been actually paid in cash / real property / machineries and equipment / stock dividend / via conversion of liabilities into equity, as follows:

Name of Subscriber	Nationality	Subscribed No. of Shares	Subscribed Amount	Amount Paid
Edgardo L. Salvame	Filipino	186,000	18,600,000.00	4,650,000.00
Rosalie A. Salvame	Filipino	155,000	15,500,000.00	3,875,000.00
Zhuang Fei Long	Chinese	93,000	9,300,000.00	2,325,000.00
Chong Man Ping	Chinese	93,000	9,300,000.00	2,325,000.00
Raymond Ang	Filipino	62,000	6,200,000.00	1,550,000.00
Sally Ang	Filipino	31,000	3,100,000.00	775,000.00
	TOTAL:	620,000	62,000,000.00	15,500,000.00

4. That the total actual indebtedness of the corporation as of the date of the meeting amounts to P Zero (0);

5. That no bonded indebtedness has been incurred, created or increased as of the date of the stockholders' meeting;

6. That the reason for the increase of capital stock is to significantly finance and cover up expenditures of the business and to be able to conduct a wider scope of clientele in its marketablities.

7. That the requirements of Sec. 38 of the Corporation Code of the Philippines has been complied with;

IN WITNESS WHEREOF, we have hereunto set our hands this 18th day of ____________ 20 11, at San Juan City Philippines.

Edgardo L. Salvame Director	213-368-028 Director
Rosalie A. Salvame Director	109-022-270 Director
Zhuang Fei Long Director	K01362627 Director
Chong Man Ping Director	K00110354 Director
Raymond Ang Director	167-682-065 Director
Sally Ang Director	923-609-539 Director
Director	Director

Director

COUNTERSIGNED:

Edgardo L. Salvame
CHAIRMAN OF STOCKHOLDERS' MEETING

Rosalie A. Salvame
SECRETARY OF STOCKHOLDERS' MEETING

* PRINT NAME BELOW THE SIGNATURE.

Republic of the Philippines)
QUEZON CITY) S.S.

TREASURER'S AFFIDAVIT

Rosalie A. Salvame, after first being sworn deposes and says:

That he/she was elected treasurer by the stockholders of KING ENERGY GENERATION INC., to act as such until his/her successor has been duly elected and qualified in accordance with the by-laws of the corporation, and that he/she has been authorized to receive for the corporation all subscriptions paid in by the subscribers for the capital; that out of the net increase in capital stock, shares worth Sixty Two Million Pesos (P 62,000,000.00) has been actually subscribed and that of said subscription, Fifteen Million Five Hundred Thousand Pesos (P 15,500,000.00) in cash / real property / machineries and equipment / stock dividend / via conversion of liablities into equity, has been actually paid to him/her for the benefit and to the credit of the corporation; and that at least twenty-five per centum (25%) of the net increase in authorized capital has been subscribed and that at least twenty-five per centum (25%) of such subscription has been actually paid to him for the benefit and to the credit of the corporation and that said payment represents fresh and additional paid in capital of the corporation.

Rosalie A. Salvame
TREASURER

OCT 05 2011

SUBSCRIBED AND SWORN to before me this _____ day of _____________ 20_______ affiant exhibiting to me his Community Tax Certificate No. 16131445 issued at 109-022-270 on January11,2011, 2011.

ATTY. JOEL G. GORDOLA
NOTARY PUBLIC
NOTARIAL COMMISSION NO. NP-052
COMMISSION EXPIRES DEC 31, 2011
PTR NO. 4559919; 1/03/2011; Q.C.
IBP NO. 774185; 1/12/2010; Q.C.
ROLL OF ATTORNEY NO.

Doc. No. 279;
Page No 66;
Book No 17;
Series of 2011.

List of Stockholders of Record

As of AUGUST 25, 2011 (date of stockholders' meeting approving the increase of capital)

	Name of Subscriber	Nationality	Subscribed No. of Shares	Subscribed Amount	Amount Paid
1.	Edgardo L. Salvame	Filipino	6,000	600,000.00	150,000.00
2.	Rosalie A. Salvame	Filipino	5,000	500,000.00	125,000.00
3.	Zhuang Fei Long	Chinese	3,000	300,000.00	300,000.00
4.	Chong Man Ping	Chinese	3,000	300,000.00	300,000.00
5.	Raymond Ang	Filipino	2,000	200,000.00	50,000.00
6.	Sally Ang	Filipino	1,000	100,000.00	25,000.00
7.					
8.					
9.					
10.					
11.					
12.					
13.					
14.					
15.					
	TOTAL		20,000	2,000,000.00	950,000.00

Certified Correct:

Rosalie A. Salvame

Corporate Secretary

September 15, 2011

SECURITIES AND EXCHANGE COMMISSION
SEC Building, EDSA Greenhills
Mandaluyong City

Gentlemen:

In compliance with your requirements, we have examined the accounting records of **KING ENERGY GENERATION INC.** and conduct specific procedures with respect to the receipt of cash in the amount of **Fifteen Million Five Hundred Thousand Pesos (P 15,500,000.00)**, representing payment of subscription for the Company's capital increase from Two Million Pesos (P2,000,000.00) to Two Hundred Fifty Million (P250,000,000.00) Pesos.

Our examination was conducted in accordance with the generally accepted auditing standards and accordingly included such test of the accounting records and such other auditing procedures as I considered necessary in the circumstances.

Examination of the books of accounts revealed that the amount of Fifteen Million Five Hundred Thousand Pesos (P 15,500,000.00), was received by the company from the stockholder below:

Name	Date	OR No.	Amount
Edgardo L. Salvame	Aug. 31 2011, Sept. 6, 2011 and on Sept 15, 2011	Acknowledgement receipt	4,650,000.00
Rosalie A. Salvame	-do-	-do-	3,875,000.00
Zhuang Fei Long	-do-	-do-	2,325,000.00
Chong Man Ping	-do-	-do-	2,325,000.00
Raymond Ang	-do-	-do-	1,550,000.00
Sally Ang	-do-	-do-	775,000.00
Total			P 15,500,000.00

The above Total Payment were deposited to BDO, Rizal Avenue, Bambang Branch under S/A No. 4100052122, on following amount & date as follows; P15,000,000.00 on August 31, 2011, P450,000.00 on September 6, 2011 and P 50,000.00 on September 15, 2011, attached are the photocopies of deposit slip/s and passbook with validation of aforesaid deposit.

The verification also shows that the amount of Fifteen Million Five Hundred Thousand Pesos (15,500,000.00), was recorded in the books of the Corporation as Deposits for future subscription pending the approval of said capital increase by the Securities and Exchange Commission.

Further, I also ascertain that the aforesaid paid-up capital was not originally disbursed by the corporation to the subscribers concerned in the form of loans and/or advances and subsequently paid back to the Corporation as their subsequent payments to the capital increase nor the same was subsequently disbursed or returned to them in the form of loans and/or advances.

Furthermore, I have checked and reconciled the cash balances per book and per bank and found that said account is in order and no major discrepancy.

In my opinion, the amount of Fifteen Million Five Hundred Thousand Pesos (15,500,000.00), representing the CASH paid-up capital for the subject increase in authorized capital stock was duly received, deposited and properly recorded in the books of the corporation. Thus, the same constitutes fresh and additional capital of the corporation.

EMLlana

ELIZABETH M LLANA
CPA Cert. no. 35043
PTR. No. 6370997 issued on 01/11/2011 in Taytay, Rizal
BOA Registration No. 3704 valid up to 12/31/13
TIN No. 109-950-924-000

KING ENERGY GENERATION INC.
G/F Divine Savior Building 102 Juan Luna St., Davao

ACKNOWLEDGEMENT RECEIPT

This is to acknowledged receipt the amount of **Fifteen Million Five Hundred Thousand Pesos (P 15,500,000.00)**, from the following stockholders in partial payment of their respective subscriptions to the capital increase of KING ENERGY GENERATION INC. from Two Million Pesos (P2,000,000.00) to Two Hundred Fifty Million (P250,000,000.00) Pesos

Name	Date	OR No.	Amount
Edgardo L. Salvame	Aug. 31 2011, Sept. 6, 2011 and on Sept 15, 2011	Acknowledgement receipt	4,650,000.00
Rosalie A. Salvame	-do-	-do-	3,875,000.00
Zhuang Fei Long	-do-	-do-	2,325,000.00
Chong Man Ping	-do-	-do-	2,325,000.00
Raymond Ang	-do-	-do-	1,550,000.00
Sally Ang	-do-	-do-	775,000.00
Total			P 15,500,000.00

Rosalie A. Salvame
Treasurer

DEPOSITORS			ACCOUNT NUMBER	
DATE	TC	WITHDRAWAL	DEPOSIT	BALANCE
BALANCE FORWARDED				335,729.68
1 05-31-11	WT	35.93		335,693.75
2 06-30-11	INT		137.95	335,831.70
3 06-30-11	WT	27.59		335,804.11
4 07-11-11	ZBD	89,615.00		246,189.11
6 07-29-11	INT		118.04	246,307.15
7 07-29-11	WT	23.61		246,283.54
9 08-31-11	CM		15,000,000.00	15,246,283.54
10 08-31-11	INT		104.58	15,246,388.12
11 08-31-11	WT	20.92		15,246,367.20
12 09-06-11	CM		450,000.00	15,696,367.20
14 09-15-11	CM		50,000.00	15,746,367.20

BDO

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PRESENT THIS PASSBOOK WHENEVER DEPOSITS OR WITHDRAWALS ARE MADE. NOTIFY THE BANK OF ANY CHANGE OF ADDRESS OR STATUS. NOTIFY THE BANK IMMEDIATELY IF PASSBOOK IS LOST OR STOLEN.

410: RIZAL AVENUE - BAMBANG

11-22-10

SAVINGS ACCOUNT NO. 4100052122

NAME KING ENERGY GENERATION INC

ADDRESS G/F DIVINE SAVIOR BLDG 102 JUAN LUNA ST DAVAO CITY

RULES AND REGULATIONS

1. OPENING A SAVINGS ACCOUNT - Any person seven (7) years of age or more and not suffering from any legal disability other than minority may open a personal savings account in Banco De Oro. A father and/or mother may open a parental savings account for each of their/his/her minor children, and such account remains under the exclusive control of the parent/s until the child/minor reaches legal age, in which case, exclusive control passes to the child, unless it is ordered by the parent/s at the time of account opening that withdrawal can be made by the child/minor also.

   Any guardian, trustee or administrator may also open a savings account for each person or estate committed to his care. Accounts opened under more than one name shall be subject to the conditions, together with all modifications thereof, contained in the Terms and Conditions Governing Deposit Accounts signed by the depositors during account opening.

   The initial deposit and the minimum subsequent deposits must be at least in such amount as may be reasonably determined by the Bank. Second endorsed checks are not acceptable as deposits.

2. DEPOSIT PASSBOOK - Upon opening of a savings account, the Bank will furnish the depositor a deposit passbook in which all deposits and withdrawals made by the depositor will be entered by the Bank. A depositor must, under no circumstances, write anything on the passbook as the Bank will not be responsible for any sum not properly recorded and acknowledged thereon. No entries other than those effected by the Bank itself shall be recorded in the passbook. In the event of any discrepancy between the entries in the passbook and those appearing in the records of the Bank, the latter shall prevail.

   No deposit or withdrawal will be permitted by the Bank unless the passbook is presented by the Depositor. The savings passbook should be carefully kept by the depositor. If the passbook is lost, mislaid or stolen, the Bank should be immediately notified by the depositor in writing by executing an Affidavit/Declaration of Loss to be duly notarized and submitted to the Bank. Consequently, the Bank will not be held liable for payments made to any person who shall present such passbook if no Affidavit/Declaration of Loss was submitted by the depositor prior to the payment.

   The savings account may be closed and a new account opened or a replacement passbook may be issued under the old account number, at the option of the depositor. In either case, the Bank will enter the balance outstanding to the depositor's credit as shown in the books of the Bank.

3. DEPOSIT TRANSACTIONS - All deposits must be made by the depositor personally or by his representative by accurately filling out a deposit slip and presenting it, together with the passbook, to the Bank. If the depositor is unable to write for some reason, he must have the form filled-out by any person other than an employee of the Bank. The Bank shall not be liable for losses caused by any and all inaccuracies in filling out the deposit slip. The minimum amount acceptable for subsequent deposit shall be such as may be fixed by the Bank for all savings accounts.

   Deposit of checks, drafts, money orders and treasury warrants shall be accepted by the Bank conditionally, i.e., as subject to collection only and shall not be considered as credited to the depositor's account until the proceeds thereof shall have been definitely received by or credited to the Bank. The Bank shall not be responsible for the loss or pilferage thereof in transit. The depositor is not entitled to be credited for or withdraw the amount corresponding to the said items unless cleared funds have been actually received by or credited to the Bank. If the Bank fails to realize the value of the item by reason of the loss or forgery or any other cause of dishonor, the Bank is entitled at any time to charge back the amount credited or demand reimbursement from the depositor of such amount. All endorsements and/or lack of endorsements on the items deposited are guaranteed by the depositor.

   The Bank may, at its discretion, refuse to accept deposits or at any time return all or part of a deposit together with the interest due.

REPUBLIC OF THE PHILIPPINES
SECURITIES AND EXCHANGE COMMISSION
SEC Building, EDSA, Greenhills
City of Mandaluyong, Metro Manila

COMPANY REG. NO. CS201019693

CERTIFICATE OF APPROVAL OF INCREASE OF CAPITAL STOCK

KNOW ALL PERSONS BY THESE PRESENTS:

This is to certify that the increase of capital stock of the

KING ENERGY GENERATION INC.

from **P250,000,000.00** divided into **2,500,000** shares of the par value of **P100.00** each to **P450,000,000.00** divided into **4,500,000** shares of the par value of **P100.00** each, approved by majority Board of Directors and the vote of the stockholders owning or representing at least two-thirds of the outstanding capital stock at a meeting held on **December 12, 2014** certified to by the Chairman and the Secretary of the stockholders meeting and a majority of the Board of Directors of the corporation, was approved by the Commission on the date indicated hereunder in accordance with the provision of Section 38 of the Corporation Code of the Philippines (Batas Pambansa Blg. 68), approved on May 1, 1980. A copy of the Certificate of Increase of Capital Stock filed with the Commission is attached hereto.

IN WITNESS WHEREOF, I have hereunto set my hand and caused the seal of this Commission to be affixed to this Certificate at Mandaluyong City, Metro Manila, Philippines, this 17th day of April, Twenty Fifteen.

FERDINAND B. SALES
Director
Company Registration and Monitoring Department

COVER SHEET

COMPANY REGISTRATION AND MONITORING DEPARTMENT (CRMD)

Nature of Application

INCREASE IN CAPITAL

SEC Registration Number

C S 2 0 1 0 1 9 6 9 3

Company Name

KING ENERGY GENERATION INC.

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

MISAMIS ORIENTAL POWER PLANT (MOPP1), BRGY. SAN LUIS, GINGOOG CITY

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number/s	Company's Fascimile Number/s
N/A	N/A	N/A

Contact Person Information

Name of Contact Person	Email Address	Telephone Number	Facsimile Number
Rosalie A. Salvame	N/A	227-7104	N/A

Contact Person's Address

176 2nd St. 6th Avenue, Grace Park, Caloocan City

To be accomplished by CRMD Personnel

		Date	Signature
Assigned Processor:			

Document I.D.

Received by **Corporate Filling and Records Division (CFRD)**

Forwarded to:

- [ ] Corporate and Partnership Registration Division (CPRD)
- [ ] Green Lane Unit (GL)
- [ ] Financial Analysis and Audit Division (FAAD)
- [ ] Licensing Unit (LU)
- [ ] Compliance Monitoring Division (CMD)

SECURITIES AND EXCHANGE COMMISSION
SATELLITE OFFICE
4/15/15
RECEIVED BY

CERTIFICATE OF INCREASE OF CAPITAL STOCK OF

KING ENERGY GENERATION INC.

KNOW ALL MEN BY THESE PRESENTS:

That, we, the undersigned, the Chairman and the Secretary of the stockholder's meeting and majority of the members of the Board of Directors of the above-named corporation, organized and existing under and by virtue of the laws of the Philippines do hereby CERTIFY:

1 That at the meeting of the stockholder's of the said corporation held at the principal office on Dec. 12, 2014 at which meeting there was a quorum, the stockholders representing at least two-thirds (2/3) of the outstanding capital stock in person or by proxy, approved the increase of the corporation's authorized capital stock from TWO HUNDRED FIFTY MILLION PESOS Php (250,000,000.00) divided into TWO MILLION FIVE HUNDRED THOUSAND SHARES (2,500,000) with a par value of Php (100) per share to:

FOUR HUNDRED FIFTY MILLION PESOS Php 450,000,000.00 divided into FOUR MILLION FIVE HUNDRED THOUSAND (4,500,000) shares with a par value of Php (100) per share.

2 That the increase was likewise approved by at least majority of the directors at the meeting held on Dec. 12, 2014

3 That of the TWO HUNDRED MILLION PESOS Php(200,000,000.00) increase in authorized capital stock, the amount of TWO HUNDRED MILLION PESOS Php(200,000,000.00) has been actually subscribed by the subscribers hereunder, and of said subscription, the amount of TWO HUNDRED MILLION PESOS Php(200,000,000.00) has been actually paid in cash/real/ property/ies and equipment / stock dividend / via conversion of liabilities into equity as follows;

Name of Subscriber	Nationality	Subscribed No. of Shares	Amount	Amount Paid
EDGARDO SALVAME	Filipino	600,000	60,000,000.00	60,000,000.00
ROSALIE SALVAME	Filipino	500,000	50,000,000.00	50,000,000.00
ZHUANG FEI LONG	Chinese	300,000	30,000,000.00	30,000,000.00
CHONG MAN PING	Chinese	300,000	30,000,000.00	30,000,000.00
RAYMOND ANG	Filipino	200,000	20,000,000.00	20,000,000.00
SALLY ANG	Filipino	100,000	10,000,000.00	10,000,000.00
	TOTAL:	2,000,000	200,000,000.00	200,000,000.00

4 That the total actual indebtedness of the corporation as of the date of the meeting amounts to Php 312,560,785.70

5 That no bonded indebtedness has been, created or increased as of the date of the stockholders' meeting;

6 That the requirements of Section 38 of the Corporation Code of the Philippines has been complied with;

7 That further:

☑ The increase of capital stock paid by conversion into equity has been approved by the stockholders representing two-thirds (203) of the outstanding capital stock in accordance with Section 39 of the Corporation Code of the Philippines.

☐ That the increase of capital stock paid by way of stock dividends has been approved by the the stockholders representing two-thirds (2/3) of the outstanding capital stock in accordance with Section 43 of the Corporation Code of the Philippines.

IN WITNESS WHEREOF, we have hereunto set our hands this 15th day of December ,2014 at Davao City Philippines.

EDGARDO SALVAME TIN: 213-368-026	ROSALIE SALVAME TIN: 109-922-279
ZHUANG FEI LONG TIN: 420-706-544	CHONG MAN PING TIN: 420-706-896
RAYMOND ANG TIN: 187-682-065	TIN:
TIN:	TIN:
TIN:	TIN:

COUNTERSIGNED

EDGARDO SALVAME
CHAIRMAN of Stockholder's Meeting

ROSALIE SALVAME
SECRETARY of Stockholders' Meeting

*Print Name of the Director Below the Signature

Republic of the Philippines)
QUEZON CITY) S.S.

TREASURER'S AFFIDAVIT

ROSALIE SALVAME , after first being sworn deposes and says:

That he/she was elected treasurer by the stockholders of KING ENERGY GENERATION INC. to act as such until his/her successor has been duly elected and qualified in accordance with the by-laws of the corporation, and that he/she has been authorized to receive for the corporation all subscriptions paid in by the subscribers for the capital; that out of the net increase in capital stock, shares worth TWO HUNDRED MILLION PESOS Php 200,000,000.00 , has been actually subscribed and that of said subscription TWO HUNDRED MILLION PESOS Php 200,000,000.00 in cash / real property / machineries and equipment / stock dividend / via conversion of liabilities into equity, has been actually paid to him/her for the benefit and to the credit of the corporation; and that at least twenty-five per centum (25%) of the net increase in authorized capital has been subscribed and that at least twenty-five per centum (25%) of such subscription has been actually paid to him for the benefit and to the credit of the corporation and that said payment represents fresh and additional paid in capital of the corporation

ROSALIE SALVAME
Treasurer

SUBSCRIBED AND SWORN to before me this ______ day of MAR 17 2015 2014 affiant exhibiting to me his TIN / ID / Passport No. 109-022-279

Doc. No. 418
Page No. 4
Book No. 30
Series of 2014

JOEL G. GORDOLA
NOTARY PUBLIC
ROLL No. 25103
ADM. No. NP-056
UNIT 1-878 QUIRINO HIWAY GULOD
NOVALICHES QUEZON CITY
IBP No. 0982685-1-9-15 Q.C.
PTR No. 0560686-1-5-15 Q.C.
MCLE No. V-0001531-1-22-14

Republic of the Philippines)
____________________) S.S
QUEZON CITY

SECRETARY'S CERTIFICATE
(List of Stockholders of Records)

I, **ROSALIE SALVAME** , as the duly elected and qualified Corporate Secretary of

KING ENERGY GENERATION INC.

(the Corporation) hereby certify that the stockholders of record of the corporation as of Dec. 12 2014 (date of stockholders' meeting approving the increase of capital are:

	Name of Subscriber	Nationality	Subscribed No. of Shares	Amount	Amount Paid
1	EDGARDO SALVAME	Filipino	750,000	75,000,000.00	75,000,000.00
2	ROSALIE SALVAME	Filipino	625,000	62,500,000.00	62,500,000.00
3	ZHUANG FEI LONG	Chinese	375,000	37,500,000.00	37,500,000.00
4	CHONG MAN PING	Chinese	375,000	37,500,000.00	37,500,000.00
5	RAYMOND ANG	Filipino	250,000	25,000,000.00	25,000,000.00
6	SALLY ANG	Filipino	125,000	12,500,000.00	12,500,000.00
7			-	-	-
8					
9					
10					
11					
12					
13					
14					
15					
	TOTAL		2,500,000	250,000,000.00	250,000,000.00

Davao City City, 15th day of December , 2014

ROSALIE SALVAME
Corporate Secretary

SUBSCRIBED AND SWORN to before me this MAR 17 2015 day of ________ 2014 at QUEZON CITY Affiants exhibiting to me their TIN/ ID/ Passport No. 109-022-279 place and dates of issue indicated below their signatures.

JOEL G. CORDOLA
NOTARY PUBLIC
ROLL No. 25103
ADM. No. NP-056
NOTARY PUBLIC
UNIT 1-878 QUIRINO HIWAY GULOD
NOVALICHES QUEZON CITY
IBP No. 0982685-1-9-15 Q.C.

Doc. No. ____
Page No. ____
Book No. ____
Series of 2014

Republic of the Philippines)
QUEZON CITY) S.S.

SECRETARY'S CERTIFICATE

I ROSALIE SALVAME , of legal age, single/married, a resident of 176 2nd Street 6th Avenue, Grace Park, Caloocan City being duly sworn, depose and say:

I am the duly elected Corporate Secretary of : KING ENERGY GENERATION INC.

At a meeting held on Dec. 12 , 2014, the board of directors and stockholders of the Corporation have approved the increase of its authorized capital stock to FOUR HUNDRED FIFTY MILLION PESOS Php 450,000,000.00 divided into FOUR MILLION FIVE HUNDRED THOUSAND 4,500,000 shares, with a par value of ONE PESO Php 100 , per share

In connection with said increase of capital, I hereby certify that all non-subscribing stockholder(s) has.have waived his/her/their pre-emptive right(s) to subscribed

I further certify that from the time of such stockholders and directors' approval of the increase in capital stock up to the filing of the application for increase of capital stock with the commission, to the best of my knowledge, no action or proceeding has been filed or is pending before any Court involving an intra-corporate dispute and/or claim by any person or group against the Board of Directors, individual directors and/or major corporate officers of the corporation as its duly elected and/or appointed directors or officers or vice versa.

IN WITNESS WHEREOF, we have hereunto set our hands this 15TH day of December ,2014 at Davao City Philippines.

ROSALIE SALVAME
Corporate Secretary

SUBSCRIBED AND SWORN to before me this day of MAR 17 2015 2014 affiant exhibiting to me his TIN / ID / Passport No. 109-022-279

JOEL G. GORDOLA
NOTARY PUBLIC
ROLL NO. [illegible]
NOTARY PUBLIC
ADM. No. NP-056
UNIT 1-878 QUIRINO HIWAY GULOD
NOVALICHES QUEZON CITY
IBP No. 0982685-1-9-15 Q.C.
PTR No. 0560686-1-5-15 Q.C.
MCLE No. V-0001531-1-22-16

Doc. No. 459
Page No. 92
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LIST OF STOCKHOLDERS WHOM SUBSCRIBED TO ADDITIONAL 1,860,000 SHARES
TO INCREASE THE SUBSCRIPTION FROM P64,000,000.00 TO 250,000,000.00

Name	Nationality	No of Share Subscribed	Amount Subscribed	Amount Paid
EDGARDO SALVAME	Filipino	558,000	55,800,000.00	55,800,000.00
ROSALIE SALVAME	Filipino	465,000	46,500.000.00	46,500,000.00
ZHUANG FEI LONG	Chinese	279,000	27,900,000.00	27,900.000.00
CHONG MAN PING	Chinese	279,000	27,900,000.00	27,900.000.00
RAYMOND ANG	Filipino	186,000	18,600,000.00	18,600,000.00
SALLY ANG	Filipino	93,000	9,300,000.00	9,300,000.00
	TOTAL:	1,860,000	186,000,000.00	186,000,000.00

LIST OF STOCKHOLDERS AFTER
THE INCREASE OF SUBSCRIPTION

Name	Nationality	No of Share Subscribed	Amount Subscribed	Amount Paid
EDGARDO SALVAME	Filipino	750,000	75,000,000.00	75,000,000.00
ROSALIE SALVAME	Filipino	625,000	62,500,000.00	62,500.000.00
ZHUANG FEI LONG	Chinese	375,000	37,500,000.00	37,500.000.00
CHONG MAN PING	Chinese	375,000	37,500,000.00	37,500.000.00
RAYMOND ANG	Filipino	250,000	25,000,000.00	25,000,000.00
SALLY ANG	Filipino	125,000	12,500,000.00	12,500,000.00
	TOTAL:	2,500,000	250,000,000.00	250,000,000.00

Prepared By:

ROSALIE SALVAME
Treasurer

Certified Correct By:

EDGARDO SALVAME
Chairman/President

Subscribed and sworn to before me this FEB 24 2015
Affiant exhibited to me his/her CTC No. ____
issued on ____ at ____

JOEL G. GORDOLA
NOTARY PUBLIC
ROLL No. 25103
ADM. No. NP-058
UNIT 1-9... FILIPINO HIWAY GULOD
NOVALICHES QUEZON CITY
IBP No. ...

DOC. NO. 07
PAGE NO. 02
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SERIES OF 15

7

REPUBLIC OF THE PHILIPPINES
SECURITIES AND EXCHANGE COMMISSION
Ground Floor, Secretariat Building, PICC
City of Pasay, Metro Manila

COMPANY REG. NO. CS201019693

CERTIFICATE OF APPROVAL OF INCREASE OF CAPITAL STOCK

KNOW ALL PERSONS BY THESE PRESENTS:

This is to certify that the increase of capital stock of the

KING ENERGY GENERATION INC.

from P750,000,000.00 divided into 7,500,000 shares of the par value of P100.00 each, to P3,000,000,000.00 divided into 30,000,000 shares of the par value of P100.00 each, approved by majority of the Board of Directors and by the vote of the stockholders owning or representing at least two-thirds of the outstanding capital stock at a meeting held on December 4, 2020 certified to by the Chairman and the Secretary of the stockholders meeting and a majority of the Board of Directors of the corporation, was approved by the Commission on the date indicated hereunder in accordance with the provision of Section 37 of the Revised Corporation Code of the Philippines, Republic Act No. 11232, which took effect on February 23, 2019. A copy of the Certificate of Increase of Capital Stock filed with the Commission is attached hereto.

IN WITNESS WHEREOF, I have hereunto set my hand and caused the seal of this Commission to be affixed to this Certificate at Pasay City, Metro Manila, Philippines, this 8th day of January, Twenty Twenty One.

GERARDO F. DEL ROSARIO
Director
Company Registration and Monitoring Department

MB/ioo

COVER SHEET

COMPANY REGISTRATION AND MONITORING DEPARTMENT

Nature of Application: Amended Article of Incorporation

SEC Registration Number:

KING ENERGY GENERATION, INC.

MISAMIS ORIENTAL POWER PLANT
BRGY. SAN LUIS GINGOOG CITY.

MISAMIS ORIENTAL POWER PLANT
BRGY. SAN LUIS GINGOOG CITY.

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number/s	Mobile Number

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
JOHN PERRY MARZO			9177329114

To be accomplished by CRMD Personnel

	Date	Signature
Assigned Processor		

Document I.D.

Received by **Corporate Filing and Records Division (CFRD)**

Forwarded to:

- [ ] Corporate and Partnership Registration Division
- [ ] Greenlane Unit
- [ ] Financial Analysis and Audit Division
- [ ] Licensing Unit
- [ ] Compliance Monitoring Division

CERTIFICATE OF INCREASE OF CAPITAL STOCK

OF

KING ENERGY GENERATION, INC.

SECURITIES AND EXCHANGE COMMISSION
CRMD
1-8-2021
RECEIVED
By: Time:

KNOW ALL MEN BY THESE PRESENTS:

That, we, the undersign, the Chairman and the Secretary of the Stockholder's meeting and majority of the members of the Board of Directors of the above-named corporation, organized and existing under and by virtue of the laws of the Philippines do hereby CERTIFY:

1. That at the meeting of the stockholders of the said corporation held at the principal office on December 4, 2020 at which meeting there was a quorum, the stockholders representing at least two-thirds (2/3) of the outstanding capital stock in person or by proxy, approved the increase of the corporation's authorized capital stock from **Seven Hundred Fifty Million Pesos Only (P750,000,000.00)** divided into **Seven Million Five Hundred Thousand (7,500,000)** shares, with par value of **One Hundred (P 100.00)** per share to **Three Billion Pesos (P 3,000,000,000.00) divided into Thirty Million (30,000,000)** shares with a par value of **One Hundred (P100.00)** pesos per share;

2. That the increase was likewise approved by atleast majority of the directors at the meeting held on December 4, 2020.

3. That of the net increase in the authorized capital stock of **Two Billion Two Hundred Fifty Million Pesos Only (P 2,250,000,000.00)** the amount of **Seven Hundred Fifty Million Pesos (P750,000,000.00)** has been actually subscribed by the subscribers indicated hereunder, and of said subscription, the amount **Seven Hundred Fifty Million Pesos (P750,000,000.00)** has been actually paid in cash/ real property / machineries and equipment / stock dividend / via conversion of liabilities into equity, as follows:

IN WITNESS WHEREOF, we have hereunto set our hands this 14th day of December 2020 at Cagayan de Oro City, Philippines.

EDGARDO L. SALVAME	**ROSALIE A. SALVAME**
TIN: 213-368-028	TIN: 109-022-270
ZHUANG FEI LONG	**CHONG MAN PING**
TIN: 420-706-544	TIN: 420-706-896
RAYMOND B. ANG	**SALLY O. ANG**
TIN: 167-682-065	TIN: 923-609-539

COUNTERSIGNED:

EDGARDO L. SALVAME

Chairman of Stockholder's Meeting

ROSALIE A. SALVAME

Secretary of Stockholder's Meeting

*PRINT NAME BELOW SIGNATURE

Name of Subscriber	Nationality	No. of Shares	Subscribed Amount	Amount Paid
EDGARDO LIM SALVAME	FILIPINO	2,250,000	225,000,000	225,000,000.00
ROSALIE ANG SALVAME	FILIPINO	1,875,000	187,500,000	187,500,000.00
ZHUANG FEI LONG	CHINESE	1,125,000	112,500,000	112,500,000.00
CHONG MAN PING	CHINESE	1,125,000	112,500,000.00	112,500,000.00
RAYMOND BRIÑAS ANG	FILIPINO	750,000	75,000,000.00	75,000,000.00
SALLY OLAER ANG	FILIPINO	375,000	37,500,000.00	37,500,000.00
	TOTAL:	**7,500,000**	**750,000,000.00**	**750,000,000.00**

4. That the total actual indebtedness of the corporation as of the date of meeting amounts to P 2,137,469,946.00 .

5. That no bounded indebtedness has been incurred, created or increased as of the date of stockholder's meeting;

6. That the requirements of Sec. 37 of the Revised Corporation Code of the Philippines has been complied with;

7. That further:

- [x] The increase of capital stock paid by conversion into equity has been approved by the stockholders representing two-thirds (2/3) of the outstanding capital stock in accordance with Section 39 of the Corporation Code of the Philippines.

- [ ] That the increase of capital stock paid by way of stock dividends has been approved by the stockholders representing two-thirds (2/3) of the outstanding capital stock in accordance with Section 43 of the Corporation Code of the Philippines.

Republic of the Philippines)
City of Cagayan de Oro)S.S.

TREASURER'S AFFIDAVIT

I, **ROSALIE A. SALVAME**, after first being sworn deposes and says:

That I was elected treasurer by the stockholders of **KING ENERGY GENERATION, INC.**, to act as such, until my successor has been duly elected and qualified in accordance with the by-laws of the corporation, and that I have been authorized to receive for the corporation all subscriptions paid in by the subscribers for the capital; that out of the net increase in capital stock, shares worth of **Seven Hundred Fifty Million Pesos (P750,000,000.00)** has been actually subscribed and that of said subscription of **Seven Hundred Fifty Million Pesos (P750,000,000.00)** in cash/ real property/ machineries and equipment/ stock dividend/ via conversion of liabilities into equity, has been actually paid to him/her for the benefit and to the credit of the corporation; and that at least twenty-five per centum (25%) of the net increase in authorized capital has been subscribed and that at least twenty-five per centum (25%) of such subscription has been actually paid to him for the benefit and to the credit of the corporation and that said payment represents fresh and additional paid in capital of the corporation.

ROSALIE A. SALVAME
Treasurer

SUBSCRIBED AND SWORN to before me this 14th day of December 2020 at Cagayan de Oro City, Philippines, by affiant exhibiting to me her Tax Identification with number 109-022-270.

Doc No. 313 ;
Page No. 63 ;
Book No. XXVIII ;
Series of 2020 .

ATTY. MARITES F. SANGUAL
NOTARY PUBLIC NC-2020-138 UNTIL 12-31-21
IBP NO. 105694; 2-6-2020; MIS.OR.
PTR NO. 10417412; 1-20-2020; MIS.OR.
ROLL NO. 60155, 03-22-2012
MCLE Compliance NO. VI-0003983; 11-3-17; CDOC
TIN NO. 418-205-315

Republic of the Philippines)
City of Cagayan de Oro) S. S

SECRETARY'S CERTIFICATE

(LIST OF STOCKHOLDERS RECORD)

I, **ROSALIE A. SALVAME,** as the duly elected and qualified Corporate Secretary of **KING ENERGY GENERATION INC.** (the Corporation) hereby certify that the stockholder of record of the corporation as of December 4, 2020 (date of stockholders' meeting approving the increase of capital are:

Name of Subscriber	Nationality	No. of Shares	Subscribed Amount	Amount Paid
EDGARDO L. SALVAME	FILIPINO	2,250,000	225,000,000.00	225,000,000.00
ROSALIE A. SALVAME	FILIPINO	1,875,000	187,500,000.00	187,500,000.00
ZHUANG FEI LONG	CHINESE	1,125,000	112,500,000.00	112,500,000.00
CHONG MAN PING	CHINESE	1,125,000	112,500,000.00	112,500,000.00
RAYMOND B. ANG	FILIPINO	750,000	75,000,000.00	75,000,000.00
SALLY O. ANG	FILIPINO	375,000	37,500,000.00	37,500,000.00
	TOTAL:	**7,500,000**	**750,000,000.00**	**750,000,000.00**

Cagayan de Oro City, Philippines, 14th day of December 2020.

Certified Correct:

ROSALIE A. SALVAME
Corporate Secretary

SUBSCRIBED AND SWORN to before me this 14th day of December 2020, in Cagayan de Oro City, Philippines, by affiant exhibiting to me her Tax Identification with number 109-022-270 as competent evidence of her identity.

Doc No. 314;
Page No. 63;
Book No. XXVIII;
Series of 2020

ATTY. MARITES F. SANGUAL
NOTARY PUBLIC NO. 2020-136 UNTIL 12-31-21
IBP NO. 105694; 2-6-2020; MIS.OR.
PTR NO. 10417412; 1-20-2020; MIS.OR.
ROLL NO. 60155, 05-22-2012
MCLE Compliance NO. VI-0003983; 11-3-17; CDOC
TIN NO. 418-205-315

DEED OF ASSIGNMENT OF ADVANCES

KNOW ALL MEN BY THESE PRESENTS:

WE, EDGARDO L. SALVAME (Filipino), **ROSALIE A. SALVAME** (Filipino), **ZHUANG FEI LONG** (Chinese), **CHONG MAN PING** (Chinese), **RAYMOND B. ANG** (Filipino), and **SALLY O. ANG** (Filipino), all of legal age and with mailing address at Misamis Oriental Power Plant (MOPP1) Brgy. San Luis, Gingoog City and hereinafter referred to as the ASSIGNORS,

IN FAVOR OF-

KING ENERGY GENERATION INC., a corporation duly organized and existing under the laws of the Philippines with principal address at Misamis Oriental Power Plant (MOPP1) Brgy., San Luis, Gingoog City, represented by the President, EDGARDO L. SALVAME, hereinafter referred to as the ASSIGNEE.

WITNESSETH: That

WHEREAS, ASSIGNORS, are stockholders of the ASSIGNEE.

WHEREAS, ASSIGNEE, in its desire to support the corporation, hereby increase its authorized capital stock from **Php750,000,000.00** to **Php3,000,000,000.00**.

WHEREAS, THE ASSIGNORS, has made an advance to the corporation in the amount of Php 750,000,000.00 received and booked by the ASSIGNEE, as Advances from the Stockholders.

WHEREAS, ASSIGNORS have offered to assign to the ASSIGNEE, the amount of SEVEN HUNDRED FIFTY MILLION PESOS (Php 750,000,000.00), as payment for their subscription and the ASSIGNEE, agree to accept the same.

NOW, THEREFORE, for and in consideration of the foregoing premises, ASSIGNORS HEREBY TRANSFER, CONVEYS and ASSIGNS unto the ASSIGNEE, its successors-in-interest, executors and assigns, all their common rights, title and interest over the above mentioned advances, free from any lien or encumbrances, to be treated as payment for subscription. Details as follows:

Name	Nationality	# of shares	Subscribed Amount	Amount Paid
EDGARDO L. SALVAME	FILIPINO	2,250,000	225,000,000.00	225,000,000.00
ROSALIE A. SALVAME	FILIPINO	1,875,000	187,500,000.00	187,500,000.00
ZHUANG FEI LONG	CHINESE	1,125,000	112,500,000.00	112,500,000.00
CHONG MAN PIN	CHINESE	1,125,000	112,500,000.00	112,500,000.00
RAYMOND B. ANG	FILIPINO	750,000	75,000,000.00	75,000,000.00
SALLY O. ANG	FILIPINO	375,000	37,500,000.00	37,500,000.00
TOTAL		**7,500,000**	**750,000,000.00**	**750,000,000.00**

IN WITNESS WHEREOF, ASSIGNORS, have hereunto set their hands on this 14th day of December 2020 at Cagayan de Oro City, Philippines.

EDGARDO L. SALVAME
Assignor

ROSALIE A. SALVAME
Assignor

ZHUANG FEI LONG
Assignor

CHONG MAN PING
Assignor

RAYMOND B. ANG
Assignor

SALLY O. ANG
Assignor

KING ENERGY GENERATION INC.
Assignee
Represented by:

EDGARDO L. SALVAME
President

Signed in the presence of:

JOY LINA M. GALASANAY and ____________________

ACKNOWLEDGMENT

Republic of the Philippines)
City of Cagayan de Oro) S.S

BEFORE ME, a Notary Public for and in Cagayan de Oro City, Philippines, on this 14th day of December 2020, at Cagayan de Oro City, Philippines, personally appeared:

Name	TIN
EDGARDO L. SALVAME	213-368-028
ROSALIE A. SALVAME	109-022-270
ZHUANG FEI LONG	420-706-544
CHONG MAN PING	420-706-896
RAYMOND B. ANG	167-682-065
SALLY O. ANG	923-609-539

Known to me and to me known to be the same persons who executed the foregoing Deed of Assignment of Advances and acknowledged to me that the same are their free and voluntary act and deed.

Doc. No. 3/2 ;
Page No. 63 ;
Book No. XXVIII ;
Series of 2020 .

ATTY. MARITES F. SANGUAL
NOTARY PUBLIC NC-2020-136 UNTIL 12-31-21
IBP NO. 105694; 2-6-2020; MIS.OR.
PTR NO. 10417412; 1-20-2020; MIS.OR.
ROLL NO. 60155; 03-22-2012
MCLE Compliance NO. VI-0003983; 11-3-17; CDOC
TIN NO. 418-205-315

Republic of the Philippines)
) S.S

SECRETARY'S CERTIFICATE

I, **ROSALIE A. SALVAME,** Filipino, of legal age, and with address at 176 2nd St., 6th Ave. Grace Park, Caloocan city, under oath state that:

1. I am the duly elected and qualified Corporate Secretary of **KING ENERGY GENERATION, INC** (the "Corporation"), a corporation duly organized and existing under and by virtue of the laws of the Republic of the Philippines, with principal office at Misamis Oriental Power Plant (MOPP1) Brgy. San Luis Gingoog City.

2. At a meeting held on 04 December 2020, at which a quorum was present, the Board of Directors and stockholders of the Corporation approved the increase of its Authorized Capital Stock from **Seven Hundred Fifty Million Pesos (P750,000,000.00)** divided into **Seven Million Five Hundred Thousand (7,500,000.00)** shares, with par value of **One Hundred Pesos (P 100.00)** per share to **Three Billion Pesos (P 3,000,000,000.00) divided into Thirty Million (30,000,000)** shares with a par value of **One Hundred Pesos (P100.00)** per share.

3. In connection with the said increase, I hereby certify that all non-subscribing stockholder(s) have waived their pre-emptive right(s) to subscribe thereto.

IN WITNESS WHEREOF, I have hereunto set my hand this 14th day of December 2020 in Cagayan de Oro City, Philippines.

ROSALIE A. SALVAME
Corporate Secretary

SUBSCRIBED AND SWORN to before me this 14th day of December 2020 at Cagayan de Oro City, Philippines, by affiant exhibiting to me her Tax Identification with number 109-022-270.

NOTARY PUBLIC

ATTY. JOSHUA P. LAPUZ
Notary Public for and in Makati City
Appointment No. M-66 until 12/31/2021
PTR No. 8116016, Jan. 2, 2020, Makati City
Roll No. 45790, IBP Lifetime N. 04897
MCLE No VI-0016565 / Jan. 14, 2019
G/F Fedman Suites, 199 Salcedo Street,
Legaspi Village, Makati City

Doc No. 277;
Page No. 57;
Book No. 204;
Series of 2020

Republic of the Philippines)
City of Cagayan de Oro) S.S

SECRETARY'S CERTIFICATE

I, ROSALIE A. SALVAME , of legal age, married, a resident of 176 2nd St., 6th Avenue, Grace Park, Caloocan City, being duly sworn, depose and say:

I am duly elected Corporate Secretary of:

KING ENERGY GENERATION INC.

At a meeting held on December 4, 2020, the board of directors and stockholder of the Corporation have approved the increase of its authorized capital stock to **THREE BILLION PESOS (Php 3,000,000,000.00)** divided into **THIRTY MILLION , (30,000,000.00)** shares, with par value of **One Hundred Pesos (Php 100.00)**, per share.

In connection with said increase of capital, I hereby certify that all non-subscribing stockholder(s) has have waived his/her/ their pre-emptive right(s) to subscribe.

I further certify that from the time of such stockholder and directors' approval of the increase in capital stock up to the filing of the application for increase of capital stock with the commission, to the best of my knowledge, no action or proceeding has been filed or is pending before any Court involving an intra-corporate dispute and/or claim by any person or group against the Board of Directors, individual directors and/or major corporate officers of the corporation as its duly elected and/or appointed directors or officers or vice versa.

IN WITNESS WHEREOF, we have hereunto set our hands this 14th day of December 2020 at Cagayan de Oro City, Philippines.

ROSALIE A. SALVAME
Corporate Secretary

SUBSCRIBED AND SWORN to before me this 14th day of December 2020 at Cagayan de Oro City, Philippines, by affiant exhibiting to me her TIN ID No. 109 022-270.

Doc. No. 315 ;
Page No. 63 ;
Book No. XXVIII ;
Series of 2020 .

ATTY. MARITES F. SANGUAL
NOTARY PUBLIC NC-2020-136 UNTIL 12-31-21
IBP NO. 105694; 2-6-2020; MIS.OR.
PTR NO. 10417412; 1-20-2020; MIS.OR.
ROLL NO. 60155, 03-22-2012
MCLE Compliance NO. VI-0003983; 11-3-17; CDOC
TIN NO. 418-205-315

Financial Information

	2021	2020	2019
Cash	155,295,077	124,056,712	126,233,749
Generation Plant, Property and Equipment	3,871,181,013	4,164,856,134	4,348,990,503
Current Assets	850,374,956	758,696,573	805,973,064
Total Assets	4,470,965,019	4,947,107,908	5,259,914,970
Current Liabilities	666,693,702	664,476,482	752,724,312
Loans and Borrowings, Current and NonCurrent	745,355,942	952,083,333	1,522,083,333
Equity	3,135,598,316	3,050,827,547	843,760,634
Capital Stock	2,569,600,000	750,000,000	750,000,000
Share Premium	337,469,946	0.00	0.00
Deposit for Future Subscription	0.00	2,137,469,946	0.00
Retained Earnings	228,566,802	163,357,601	93,760,634
Sale of Power	1,078,296,268	1,013,735,821	1,021,044,070
Cost of Service	771,023,575	665,701,520	681,767,630
Operating Expenses	132,894,248	107,342,035	79,607,030
Finance Cost	78,901,330	141,968,054	259,669,410
Total Comprehensive Income	65,170,769	69,596,967	80,004,587
Cash Inflow from Operating Activities	246,189,743	253,665,165	362,519,966
Cash Outflow for Investing Activities	27,823,987	37,092,202	46,109,401

Cash Outflow for Financing Activities	187,127,391	218,750,000	250,000,000

Below is the Interim Financial Statement of KEGI as of March 31, 2022:

KING ENERGY GENERATION, INC
Brgy. San Luis, Gingoog City, Misamis Oriental

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  March 31, 2022
  (With Comparative Figures for 2021)
  - Statement of Financial Position
  - Statement of Income
  - Statement of Changes in Equity
  - Statement of Cash Flows
  - Notes to Financial Statements

KING ENERGY GENERATION INC.
"Efficiently providing you the most reliable source of energy"
KING ENERGY GENERATION INC.
Misamis Oriental Power Plant (MOPP1) Brgy. San Luis, Gingoog City, Misamis Oriental
*Cellular No. 0917 7140 584
*Telephone No. (088) 858-3542
*Email: kegi@kingenergy.info
*Website: www.kingenergy.info

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **KING ENERGY GENERATION, INC.** (the Company) is responsible for the preparation and fair presentation of the financial statements, including the schedules attached therein, for the quarters ended March 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 financial statements that are free from material misstatement, whether due to fraud or error.

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

BACONGA PATRIANA & CO., the independent auditors appointed by the stockholders, has audited the financial statements of the Company for the quarter ended March 31, 2022 in accordance with Philippine Standards on Auditing, and in their report to the stockholders, have expressed their opinion on the fairness of presentation upon completion of such audit.

MR. EDGARDO L. SALVAME
CHIEF EXECUTIVE OFFICER / CHAIRMAN

MS. ROSALIE A. SALVAME
CHIEF FINANCIAL OFFICER / TREASURER

Signed this 30th day of June 2022

BP&Co.

BACONGA PATRIANA & Co.
Certified Public Accountants

PRC/BOA Accreditation No. 2431
SEC Accreditation No. 0393-F
NEA Accreditation No. 2013-10
Bangko Sentral ng Pilipinas (BSP) Accredited
CDA CEA No. 0027-AF

6th Floor TTK Tower
Imperial Appliance Plaza Bldg.
Don Apolinar Velez Street
9000 Cagayan de Oro City
Telefax No. +63 (08822) 714729 or 8566498
Email Address: cpas_bprcdo@yahoo.com.ph
Website: www.bpandcompany.com

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders
KING ENERGY GENERATION, INC.
San Luis, Gingoog City

Report on the Audit of the Financial Statements

Opinion
We have audited the financial statements of **KING ENERGY GENERATION, INC.** ("the Company"), which comprise the statement of financial position as at March 31, 2022, and the statement of income, changes in equity and cash flows for the quarter then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of **KING ENERGY GENERATION, INC.** as at March 31, 2022, and of its financial performance and its cash flows for the quarter then ended in accordance with Philippine Financial Reporting Standards (PFRSs).

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

Emphasis of Matter
We draw attention to Note 25 to the financial statements, which describes management's assessment of the impact of the COVID-19 pandemic to the Company's operations and performance as of March 31, 2022.

Our opinion is not modified in respect of this matter.

Other Matter
The statement of income, changes in equity and cash flows of **KING ENERGY GENERATION, INC.** for the quarter ended March 31, 2021 were unaudited. Our opinion is
of this matter.

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

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

BACONGA PATRIANA & CO.
By:

JESERIO C. LONON, JR.
Partner
CPA Certificate No. 0123245
TIN No. 948-861-793
PTR No. 5222193 A - January 5, 2022, Cagayan de Oro City
Partner's SEC Accreditation No. 1810-A, July 7, 2020 to July 7, 2023
BIR AN 16-005517-003-2019, July 16, 2019 to July 16, 2022

Firm BOA/PRC Cert. of Reg. No. 2431, September 15, 2020 to October 8, 2023
Firm SEC Accreditation No. 0393-F, July 7, 2020 to July 7, 2023
Firm CDA CEA No. 0027-AF, February 25, 2020 to February 24, 2023
Firm NEA Accreditation No. 2019-10-0006, October 30, 2019 to October 29, 2022
Firm BSP Selected External Auditors for Institutions under Category B
valid for 2021, 2022, 2023, 2024 and 2025 audited reports and AFS

Cagayan de Oro City
June 30, 2022

KING ENERGY GENERATION, INC.

STATEMENT OF FINANCIAL POSITION
March 31, 2022
(With Comparative Figures for December 31, 2021)

	Notes		2022		2021
ASSETS					
Noncurrent Assets					
Generation plant, property and equipment, *net*	5	P	3,797,936,953	P	3,871,181,013
Investment in associate	6		17,077,809		17,077,809
Deferred tax asset	21		2,115,241		2,115,241
Other noncurrent asset	7		216,000		216,000
Total Noncurrent Assets			3,817,346,003		3,890,590,063
Current Assets					
Cash	8		83,596,447		155,295,077
Trade and other receivables	9		591,025,794		550,563,941
Inventories	10		105,633,683		104,225,698
Prepayments and other current assets	11		39,698,760		40,290,240
Total Current Assets			819,954,684		850,374,956
TOTAL ASSETS		P	4,637,300,687	P	4,740,965,019
EQUITY AND LIABILITIES					
Equity		P	3,121,433,653	P	3,135,598,316
Noncurrent Liabilities					
Loans and borrowings, *net of current portion*	13		540,677,066		540,411,418
Trade and other payables, noncurrent	15		393,364,328		393,364,328
Retirement liabilities	14		4,394,555		4,897,255
Total Noncurrent Liabilities			938,435,949		938,673,001
Current Liabilities					
Loans and borrowings	13		153,809,185		204,944,524
Trade and other payables	15		422,054,528		460,181,806
Income tax payable			1,567,372		1,567,372
Total Current Liabilities			577,431,085		666,693,702
Total Liabilities			1,515,867,034		1,605,366,703
TOTAL LIABILITIES AND EQUITY		P	4,637,300,687	P	4,740,965,019

(The notes on pages 8 to 49 are an integral parts of these financial statements)

KING ENERGY GENERATION, INC.

STATEMENT OF INCOME
For the Quarter Ended March 31, 2022
(With Comparative Figures for March 31, 2021)

	Notes		2022		*Unaudited* 2021
SALE OF POWER	17	P	258,623,460	P	259,387,323
COST OF SERVICE	17		198,762,605		192,828,254
GROSS INCOME			59,860,855		66,559,069
OPERATING EXPENSES					
Depreciation	5		6,891,608		6,512,248
Employees salaries, wages, and other benefits	18		4,728,460		3,966,204
Security services			1,935,632		2,142,532
Taxes and licenses			177,619		204,760
Provision for impairment losses	9		-		17,164,448
Other operating expenses	19		24,396,143		11,343,116
			38,129,462		41,333,308
OPERATING INCOME BEFORE FINANCE INCOME AND FINANCE COST			21,731,393		25,225,761
Other income			15,345		34,353
Finance cost	13		(14,111,401)		(20,660,645)
			(14,096,056)		(20,626,292)
NET INCOME			7,635,337		4,599,469
EARNINGS PER SHARE	22	P	0.30	P	0.31

(The notes on pages 8 to 49 are an integral parts of these financial statements)

KING ENERGY GENERATION, INC.

STATEMENT OF EQUITY
For the Quarter Ended March 31, 2022
(With Comparative Figures for March 31, 2021)

	Notes	2022	Unaudited 2021
CAPITAL STOCK	12		
Authorized - 30 Million shares in 2022 and 2021			
Subscribed and issued - 25,478,000 shares in 2022 and 15,000,000 shares in 2021			
Balance, January 1		2,569,600,000	750,000,000
Additional subscriptions during the year		-	750,000,000
Balance, March 31		2,569,600,000	1,500,000,000
TREASURY SHARES	12		
218,0000 shares in 2022 and 0 in 2021		(21,800,000)	-
SHARE PREMIUM			
Balance, January 1		337,469,946	-
Additions during the period	12	-	-
Balance, March 31		337,469,946	-
DEPOSIT FOR FUTURE STOCK SUBSCRIPTIONS			
Balance, January 1		-	2,137,469,946
Converted to shares during the period	12	-	-
Balance, March 31		-	2,137,469,946
RETAINED EARNINGS			
Appropriated			
Balance, January 1		-	-
Appropriation for Treasury Shares	12	21,800,000	-
Balance, March 31		21,800,000	-
Unappropriated			
Balance, January 1		228,566,802	163,357,601
Transfer to appropriated retained earnings	12	(21,800,000)	
Net Income		7,635,337	4,599,469
Balance, March 31		214,402,139	167,957,070
		236,202,139	167,957,070
CUMULATIVE REMEASUREMENT LOSS ON RETIREMENT LIABILITY			
Balance, January 1		(38,432)	-
Other comprehensive loss	14	-	(38,432)
Balance, March 31		(38,432)	(38,432)
TOTAL EQUITY		P 3,121,433,653	P 3,805,388,584

KING ENERGY GENERATION, INC.

STATEMENT OF CASH FLOWS
For the Quarter Ended March 31, 2022
(With Comparative Figures for March 31, 2021)

	Notes		2022		*Unaudited* 2021
CASH FLOWS USED IN OPERATING ACTIVITIES					
Income before tax expense		P	**7,635,337**	P	4,599,469
Adjustments for:					
Depreciation and amortization	*5*		**78,921,707**		78,591,015
Provision for impairment of receivables	*9*		**-**		17,164,448
Finance cost	*13*		**14,111,401**		20,660,645
Loss on disposal and property damages	*5*		**437**		6,138
Operating income before working capital changes			**100,668,882**		121,021,715
Decrease (increase) in assets					
Trade and other receivables			**(40,461,853)**		(173,148,389)
Inventories and prepayments and other current assets			**(816,505)**		29,057,733
Increase (decrease) in liabilities					
Trade and other payables			**(59,927,278)**		(419,503,704)
Cash flows from operating activities			**(536,754)**		(442,572,645)
Finance cost paid	*13*		**(14,111,401)**		(20,660,645)
Retirement benefits paid	*14*		**(502,700)**		-
Write-off of receivables	*9*		**-**		(14,851,979)
Net cash flows used in operating activities			**(15,150,855)**		(478,085,269)
CASH FLOWS USED IN INVESTING ACTIVITIES					
Acquisition of generation plant, property and equipment	5		**(5,678,084)**		(10,858,888)
Net cash flows used in investing activities			**(5,678,084)**		(10,858,888)
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES					
Availment of loans and borrowings	*13*		**-**		-
Payment on loans and borrowings	*13*		**(50,869,691)**		(248,750,000)
Additional issuance of shares/colleciton	*12*		**-**		750,000,000
Net cash flows from (used in) financing activities			**(50,869,691)**		501,250,000
NET INCREASE (DECREASE) IN CASH			**(71,698,630)**		12,305,843
CASH, January 1			**155,295,077**		124,056,712
CASH, March 31		P	**83,596,447**	P	136,362,555

(The notes on pages 8 to 49 are an integral parts of these financial statements)

KING ENERGY GENERATION, INC.

NOTES TO FINANCIAL STATEMENTS
March 31, 2022 and December 31, 2021

NOTE 1 – CORPORATE INFORMATION

King Energy Generation, Inc. (the Company) was incorporated and registered with the Philippine Securities and Exchange Commission on December 06, 2010 primarily to carry on the business of exploring, developing and utilizing renewable energy, such as but not limited to biomass, biogas, hydro- power, geothermal, wind, solar energy including operating, managing, maintaining and rehabilitating renewable energy systems. Also, the Company has a purpose to build, construct, erect, own, equip, install, operate, maintain, sell and lease power generation plants and related facilities, machineries, equipment for the generation and supply of electric power utilizing any fuel or energy source; to provide ancillary services and to supply services such as billing, collection, customer service, energy trading and electricity sales for the contestable market and/or customers, including but not limited to electric cooperatives and private distribution utilities; and to engage in any and all acts which may be necessary, or convenient, in the furtherance of such power generation services.

The Company's registered office and its principal place of business is San Luis, Gingoog City. The Company is domiciled in the Philippines.

NOTE 2 - BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

Basis of Preparation

The principal accounting policies applied in the preparation of these financial statements are summarized below. These have been consistently applied in all years presented, unless otherwise indicated.

Statement of Compliance

The financial statements of the Company have been prepared in compliance with Philippine Financial Reporting Standards (PFRSs). The term PFRS, in general, includes all applicable PFRS, Philippine Accounting Standards (PAS), and interpretations issued by former Standing Interpretations Committee, the Philippine Interpretations Committee and the International Financial Reporting Interpretations Committee (IFRIC) which have been approved by the Philippine Financial Reporting Standards Council and adopted by the Philippine SEC.

Basis of measurement and presentation

The financial statements of the Company have been prepared using the historical cost basis, except for agricultural produce which is measured at fair value less cost to sell at the point of harvest. These financial statements are presented in Philippine Peso, which is the Company's functional and reporting currency. All values are rounded to the nearest peso, except when otherwise indicated. These have been consistently applied in all periods presented, unless otherwise indicated.

Use of Judgments and Estimates

The preparation of financial statements in compliance with PFRS requires the use of certain critical accounting estimates. It also requires the Company's management to exercise judgment in applying the Company's accounting policies. The areas where significant judgments and estimates have been made preparing the financial statements and their effects are disclosed in Note 4.

Standards Issued and Effective on or after January 1, 2021

The following are amendments and revision to PFRS which are mandatorily effective for annual periods beginning on or after January 1, 2021. Unless otherwise indicated, these new and revised accounting standards have no significant impact to the Company.

Amendments to PFRS 9, PFRS 7, PFRS 4 and PFRS 16, Interest Rate Benchmark Reform – Phase 2. The amendments provide the following temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR):

- Practical expedient for changes in the basis for determining the contractual cash flows as a result of IBOR reform
- Relief from discontinuing hedging relationships
- Relief from the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component

The Company shall also disclose information about:

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

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

COVID-19-Related Rent Concessions beyond 30 June 2021—Amendment to IFRS 16

In the prior year, early adoption was allowed on the Covid-19-Related Rent Concessions (Amendment to IFRS 16) that provided practical relief to lessees in accounting for rent concessions occurring as a direct consequence of COVID-19, by introducing a practical expedient to PFRS 16. This practical expedient was available to rent concessions for which any reduction in lease payments affected payments originally due on or before 30 June 2021.

In March 2021, another amendment was issued, Covid-19-Related Rent Concessions beyond 30 June 2021 (Amendment to IFRS 16), that extends the practical expedient to apply to reduction in lease payments originally due on or before 30 June 2022.

The practical expedient permits a lessee to elect not to assess whether a COVID-19-related rent concession is a lease modification. A lessee that makes this election shall account for any change in lease payments resulting from the COVID-19-related rent concession applying PFRS 16 as if the change were not a lease modification.

The practical expedient applies only to rent concessions occurring as a direct consequence of COVID-19 and only if all of the following conditions are met:

- The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change
- Any reduction in lease payments affects only payments originally due on or before 30 June 2022 (a rent concession meets this condition if it results in reduced lease payments on or before 30 June 2022 and increased lease payments that extend beyond 30 June 2022)
- There is no substantive change to other terms and conditions of the lease.

<u>Standards Issued but not yet Effective</u>
Pronouncements issued but not yet effective are listed in the next pages. Unless otherwise indicated, the Company does not expect that the future adoption of the said pronouncements will have a significant impact on its consolidated financial statements. The Company intends to adopt the following pronouncements when they become effective.

Effective beginning on or after January 1, 2022

- Amendments to PFRS 3, Reference to the Conceptual Framework

  The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements. The amendments added an exception to the recognition principle of PFRS 3, Business Combinations to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of PAS 37, Provisions, Contingent Liabilities and Contingent Assets or Philippine-IFRIC 21, Levies, if incurred separately.

  At the same time, the amendments add a new paragraph to PFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

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

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

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

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

  The amendments are not expected to have a material impact on the Company.

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

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

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

- Annual Improvements to PFRSs 2018-2020 Cycle

  Amendments to PFRS 1, First-time Adoption of 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 by the parent, based on the parent's date of transition to PFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of PFRS 1.

  The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted. The amendments are not expected to have a material impact on the Company.

  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. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

  The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted. The Company will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendments are not expected to have a material impact on the Company.

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

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

  An entity applies the amendment prospectively to fair value measurements on or after the beginning of the first annual reporting period beginning on or after January 1, 2022 with earlier adoption permitted. The amendments are not expected to have a material impact on the Company.

Effective beginning on or after January 1, 2023

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

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

  - What is meant by a right to defer settlement
  - That a right to defer must exist at the end of the reporting period
  - That classification is unaffected by the likelihood that an entity will exercise its deferral right

The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and must be applied retrospectively. The Company is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

- 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

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

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

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

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

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING AND FINANCIAL REPORTING POLICIES

Financial Instruments

PFRS 9, Financial Instruments
The Company adopted PFRS 9 (2014) effective January 1, 2018, the date of adoption. This new standard on financial instruments replaced PAS 39, Financial Instruments: Recognition and Measurement, and PFRS 9 (2009, 2010, and 2013 versions) – hereinafter referred to as PFRS 9. In addition to the principal classification categories for financial assets and financial liabilities and hedge accounting under PFRS 9, PFRS 9 (2014) includes the following major provisions:

- limited amendments to the classification and measurement requirements for financial assets introducing a fair value measurement through other comprehensive income for eligible debt securities; and
- an expected credit loss (ECL) model in determining impairment of all debt financial assets that are not measured at fair value through profit or loss (FVPL), which generally depends on whether there has been a significant increase in credit risk since initial recognition of a financial asset.

The adoption of PFRS 9 (2014) from January 1, 2018 resulted to changes in accounting policies but have no significant impact on the Company's financial statements. As allowed and in accordance with the transitional provisions of this new standard, comparative figures have not been restated but the Company is required to provide the related transition disclosure requirements under PFRS 7, Financial Instruments: Disclosures.

Date of recognition
Financial assets and financial liabilities are recognized in the statement of financial position when the Company becomes a party to the contractual provisions of the instruments. Purchases or sales of financial assets that require delivery of assets within the time frame established by regulations or convention in the marketplace are recognized on the settlement date. Derivatives are recognized on trade date basis.

Initial recognition
Financial assets and financial liabilities are recognized initially at fair value, which is the fair value of the consideration given (in case of an asset) or received (in case of a liability). The fair value of the consideration given or received is determined by reference to the transaction price or other market prices. If such market prices are not reliably determinable, the fair value of the consideration is estimated as the sum of all future cash payments or receipts, discounted using the prevailing market rate of interest for similar instruments with similar maturities. The initial measurement of financial instruments, except for those designated at fair value through profit or loss (FVPL), includes transaction costs.

Determination of fair value
The fair value of financial instruments traded in active markets at the financial reporting date is based on their quoted market price or dealer price quotation (bid price for long positions and ask price for short positions), without any deduction for transaction costs. When current bid and asking prices are not available, the price of the most recent transaction provides evidence of the current fair values as long as there has not been a significant change in economic circumstances since the time of the transaction.

If the financial instruments are not listed in an active market, the fair value is determined using appropriate valuation techniques which include recent arm's length market transactions, net present value techniques, comparison to similar instruments for which market observable prices exist, options pricing models and other relevant valuation models.

Classification of Financial Instruments

Financial Assets

The classification and measurement of financial assets is driven by the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. From January 1, 2018, in accordance with the new provisions on classification and measurement of financial assets under PFRS 9 (2014), the Company classifies and measures financial assets as follows:

- Financial assets instruments at amortized cost

  Financial assets are measured at amortized cost if both of the following conditions are met:

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

  Financial assets meeting these criteria are measured initially at fair value plus transaction costs. They are subsequently measured at amortized cost using the effective interest method less any impairment in value, with the interest calculated recognized as "Interest income" in the statements of income. The Company classified "Cash" *(See Note 8)* and "Trade and other receivables" *(See Note 9)* as financial assets at amortized cost.

  The Company may irrevocably elect at initial recognition to classify a financial asset that meets the amortized cost criteria above as at FVTPL if that designation eliminates or significantly reduces an accounting mismatch had the financial asset been measured at amortized cost.

- Financial assets at FVPL

  The Company classifies financial assets under FVPL when they do not meet the criteria of FVOCI or amortized cost. Financial assets at FVPL are measured at fair value with gains and losses arising from changes in fair value recognized in profit or loss.

  The Company does not have financial assets under this category as at March 31, 2022 and December 31, 2021.

- Financial assets at FVOCI

  The Company classifies debt instruments under FVOCI when both of the following conditions are met:

  - the asset is held within the Company's business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
  - the contractual terms of the instrument give rise, on specified dates, to cash flows that are solely payment of principal and interest on the principal amount outstanding.

  Financial assets at FVOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income. Interest income and foreign exchange gains and losses are recognized in profit or loss in the same manner as for financial assets measured at amortized cost. On derecognition, cumulative gains or losses previously recognized in other comprehensive income are reclassified to profit or loss.

  The Company does not have financial assets under this category as at March 31, 2022 and December 31, 2021.

Financial Liabilities
Financial liabilities are classified as financial liabilities at FVPL and other financial liabilities. The classification depends on the purpose for which the investments are acquired and whether they are quoted in an active market. Management determines the classification of its financial assets and liabilities at initial recognition and, where allowed and appropriate, re-evaluates such designation at every financial reporting date.

Financial liabilities at FVPL
Financial liabilities are classified in this category if these result from trading activities or derivative transactions that are not accounted for as hedges, or when the Company elects to designate a financial liability under this category.

The Company does not have financial liabilities under this category as at March 31, 2022 and December 31, 2021.

Other financial liabilities
This classification pertains to financial liabilities that are not held for trading nor designated as at FVPL upon the inception of the liability. Included in this category are liabilities arising from operations or borrowings (e.g. payables or accruals and long-term debt).

The financial liabilities are recognized initially at fair value and are subsequently measured at amortized cost, taking into account the impact of applying the effective interest rate method of amortization (or accretion) for any related premium, discount and any directly attributable transaction costs. However, liabilities that have no stated interest and classified as current liabilities are measured at the undiscounted amount of cash or other consideration expected to be paid.

Fair value measurement hierarchy
PFRS 7 requires certain disclosure which requires the classification of financial asset and financial liabilities measured at fair value using a fair value hierarchy that reflects the significance of the inputs used in making the fair value measurement. The fair value hierarchy has the following levels:

a. quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
b. inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (Level 2); and
c. inputs for the assets or liabilities that are not based on observable market data (unobservable inputs) (Level 3).

The level in the fair value hierarchy within which the financial asset or financial liability is categorized is determined on the basis of the lowest level input that is significant to the fair value measurement. Financial asset and financial liabilities are classified in their entirety into one of the three levels.

Financial guarantees
A financial guarantee is classified in this category if the entity must provide for payments to be made if and only if the debtor fails to make payments when due. In order for a contract to meet the definition of a guarantee it would be necessary that the guaranteed party only receives the exact amount of loss advances from the default of the debtor. Such a contract is structured in two ways: a) the guarantor purchases the defaulted loan for its nominal amount instead of making a payment for the best estimate of loss; or b) on settlement of the final loss, there is a further payment between that amount and the initial loss estimate that was paid.

Such contracts are recognized initially at fair value and subsequently carried at the higher of the initial value that would be recognized if PAS 37 or PAS 18, was applied.

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: a) the rights to receive cash flows from the asset have expired; b) 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 c) the Company has transferred its rights to receive cash from the asset and either transferred substantially all the risks and rewards of the asset or has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

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

Financial Liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or has expired.

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

Impairment of Financial Assets

Assessment of Impairment

PFRS 9 requires the Company to record expected credit loss methodology (ECL) for all loans and other debt financial assets not classified as at FVTPL, together with irrevocable loan commitments and financial guarantee contracts.

ECL represent credit losses that reflect an unbiased and probability-weighted amount which is based on reasonable and supportable information about past events, current conditions and forecasts of future economic conditions, and the time value of money. The objective of the new impairment model is to record lifetime losses on all financial instruments which have experienced a significant increase in credit risk (SICR) since their initial recognition. As a result, ECL allowances are now measured at amounts equal to either (i) 12-month ECL or (ii) lifetime ECL for those financial instruments which have experienced a SICR since initial recognition (General Approach). The 12month ECL is the portion of lifetime ECL that results from default events on a financial instrument that are possible within the next 12 months after the reporting date. Lifetime ECLs are credit losses that result from all possible default events over the expected life of a financial instrument.

Following the ECL approach, the Company must establish a policy to perform an assessment, at the end of each reporting period, whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument.

Classification of financial instrument between debt and equity
Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual agreement. Interest, dividend, gains and losses relating to a financial instrument or a component that is a financial liability is reported as expense or income.

A financial instrument is classified as debt if it provides a contractual obligation to:

a. deliver cash or other financial assets to another entity; or

b. exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Company; or

c. 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 Company 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.

An equity instrument is any contract that evidence residual interest in the asset of an entity after deducting all of its liabilities.

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

Derivatives
Derivatives are initially recognized at fair value on the date which the derivative transaction is entered into or bifurcated, and are subsequently re-measured at fair value. Derivatives are carried as an asset when the fair value is positive and as a liability when the fair value is negative.

The Company has no derivatives as at March 31, 2022 and December 31, 2021.

Embedded derivatives
An embedded derivative is separated from the host contract and accounted for as derivative if all of the following conditions are met: (a) economic characteristics and risks of the embedded derivatives 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; (c) the hybrid or combined instrument is not recognized at FVPL.

The Company has no transactions with embedded derivatives as at March 31, 2022 and December 31, 2021.

Cash and Cash Equivalents
Cash and cash equivalents are valued at face value. Cash includes cash on hand and with banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of 3 months or less from the date of acquisitions and that are subject to an insignificant change in value. The Company has no cash equivalents as at March 31, 2022 and December 31, 2021.

Trade and Other Receivables

Trade and other receivables are recognized at transaction price and carried at amortized cost using effective interest method. At the end of each reporting period, the carrying amounts of trade and others receivables are reviewed to determine whether there is any objective evidence that the amounts are not recoverable. If so, an impairment loss is recognized immediately in the statements of comprehensive income.

If there is objective evidence that an impairment loss on trade and other receivables has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset or group of assets shall be reduced either directly or through the use of an allowance account. The amount of the loss shall be recognized in the statements of comprehensive income.

Inventories

Inventories are stated at the lower of cost and net realizable value. The net realizable value of inventory is the estimated selling price in the ordinary course of business less estimated costs necessary to make the sale. Cost is determined using the first in, first out (FIFO) method. At each reporting date, inventories are assessed for impairment. If inventory is impaired, the carrying amount is reduced to its selling price less costs to complete and sell; the impairment loss is recognized immediately in the statements of comprehensive income.

Prepayments

These are outflow of resources made in the current accounting period that would benefit future periods. Costs of this asset is amortized over the period benefited.

Investment in Associate

Investment in shares of stock where the Company holds 20% or more ownership, or where it has the ability to significantly influence the investee company's operating activities is accounted for in this separate financial statements under the cost method. Accordingly, dividends received are treated as income in the year these are collectible.

Property and Equipment

Property and equipment are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes the purchase price and other expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The Company adds to the carrying amount of an item of property and equipment the cost of replacing parts of such an item when that cost is incurred if the replacement part is expected to provide incremental future benefits to the Company. The carrying amount of the replaced part is derecognized. When assets are derecognized, their cost, accumulated depreciation and amortization and accumulated impairment losses are eliminated from the accounts. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized in the statements of comprehensive income. All other repairs and maintenance are charged to profit or loss during the period in which they are incurred.

Land is not depreciated. Depreciation is charged so as to allocate the cost of property and equipment less their residual value over the estimated useful lives, using the straight-line method. The estimated useful lives range as follows:

Components	Estimated Useful Life
Generation plant	20 years
Transmission line	10 years
Building	10-20 years
Land improvements	10 years
Service vehicles	5 years
Furniture and equipment	3-5 years

Depreciation of an item of property 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) in accordance with PFRS 5, *Non-current Assets Held for Sale and Discounted Operations*, and the date the asset is derecognized.

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, if there is an indication of a significant change since the last reporting date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Construction in progress (CIP) is stated at cost. This includes cost of construction and other direct costs. CIP is not depreciated until such time the relevant assets are completed and put into operational use.

Impairment of Non-financial Assets

The carrying amounts of the Company's non-financial assets such as the property and equipment are reviewed at each financial reporting date to determine whether there is any indication of impairment or an impairment loss previously recognized no longer exists or may have decreased. If any such indication exists, the asset's recoverable amount is estimated.

An impairment loss is recognized in profit or loss whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount.
The recoverable amount of a non-financial asset is the greater of the asset's fair value less costs to sell and value in use. The fair value less costs to sell is the amount obtainable from the sale of the asset in an arm's length transaction. 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. For an asset that does not generate cash flows largely independent of those assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized. Reversals of impairment are recognized in profit or loss.

Intangible Assets
Intangible assets include acquired licenses on computer software used in administration and accounting which is accounted for under the cost model. The cost of the asset is the amount of cash or cash equivalents paid to acquire an asset. Capitalized costs are amortized on a straight-line basis over the estimated useful lives ranging from 10 to 15 years as the lives of these intangible assets are considered limited. Costs associated with maintaining computer software are expensed as incurred.

Trade and Other Payables
Trade and other payables are recognized initially at the transaction price and subsequently measured at amortized cost using the effective interest method. Trade and other payables are on normal credit terms and do not bear interest.

Related Party Transactions
Parties are related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties can be individual or corporate entity. Key management personnel are also considered as related parties.

Borrowings and Borrowing Costs
Borrowing costs include interest charges and other costs incurred in connection with the borrowing of funds. These are recognized as expense when incurred except when such costs relate to a qualifying asset, in which case, borrowing costs incurred will be capitalized. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale.

Equity

Capital Stock
Capital stock represents the portion of the paid in capital representing the total par value of the shares issued.

Retained Earnings
Retained earnings represent the cumulative balance of net income or loss, net of any dividend declaration.

Revenue and Cost Recognition
The Company has applied PFRS 15 where revenue is recognized when (or as) the Company satisfies a performance obligation by transferring a promised good or service to a customer (i.e. an asset). An asset is transferred when (or as) the customer obtains control of that asset.

The recognition of revenue can be either over time or at a point in time depending on when the performance obligation is satisfied.

When control of a good or service is transferred over time, that is, when the customer simultaneously receives and consumes the benefits, the Company satisfies the performance obligation and recognizes revenue over time. Otherwise, revenue is recognized at the point in time at the point of transfer control of the good or service to the customer.

Variable consideration is measured using either the expected value method or the most likely amount method depending on which method the Company expects to better predict the amount of consideration to which it will be entitled. This is the estimated amount of variable consideration, or the portion, if any, of that amount for which it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur. Where there is a single performance obligation, the transaction price is allocated in its entirety to that performance obligation. Where there are multiple performance obligations, the transaction price is allocated to the performance obligation to which it relates based on stand-alone selling prices.

The Company recognizes revenue based on the price specified in the contract, net of the estimated rebates/discounts and include variable consideration, if there is any. Accumulated experience is used to estimate and provide for the discounts and revenue is only recognized to the extent that it is highly probable that a significant reversal will not occur.

The Company does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Company does not adjust any of the transaction prices for the time value of money.

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

Sale of power	-	Revenue is recognized at the point in time when the services are transferred to the customers and the performance obligations are fulfilled.
Interest on bank deposits	-	Interest is recognized as interest accrues based on effective interest method of accounting.

Cost and expenses are recognized in the statement of comprehensive income: a) when a decrease in future economic benefits related in an asset or an increase of a liability has arisen that can be measured reliably; b) on the basis of a direct association the costs incurred and the earning of specific items of income; c) 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 d) immediately when an expenditure produces no future economic benefits or when, and to the extent that, future economic benefits do not qualify, or cease to qualify, for recognition in the statement of financial position as an asset. Operating expenses are costs attributable to the general and administrative activities of the Company.

The Company presents a contract asset when it transfers control of goods or performs services before the customer pays consideration or before payment is due. A contract asset is the Company's right to consideration in exchange for goods or services that the Company has transferred to a customer.

The Company presents a contract liability when a customer pays the consideration, or the Company has the right to an amount of consideration that is unconditional (i.e., a receivable), before the Company transfers goods or performs services to the customer. A contract liability is the Company's obligation to transfer goods or services to a customer for which the Company has received consideration (or an amount of consideration is due) from the customer.

Contract liability also includes cash received from customers which are applied to subsequent progress billings for construction contracts (see Note 9). The Company considers the effect of significant financing component in the contract which is recognized as part of Contract Revenues and Finance Cost in the statement of comprehensive income.

The Company incurs incremental costs in obtaining customer contracts (i.e., biddings costs on construction contracts). These costs are expensed when incurred as these are incurred regardless whether the contract is obtained.

The Company also incurs costs in fulfilling contracts with customers. These costs are divided into: (i) costs that give rise to an asset; and, (ii) costs that are expensed as incurred. When determining the appropriate accounting treatment for such costs, the Company first considers any other applicable standards. If other standards preclude capitalization of a particular cost, then an asset is not recognized under PFRS 15. If other standards are not applicable to contract fulfillment costs, the Company applies the following criteria, which, if met, result in capitalization:

i. the costs directly relate to a contract or to a specifically identifiable anticipated contract;
ii. the costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and
iii. the costs are expected to be recovered.

Contract fulfillment assets or capitalized costs are amortized using percentage of completion method consistent with construction revenue recognition policy of the Company. Furthermore, these are derecognized either upon disposal or when no further economic benefits are expected to flow from its use or disposal.

At each reporting date, the Company determines whether there is an indication that contract fulfillment assets or capitalized costs to obtain a contract may be impaired. If such indication exists, the Company makes an estimate by comparing the carrying amount of the assets to the remaining amount of consideration that the Company expects to receive, less the costs that relate to providing services under the relevant contract.

__Leases__

The Company considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'.

To apply this definition, the Company assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Company
- the Company has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract
- the Company has the right to direct the use of the identified asset throughout the period of use. The Company assess whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

Measurement and recognition of leases as a lessee

At lease commencement date, the Company recognizes a right-of-use asset and a lease liability on the statement of financial position. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Company, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

The Company depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Company also assesses the right-of-use asset for impairment when such indicators exist.

At the commencement date, the Company measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the Company's incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments.

When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

The Company has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognizing a right-of-use asset and lease liability, the payments in relation to these recognized as an expense in profit or loss on a straight-line basis over the lease term.

Company as lessee
Where the Company is a lessee, payments on operating lease agreements are recognized as an expense on a straight-line basis over the lease term. Associated costs, such as maintenance and insurance, are expensed as incurred.

As at March 31, 2022 and December 31, 2021, the Company does not have long-term non-cancellable lease contracts that require the application of the new provisions in PFRS 16.

Employee Benefits
Employee benefits are all forms of consideration given by the Company in exchange for service rendered by the employees. The Company's employee benefits include the following:

Short-term benefits
Short-term employee benefits, include wages, salaries and social security contributions, short-term compensated absences (such as paid annual leave and paid sick leave), and bonuses payable within twelve months after the end of the period in which the employees render the related service, and non-monetary benefits (such as medical care, housing, cars and free or subsidized goods or services) for current employees.

The rendered services of an employee to an entity during the accounting period is recognized using the undiscounted amount of short-term employee benefits expected to be paid in exchange for that services rendered. The accounting for these benefits is generally straightforward because assumptions are required to measure the obligation or the cost and there is no possibility of any actuarial gain or loss.

Retirement benefits

Defined benefit plan
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.

The cost of providing benefits under the defined benefit plans is actuarially determined using the projected unit credit method.

Defined benefit costs comprise the following:

- Service cost;
- Net interest on the net defined benefit liability or asset; and
- Remeasurements of net defined benefit liability or asset

Service costs which include current service costs, past service costs and gains or losses on nonroutine settlements are recognized as expense in the statements of comprehensive income. Past service costs are recognized when plan amendment or curtailment occurs.

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 expense or income in the statements of comprehensive income.

Remeasurements comprising actuarial gains and losses, return on plan assets (excluding net interest on defined benefit asset) 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. All remeasurements are recognized in other comprehensive income account. Remeasurement gains (losses) on retirement plan are not reclassified to profit or loss in subsequent periods.

Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the creditors of the Company, nor can they be paid directly to the Company. 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).

The Company'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. *(Note 14)*

Termination benefits
Termination benefits are payable when employment is terminated by the Company before the normal retirement date, or whichever the employee accepts voluntary redundancy in exchange for these benefits.

Compensated absences
Compensated absences are recognized for the number of paid leaves days (including holiday entitlement) remaining at the financial reporting date.

Research and Development Costs
Research costs are expensed as incurred. Development expenditures on an individual project are recognized as an intangible asset when the Company can demonstrate:

- Technical feasibility of completing the intangible asset so that the asset will be available for use or sale
- Its intention to complete and its ability and intention to use or sell the asset
- How the asset will generate future economic benefits
- The availability of resources to complete the asset
- The ability to measure reliably the expenditure during the development

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is complete and asset is available for use. It is amortized over the period of expected future benefit. Amortization is recorded as expense. During the period of development, the asset is tested for impairment annually.

The Company's research and development in both years pertains to pilot or prospect projects and are expensed as incurred.

Income Taxes

Current income tax
The tax expense for the period comprises current and deferred tax. Tax is recognized in profit or loss, except that a change attributable to an item of income or expense recognized as other comprehensive income is also recognized directly in other comprehensive income.

The Company recognizes a current tax liability for tax payable on taxable profit for the current and past periods. If the amount paid for the current and past periods exceeds the amount payable for those periods, the Company recognizes the excess as a current tax asset. It also recognizes a current tax asset for the benefit of a tax loss that can be carried back to recover tax paid in a previous period.

Current income tax assets and liabilities for the current and the 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 at the financial reporting date.

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

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of goodwill or 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 profit or loss.
- In respect of taxable temporary differences associated with investments in subsidiaries, where 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 liabilities are recognized for all taxable temporary differences, including asset revaluations. Deferred income tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits from the excess of minimum corporate income tax (MCIT) over the regular corporate income tax, and unused net operating loss carryover (NOLCO), to the extent that it is probable that sufficient future taxable income will be available against which the deductible temporary differences and carry forward of unused tax credits from excess MCIT and unused NOLCO can be utilized.

The carrying amount of deferred income tax assets is reviewed at each end of reporting period and reduced to the extent that it is no longer probable that sufficient future 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 re-assessed at each end of reporting period and are recognized to the extent that it has become probable that sufficient future taxable income will allow the deferred income tax assets to be recovered. Deferred income tax assets and deferred income tax liabilities are measured at the tax rates that are applicable 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 at the end of reporting period.

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

Provisions

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

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pretax rate that reflects current market assessment of the time value of money and, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as an interest expense. When the Company expects provisions to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain.

Contingencies

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

Related Party Transactions

Parties are considered to be related if the party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making the financial and operating the decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties can be individual or corporate entity.

Associates, key management personnel, close members of the family and of any individuals owning directly or indirectly a significant voting power of the Company that gives them significant influence in the financial and operating policy decisions of the Company are also related parties.

A related party transaction is a transfer of resources, services or obligations between related parties, regardless of whether a price is charged. Transactions between related parties are unsecured and non-interest bearing and payable in cash with no definite terms.

Earnings Per Share

Basic earnings per share (EPS) is computed by dividing net income for the year by the weighted average number of common shares outstanding during the year after giving retrospective effect to stock dividends declared and stock rights exercised during the year, if any. The Company does not have potentially dilutive common shares.

Events after the End of Reporting Period

Events after the end of reporting period are those events, favorable and unfavorable, that occur between the end of reporting period and the date when the financial statements are authorized for issue. Adjusting events are those that provide evidence of conditions that existed at the end of the reporting period and lead to adjustments of financial statements. Non-adjusting events are those that are indicative of the conditions that arose after the end of reporting period and do not lead to adjustments but only to disclosures in the financial statements.

NOTE 4 – SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the financial statements in accordance with PFRS requires the Company to make estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses, other comprehensive income (loss) and disclosure of contingent assets and contingent liabilities. In preparing the Company's financial statements, management has made its best judgements and estimates relating to certain amounts, giving due consideration to materiality. The judgments and estimates used in the financial statements are based upon management's evaluation of relevant facts and circumstances as of the date of the financial statements. Actual results could differ from those estimates. Future events may occur which will cause the assumptions used in arriving at the estimates to change. The effects of any change in estimates are reflected in the financial statements as they become reasonably determinable. Judgments, estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Company believes the following represent a summary of significant judgments and estimates and related impact and associated risks in its financial statements.

Judgments

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

Determination of functional currency

Based on the economic substance of the underlying events and circumstances relevant to the Company, the Company's functional currency has been determined to be the Philippine Peso. It is the currency of the primary economic environment in which the Company operates and is consistent with the measurement of items in the financial statements in accordance with PAS 21, *The Effects of Changes in*

Revenue Recognition

The Company recognizes revenue when it satisfies an identified performance obligation by transferring a promised service to a customer. A service is considered to be transferred when the customer obtains control. The Company determines, at contract inception, whether it will transfer control of a promised service over time. If the Company does not satisfy a performance obligation over time, the performance obligation is satisfied at a point in time.

The Company's revenue from power generation is to be recognized over time since customers simultaneously receive and consume the benefits as the Company supplies power.

Significant judgments in revenue recognition are as follows:

- Identifying Performance Obligations.

  The Company identifies performance obligations by considering whether the promised goods or services in the contract are distinct goods or services. A good or service is distinct when the customer can benefit from the good or service on its own or together with other resources that are readily available to the customer and the Company's promise to transfer the good or service to the customer is separately identifiable from the other promises in the contract.

  The Company assesses performance obligations as a series of distinct goods and services that are substantially the same and have the same pattern of transfer if i) each distinct good or services in the series are transferred over time and ii) the same method of progress will be used (i.e., units of delivery) to measure the entity's progress towards complete satisfaction of the performance obligation.

For power generation where capacity and energy dispatched are separately identified, these two obligations are to be combined as one performance obligation since these are not distinct within the context of the contract as the buyer cannot benefit from the contracted capacity alone 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.

- Identifying Methods for Measuring Progress of Revenue Recognized Over Time

The Company determines the appropriate method of measuring progress which is either through the use of input or output methods. Input method recognizes revenue on the basis of the entity's efforts or inputs to the satisfaction of a performance obligation while output method recognizes revenue on the basis of direct measurements of the value to the customer of the goods or services transferred to date.

For power generation, the Company determined that the output method is the best method in measuring progress since actual electricity is supplied to customers. The Company recognizes revenue based on:

- For the variable energy payment, actual kilowatt hours consumed which are billed on a monthly basis.
- For fixed capacity payments, the Company allocates the transaction price on a straight-line basis over the contract term. The allocated fixed payments are also billed on a monthly basis.

- Determining Method to Estimate Variable Consideration and Assessing the Constraint

The Company includes some or all the amounts of variable consideration estimated but only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved. The Company considers both the likelihood and magnitude of the revenue reversal in evaluating the extent of variable consideration the Company will subject to constraint. Factors such as i) highly susceptibility to factors outside the Company's influence, ii) timing of resolution of the uncertainty, and iii) having a large number and broad range of possible considerations amount are considered.

Some contracts with customers provide unspecified quantity of energy (based on client needs considering that most of the contracts with customers are peak power agreements) and provisional ERC rates that give rise to variable consideration. In estimating the variable consideration, the Company applies the expected value method in estimating the variable consideration given the large number of customer contracts that have similar characteristics and the range of possible outcomes.
Before including any amount of variable consideration in the transaction price, the Company considers whether the amount of variable consideration is constrained. The Company determined that the estimates of variable consideration are to be fully constrained based on its historical experience, the range of possible outcomes (i.e., unspecified quantity of energy), and the unpredictability of other factors outside the Company's influence (i.e., provisional ERC rates).

- **Allocation of variable consideration**

  Variable consideration may be attributable to the entire contract or to a specific part of the contract. For power generation 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 Company 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, and forms part of the monthly billing of the Company.

Fair Value of Financial Instruments
Where the fair value of financial instruments recorded in the statements of financial position cannot be derived from active markets, they are determined using valuation techniques including the discounted cash flows model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. The judgements include considerations of inputs such as liquidity risk, credit risk, and volatility of share prices. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

Classification of financial instruments
The Company classifies a financial instrument, or its component parts, on initial recognition either as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definition of a financial asset, a financial liability or an equity instrument and, where allowed, and appropriate re-evaluates this designation at every reporting date. The substance of a financial instrument, rather than its legal form, governs its classification in the statements of financial position.

Estimates and Assumptions
The key assumptions concerning the future and other key sources of estimation and uncertainty at the statements of financial position 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:

Estimating Allowance for Doubtful Accounts
The measurement of credit losses under PFRS 9 requires significant judgment, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase or improvement in credit risk (SICR). These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

The ECL calculations based on PFRS 9 are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and interdependencies. Significant elements of the models include, among others:

- segmenting the Company's credit risk exposures;
- the Company's definition of default;
- determining the method to estimate ECL;
- identifying exposures with significant deterioration in credit quality;
- determining assumptions to be used in the ECL model such as the counterparty credit risk rating;
- the expected life of the financial asset and expected recoveries from defaulted accounts; and
- incorporating forward-looking information (called overlays) in calculating ECL.

As at March 31, 2022 and December 31, 2021, the allowance for impairment losses on trade and other receivables amounted to **P 3,563,708** and P 3,563,708, respectively. *(see Note 9)*

Determination of Net Realizable Value of Inventories
In determining the net realizable value of inventories, management takes into account the most reliable evidence available at the time the estimates are made. The Company periodically reviews its inventories for possible damaged and obsolete items. Items identified as obsolete are provided with impairment allowance.

Management has assessed that no allowance for obsolescence is required to be recognized on inventories in 2022 and 2021.

Estimation of Useful Lives of the Company's Property, Plant, and Equipment
The Company estimates the useful lives of property and equipment based on the period over which these assets are expected to be available for use. The estimated useful lives of these assets are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence, and legal or other limits on the use of the assets. In addition, the estimation of the useful lives of these assets is based on collective assessment of internal technical evaluation and experience with similar assets. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances.

There is no change in the estimated useful lives of property, plant, and equipment in 2022 and 2021. As at March 31, 2022 and December 31, 2021, the aggregate net book value of property, plant, and equipment amounted to **P3,797,936,953** and P3,871,181,013 , respectively *(see Note 5)*.

Provisions and Contingencies
The Company provides for present obligations (legal and constructive) when it is probable that there will be an outflow of resources embodying economic benefits that will be required to settle said obligations. An estimate of the provision is based on known information at the reporting date, net of any estimated amount that may be reimbursed by the Company. The Company has not recognized any provision in both years.

Impairment of Non-Financial Assets – Property, plant, and equipment
The Company assesses impairment on assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The factors that the Company considers important which could trigger an impairment review include the following:

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

As at March 31, 2022 and December 31, 2021, no impairment loss on property and equipment was recognized in the statements of income of the Company.

Retirement Obligation
The cost of defined benefit retirement plans and the present value of the defined benefit obligation are determined using actuarial valuations. The actuarial valuation involves making various assumptions. These include the determination of the discount rates, future salary increases, and mortality rates. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined benefit obligations are highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date. In determining the appropriate discount rate, management considers the interest rates of government bonds with extrapolated maturities corresponding to the expected duration of the defined benefit obligation.

The present value of the defined benefit obligation of the Company and details about the assumptions used are disclosed in Note 14.

Recognition of Deferred Income Tax Assets

The Company reviews the carrying amounts of the deferred income tax assets at each end of reporting period and reduces deferred income tax assets to the extent that it is no longer probable that sufficient future taxable profit will be available to allow all or part of the deferred income tax assets to be utilized. Significant management judgment is required to determine the amount of deferred income tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies. However, there is no assurance that the Company will utilize all or part of the deferred income tax assets. As of March 31, 2022 and December 31, 2021, the Company recognized deferred income tax assets amounting to **P2,115,241** in both periods. *(see Note 21).*

NOTE 5 – GENERATION PLANT, PROPERTY AND EQUIPMENT

The details of generation plant, property and equipment follows:

	January 1, 2022	Additions	Disposal/ Reclassification	March 31, 2022
Cost				
Land and improvements	P 279,287,919	P -	P -	P 279,287,919
Generation plants	5,397,272,311	-	-	5,397,272,311
Transmission line	47,038,732	-	-	47,038,732
Buildings	154,688,399	-	-	154,688,399
Tools and machineries and service vehicles	60,131,164	7,946	(28,121)	60,110,989
Leasehold improvements, furniture and office equipment	22,488,874	755,050	(118,511)	23,125,413
Construction in progress	19,512,119	4,915,088	-	24,427,207
	5,980,419,518	5,678,084	(146,632)	5,985,950,970
Accumulated depreciation				
Land and improvements	85,090,500	3,171,779	-	88,262,279
Generation plants	1,900,424,614	70,854,130	-	1,971,278,744
Transmission line	26,077,597	1,175,968	-	27,253,565
Buildings	38,838,516	2,040,925	-	40,879,441
Tools and machineries and service vehicles	40,120,166	1,216,873	(27,684)	41,309,355
Leasehold improvements, furniture and office equipment	18,687,112	462,032	(118,511)	19,030,633
	2,109,238,505	78,921,707	(146,195)	2,188,014,017
Net book value	P3,871,181,013	(P 73,243,622)	(P 437)	P 3,797,936,953

	January 1, 2021	Additions	Disposal/ Reclassification	December 31, 2021
Cost				
Land and improvements	P 279,176,180	P 111,739	P -	P 279,287,919
Generation plants	5,401,055,836	110,000	(3,893,525)	5,397,272,311
Transmission line	47,038,732	-	-	47,038,732
Buildings	159,642,404	-	(4,954,005)	154,688,399
Tools and machineries and service vehicles	41,936,339	16,255,366	1,939,459	60,131,164
Leasehold improvements, furniture and office equipment	20,784,111	2,489,259	(784,496)	22,488,874
Construction in progress	13,917,928	7,608,709	(2,014,518)	19,512,119
	5,963,551,530	26,575,073	(9,707,085)	5,980,419,518
Accumulated depreciation				
Land and improvements	72,406,120	12,684,380	-	85,090,500
Generation plants	1,617,997,697	283,611,197	(1,184,280)	1,900,424,614
Transmission line	21,373,724	4,703,873	-	26,077,597
Buildings	31,933,959	8,411,400	(1,506,843)	38,838,516
Tools and machineries and service vehicles	37,391,341	2,786,071	(57,246)	40,120,166
Leasehold improvements, furniture and office equipment	17,592,555	1,855,477	(760,920)	18,687,112
	1,798,695,396	314,052,398	(3,509,289)	2,109,238,505
Net book value	P4,164,856,134	(P 287,477,325)	(P 6,197,796)	P 3,871,181,013

Depreciation charged to direct costs and operating expenses amounted to **P72,030,099** and **P6,891,608** in 2022, and P288,315,070 and P25,737,328 in 2021.

In 2022 and 2021, loss on disposal of assets amounted to **P437** and P24,304, respectively. Proceeds from disposal of asset amounted to **P0** in 2022 and P17,086 in 2021.

On December 2021, the Company's generation plant in Camiguin Island was damaged with fire. Moreover, the same powerplant was further damaged due to typhoon Odette which caused havoc not only in Camiguin but the whole province of Misamis Oriental. Total amount of losses caused by the aforementioned incidents amounted to **P6,156,407**.

Fully depreciated items of property, plant, and equipment still being used in operations amounted to **P28,659,803** as at March 31, 2022 and December 31, 2021.

The Company has determined that there is not indication that an impairment loss has occurred on its generation plant, property and equipment.

The Company's generation plant and equipment and land with net book value of **P3,614,020,186** were pledged as security or collateral for the Company's loans and borrowings discussed in Note 13.

NOTE 6 – INVESTMENT IN ASSOCIATE

This pertains to investment in **Maramag Mini Hydro Power Corporation (MMHPC)**, an associate. The carrying value of the investment in MMHPC amounted to **P17,077,809** equivalent to **267,490 shares** representing **42.71%** interest in ordinary shares as at March 31, 2022 and December 31, 2021, respectively. MMHPC is a domestic corporation engaged primarily to make, generate, sell and supply electricity through exploration, development and utilization of hydro renewable sources of energy and technologies.

Movement of the account follows:

		2022		2021
Balance, January 1	P	17,077,809	P	23,555,201
Additional investment		-		1,050,000
Share in net loss		-	(	7,527,390)
Balance, December 31	P	17,077,809	P	17,077,809

The Company recognized losses on investment amounting to **P 7,527,390** in 2021 and P 2,143,799 in 2020. Despite the losses, management believes that the investment and losses can be recovered once the required permits are obtained and the associate's hydro power plant is already fully operational. Thus, no impairment is recognized in both years.

Summarized financial information of MMHPC based on its financial statements follows:

		March 31, 2022		December 31, 2021
Total Assets				
Current assets	P	67,542,288	P	90,985,553
Noncurrent assets		528,126,003		456,906,106
		595,668,291		547,891,659
Total Liabilities				
Current liabilities		264,743,026		209,655,254
Noncurrent liabilities		300,768,209		300,998,672
		565,511,235		510,653,926
Total Equity				
Share capital		60,000,000		60,000,000
Retained earnings (Deficit)	(	29,842,944)	(	25,262,267)
	P	30,157,056	P	37,237,733
Gross income for the year	P	-	P	-
Net income for the quarter/year	P	(7,080,677)	P	(17,575,044)

NOTE 7 – OTHER NONCURRENT ASSET

This pertains to refundable deposits made for the Company's IT services (VSAT connectivity services).

NOTE 8 – CASH

Cash in banks generally earn interest at rates based on daily bank deposit rates. Interest income arising from the cash in banks amounted to **P15,345** in 2022 and P32,332 in 2021.

NOTE 9 – TRADE AND OTHER RECEIVABLES

This account consists of:

	Note		2022		2021
Trade receivables		P	**382,352,335**	P	357,408,090
Advances to related parties	*16*		**162,134,263**		151,351,986
Advances to contractors and suppliers			**27,784,078**		32,164,124
Advances to officers and employees			**22,318,826**		13,203,449
			594,589,502		554,127,649
Less: Allowance for impairment of receivables		(	**3,563,708)**	(	3,563,708)
		P	**591,025,794**	P	550,563,941

Trade and other receivables are non-interest bearing and are generally on a 30 days - 90 days' term. The Company does not hold any collateral or other credit enhancements over these balances nor does it have a legal right of offset against any amounts owed by the Company to the counterparty.

Advances to contractors and suppliers refer to noninterest-bearing advance payments for the acquisition of materials, supplies, and services which are offset against progress billings and deliveries to be made by contractors and suppliers.

Advances to officers and employees are non-interest bearing and subject to liquidation.

The Company's trade and other receivables have been reviewed for indicators of impairment. Certain receivables were found to be impaired and allowance for doubtful accounts have been provided accordingly.

The roll forward analysis of allowance for impairment of receivables follows:

Balance, January 1	P	**3,563,708**	P	-
Provisions		-		17,164,448
Write-off		-	(	13,600,740)
Balance, December 31	P	**3,563,708**	P	3,563,708

The impaired receivables are from the unpaid collectibles from completed private construction contracts and personal cash advances.

NOTE 10 – INVENTORIES

This account consists of:

Fuel	P	**39,787,149**	P	38,630,806
Plant spare parts and supplies		**65,846,534**		65,594,892
	P	**105,633,683**	P	104,225,698

Inventories are carried at cost used in the generation plant and repairs and maintenance of properties.

The cost of inventories recognized as part of cost of generated power in the statement of income amounted to **P 34,882,614** in 2022 and P 29,950,282 in 2021.

NOTE 11 – PREPAYMENTS AND OTHER CURRENT ASSETS

This account consists of:

		2022		2021
Prepayments	P	32,075,486	P	33,673,558
Deferred input taxes		7,623,274		6,616,682
	P	39,698,760	P	40,290,240

Prepayments mainly includes advance payments of taxes and insurance.

Deferred input taxes pertains to VAT credits on purchases of capital goods acquired by the Company.

NOTE 12 – CAPITAL STOCK

The components of capital stock follow:

Common Stock – Authorized 30,000,000 shares in 2022 and 2021 at P100 par value
Subscribed and outstanding – 25,478,000 shares in 2022 and 15,000,000 in 2021, respectively

Balance, January 1	P	2,569,600,000	P	750,000,000
Additional paid-up capital		-		750,000,000
Balance, December 31	P	2,569,600,000	P	1,500,000,000
Less: Treasury shares	(	21,800,000)		-
	P	2,547,800,000	P	1,500,000,000

On December 4, 2020, the BOD and stockholders approved the amendment of the Company's Articles of Incorporation (AOI) to increase its authorized capital stock from P750 Million divided into 7,500,000 shares with a par value of P100 per share resulting to an authorized capital stock of P3 Billion divided into 30,000,000 common shares with a part value of P100 per share. Relative to the application for stocks subscriptions, the existing stockholders have a "Deposit for future stocks subscription" amounting to P2,137,469,946 in 2020.

On January 8, 2021, the Securities and Exchange Commission approved the Company's application for increase in authorized capital stock. Relative thereto, the "Deposit for futures stocks subscriptions" were converted to capital stock equivalent to **18,000,000 shares** and a share premium of **P337,469,946** was recognized.

In 2021, there were additional stockholders who subscribed P19,600,000 of capital stock equivalent to 196,000 shares.

On March 24, 2022, the Company purchased its own shares amounting to **P21,800,000** equivalent to **218,000 shares** and presented in the statements of equity as treasury shares. Consequently, the equivalent amount of retained earnings was appropriated.

Below is the Comparative Financial Statements for Years 2021 and 2020:

KING ENERGY GENERATION, INC
Brgy. San Luis, Gingoog City, Misamis Oriental

CONTENTS

Baconga Patriana & Co.
Certified Public Accountants

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STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **KING ENERGY GENERATION, INC.** (the Company) is responsible for the preparation and fair presentation of the financial statements, including the schedules attached therein, for the quarters ended March 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 financial statements that are free from material misstatement, whether due to fraud or error.

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

BACONGA PATRIANA & CO., the independent auditors appointed by the stockholders, has audited the financial statements of the Company for the quarter ended March 31, 2022 in accordance with Philippine Standards on Auditing, and in their report to the stockholders, have expressed their opinion on the fairness of presentation upon completion of such audit.

MR. EDGARDO L. SALVAME
CHIEF EXECUTIVE OFFICER / CHAIRMAN

MS. ROSALIE A. SALVAME
CHIEF FINANCIAL OFFICER / TREASURER

Signed this 30th day of June 2022

BP&Co.
BACONGA PATRIANA & Co.
Certified Public Accountants

PRC/BOA Accreditation No. 2431
SEC Accreditation No. 0393-F
NEA Accreditation No. 2013-10
Bangko Sentral ng Pilipinas (BSP) Accredited
CDA CEA No. 0027-AF

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INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders
KING ENERGY GENERATION, INC.
San Luis, Gingoog City

Report on the Audit of the Financial Statements

Opinion
We have audited the financial statements of **KING ENERGY GENERATION, INC.** ("the Company"), which comprise the statement of financial position as at March 31, 2022, and the statement of income, changes in equity and cash flows for the quarter then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of **KING ENERGY GENERATION, INC.** as at March 31, 2022, and of its financial performance and its cash flows for the quarter then ended in accordance with Philippine Financial Reporting Standards (PFRSs).

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

Emphasis of Matter
We draw attention to Note 25 to the financial statements, which describes management's assessment of the impact of the COVID-19 pandemic to the Company's operations and performance as of March 31, 2022.

Our opinion is not modified in respect of this matter.

Other Matter
The statement of income, changes in equity and cash flows of **KING ENERGY GENERATION, INC.** for the quarter ended March 31, 2021 were unaudited. Our opinion is not modified in respect of this matter.

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

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

BACONGA PATRIANA & CO.
By:

JESERIO C. LONON, JR.
Partner
CPA Certificate No. 0123245
TIN No. 948-861-793
PTR No. 5222193 A - January 5, 2022, Cagayan de Oro City
Partner's SEC Accreditation No. 1810-A, July 7, 2020 to July 7, 2023
BIR AN 16-005517-003-2019, July 16, 2019 to July 16, 2022

Firm BOA/PRC Cert. of Reg. No. 2431, September 15, 2020 to October 8, 2023
Firm SEC Accreditation No. 0393-F, July 7, 2020 to July 7, 2023
Firm CDA CEA No. 0027-AF, February 25, 2020 to February 24, 2023
Firm NEA Accreditation No. 2019-10-0006, October 30, 2019 to October 29, 2022
Firm BSP Selected External Auditors for Institutions under Category B
valid for 2021, 2022, 2023, 2024 and 2025 audited reports and AFS

Cagayan de Oro City
June 30, 2022

KING ENERGY GENERATION, INC.

STATEMENT OF FINANCIAL POSITION
March 31, 2022
(With Comparative Figures for December 31, 2021)

	Notes		**2022**		**2021**
ASSETS					
Noncurrent Assets					
Generation plant, property and equipment, *net*	*5*	**P**	**3,797,936,953**	P	3,871,181,013
Investment in associate	*6*		**17,077,809**		17,077,809
Deferred tax asset	*21*		**2,115,241**		2,115,241
Other noncurrent asset	*7*		**216,000**		216,000
Total Noncurrent Assets			**3,817,346,003**		3,890,590,063
Current Assets					
Cash	*8*		**83,596,447**		155,295,077
Trade and other receivables	*9*		**591,025,794**		550,563,941
Inventories	*10*		**105,633,683**		104,225,698
Prepayments and other current assets	*11*		**39,698,760**		40,290,240
Total Current Assets			**819,954,684**		850,374,956
TOTAL ASSETS		**P**	**4,637,300,687**	P	4,740,965,019
EQUITY AND LIABILITIES					
Equity		**P**	**3,121,433,653**	P	3,135,598,316
Noncurrent Liabilities					
Loans and borrowings, *net of current portion*	*13*		**540,677,066**		540,411,418
Trade and other payables, noncurrent	*15*		**393,364,328**		393,364,328
Retirement liabilities	*14*		**4,394,555**		4,897,255
Total Noncurrent Liabilities			**938,435,949**		938,673,001
Current Liabilities					
Loans and borrowings	*13*		**153,809,185**		204,944,524
Trade and other payables	*15*		**422,054,528**		460,181,806
Income tax payable			**1,567,372**		1,567,372
Total Current Liabilities			**577,431,085**		666,693,702
Total Liabilities			**1,515,867,034**		1,605,366,703
TOTAL LIABILITIES AND EQUITY		**P**	**4,637,300,687**	P	4,740,965,019

(The notes on pages 8 to 49 are an integral parts of these financial statements)

KING ENERGY GENERATION, INC.

STATEMENT OF INCOME
For the Quarter Ended March 31, 2022
(With Comparative Figures for March 31, 2021)

	Notes		2022		*Unaudited* 2021
SALE OF POWER	*17*	P	**258,623,460**	P	259,387,323
COST OF SERVICE	*17*		**198,762,605**		192,828,254
GROSS INCOME			**59,860,855**		66,559,069
OPERATING EXPENSES					
Depreciation	*5*		**6,891,608**		6,512,248
Employees salaries, wages, and other benefits	*18*		**4,728,460**		3,966,204
Security services			**1,935,632**		2,142,532
Taxes and licenses			**177,619**		204,760
Provision for impairment losses	*9*		**-**		17,164,448
Other operating expenses	*19*		**24,396,143**		11,343,116
			38,129,462		41,333,308
OPERATING INCOME BEFORE FINANCE INCOME AND FINANCE COST			**21,731,393**		25,225,761
Other income			**15,345**		34,353
Finance cost	*13*		**(14,111,401)**		(20,660,645)
			(14,096,056)		(20,626,292)
NET INCOME			**7,635,337**		4,599,469
EARNINGS PER SHARE	*22*	P	**0.30**	P	0.31

(The notes on pages 8 to 49 are an integral parts of these financial statements)

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KING ENERGY GENERATION, INC.

STATEMENT OF EQUITY
For the Quarter Ended March 31, 2022
(With Comparative Figures for March 31, 2021)

	Notes	2022	Unaudited 2021
CAPITAL STOCK	12		
Authorized - 30 Million shares in 2022 and 2021			
Subscribed and issued - 25,478,000 shares in 2022 and 15,000,000 shares in 2021			
Balance, January 1		2,569,600,000	750,000,000
Additional subscriptions during the year		-	750,000,000
Balance, March 31		2,569,600,000	1,500,000,000
TREASURY SHARES	12		
218,0000 shares in 2022 and 0 in 2021		(21,800,000)	-
SHARE PREMIUM			
Balance, January 1		337,469,946	-
Additions during the period	12	-	-
Balance, March 31		337,469,946	-
DEPOSIT FOR FUTURE STOCK SUBSCRIPTIONS			
Balance, January 1		-	2,137,469,946
Converted to shares during the period	12	-	-
Balance, March 31		-	2,137,469,946
RETAINED EARNINGS			
Appropriated			
Balance, January 1		-	-
Appropriation for Treasury Shares	12	21,800,000	-
Balance, March 31		21,800,000	-
Unappropriated			
Balance, January 1		228,566,802	163,357,601
Transfer to appropriated retained earnings	12	(21,800,000)	
Net income		7,635,337	4,599,469
Balance, March 31		214,402,139	167,957,070
		236,202,139	167,957,070
CUMULATIVE REMEASUREMENT LOSS ON RETIREMENT LIABILITY			
Balance, January 1		(38,432)	-
Other comprehensive loss	14	-	(38,432)
Balance, March 31		(38,432)	(38,432)
TOTAL EQUITY		P 3,121,433,653	P 3,805,388,584

(The notes on pages 8 to 49 are an integral parts of these financial statements)

KING ENERGY GENERATION, INC.

STATEMENT OF CASH FLOWS
For the Quarter Ended March 31, 2022
(With Comparative Figures for March 31, 2021)

	Notes		2022		Unaudited 2021
CASH FLOWS USED IN OPERATING ACTIVITIES					
Income before tax expense		P	**7,635,337**	P	4,599,469
Adjustments for:					
Depreciation and amortization	5		**78,921,707**		78,591,015
Provision for impairment of receivables	9		**-**		17,164,448
Finance cost	13		**14,111,401**		20,660,645
Loss on disposal and property damages	5		**437**		6,138
Operating income before working capital changes			**100,668,882**		121,021,715
Decrease (increase) in assets					
Trade and other receivables			**(40,461,853)**		(173,148,389)
Inventories and prepayments and other current assets			**(816,505)**		29,057,733
Increase (decrease) in liabilities					
Trade and other payables			**(59,927,278)**		(419,503,704)
Cash flows from operating activities			**(536,754)**		(442,572,645)
Finance cost paid	13		**(14,111,401)**		(20,660,645)
Retirement benefits paid	14		**(502,700)**		-
Write-off of receivables	9		**-**		(14,851,979)
Net cash flows used in operating activities			**(15,150,855)**		(478,085,269)
CASH FLOWS USED IN INVESTING ACTIVITIES					
Acquisition of generation plant, property and equipment	5		**(5,678,084)**		(10,858,888)
Net cash flows used in investing activities			**(5,678,084)**		(10,858,888)
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES					
Availment of loans and borrowings	13		**-**		-
Payment on loans and borrowings	13		**(50,869,691)**		(248,750,000)
Additional issuance of shares/colleciton	12		**-**		750,000,000
Net cash flows from (used in) financing activities			**(50,869,691)**		501,250,000
NET INCREASE (DECREASE) IN CASH			**(71,698,630)**		12,305,843
CASH, January 1			**155,295,077**		124,056,712
CASH, March 31		P	**83,596,447**	P	136,362,555

(The notes on pages 8 to 49 are an integral parts of these financial statements)

KING ENERGY GENERATION, INC.

NOTES TO FINANCIAL STATEMENTS
March 31, 2022 and December 31, 2021

NOTE 1 – CORPORATE INFORMATION

King Energy Generation, Inc. (the Company) was incorporated and registered with the Philippine Securities and Exchange Commission on December 06, 2010 primarily to carry on the business of exploring, developing and utilizing renewable energy, such as but not limited to biomass, biogas, hydro- power, geothermal, wind, solar energy including operating, managing, maintaining and rehabilitating renewable energy systems. Also, the Company has a purpose to build, construct, erect, own, equip, install, operate, maintain, sell and lease power generation plants and related facilities, machineries, equipment for the generation and supply of electric power utilizing any fuel or energy source; to provide ancillary services and to supply services such as billing, collection, customer service, energy trading and electricity sales for the contestable market and/or customers, including but not limited to electric cooperatives and private distribution utilities; and to engage in any and all acts which may be necessary, or convenient, in the furtherance of such power generation services.

The Company's registered office and its principal place of business is San Luis, Gingoog City. The Company is domiciled in the Philippines.

NOTE 2 - BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

Basis of Preparation

The principal accounting policies applied in the preparation of these financial statements are summarized below. These have been consistently applied in all years presented, unless otherwise indicated.

Statement of Compliance

The financial statements of the Company have been prepared in compliance with Philippine Financial Reporting Standards (PFRSs). The term PFRS, in general, includes all applicable PFRS, Philippine Accounting Standards (PAS), and interpretations issued by former Standing Interpretations Committee, the Philippine Interpretations Committee and the International Financial Reporting Interpretations Committee (IFRIC) which have been approved by the Philippine Financial Reporting Standards Council and adopted by the Philippine SEC.

Basis of measurement and presentation

The financial statements of the Company have been prepared using the historical cost basis, except for agricultural produce which is measured at fair value less cost to sell at the point of harvest. These financial statements are presented in Philippine Peso, which is the Company's functional and reporting currency. All values are rounded to the nearest peso, except when otherwise indicated. These have been consistently applied in all periods presented, unless otherwise indicated.

Use of Judgments and Estimates

The preparation of financial statements in compliance with PFRS requires the use of certain critical accounting estimates. It also requires the Company's management to exercise judgment in applying the Company's accounting policies. The areas where significant judgments and estimates have been made preparing the financial statements and their effects are disclosed in Note 4.

Standards Issued and Effective on or after January 1, 2021
The following are amendments and revision to PFRS which are mandatorily effective for annual periods beginning on or after January 1, 2021. Unless otherwise indicated, these new and revised accounting standards have no significant impact to the Company.

Amendments to PFRS 9, PFRS 7, PFRS 4 and PFRS 16, Interest Rate Benchmark Reform – Phase 2. The amendments provide the following temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR):

- Practical expedient for changes in the basis for determining the contractual cash flows as a result of IBOR reform
- Relief from discontinuing hedging relationships
- Relief from the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component

The Company shall also disclose information about:

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

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

COVID-19-Related Rent Concessions beyond 30 June 2021—Amendment to IFRS 16
In the prior year, early adoption was allowed on the Covid-19-Related Rent Concessions (Amendment to IFRS 16) that provided practical relief to lessees in accounting for rent concessions occurring as a direct consequence of COVID-19, by introducing a practical expedient to PFRS 16. This practical expedient was available to rent concessions for which any reduction in lease payments affected payments originally due on or before 30 June 2021.

In March 2021, another amendment was issued, Covid-19-Related Rent Concessions beyond 30 June 2021 (Amendment to IFRS 16), that extends the practical expedient to apply to reduction in lease payments originally due on or before 30 June 2022.

The practical expedient permits a lessee to elect not to assess whether a COVID-19-related rent concession is a lease modification. A lessee that makes this election shall account for any change in lease payments resulting from the COVID-19-related rent concession applying PFRS 16 as if the change were not a lease modification.

The practical expedient applies only to rent concessions occurring as a direct consequence of COVID-19 and only if all of the following conditions are met:

- The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change
- Any reduction in lease payments affects only payments originally due on or before 30 June 2022 (a rent concession meets this condition if it results in reduced lease payments on or before 30 June 2022 and increased lease payments that extend beyond 30 June 2022)
- There is no substantive change to other terms and conditions of the lease.

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

Effective beginning on or after January 1, 2022

- Amendments to PFRS 3, Reference to the Conceptual Framework

  The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements. The amendments added an exception to the recognition principle of PFRS 3, Business Combinations to avoid the issue of potential 'day 2'gains or losses arising for liabilities and contingent liabilities that would be within the scope of PAS 37, Provisions, Contingent Liabilities and Contingent Assets or Philippine-IFRIC 21, Levies, if incurred separately.

  At the same time, the amendments add a new paragraph to PFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

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

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

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

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

  The amendments are not expected to have a material impact on the Company.

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

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

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

- Annual Improvements to PFRSs 2018-2020 Cycle

  Amendments to PFRS 1, First-time Adoption of 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 by the parent, based on the parent's date of transition to PFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of PFRS 1.

  The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted. The amendments are not expected to have a material impact on the Company.

  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. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

  The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted. The Company will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendments are not expected to have a material impact on the Company.

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

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

  An entity applies the amendment prospectively to fair value measurements on or after the beginning of the first annual reporting period beginning on or after January 1, 2022 with earlier adoption permitted. The amendments are not expected to have a material impact on the Company.

Effective beginning on or after January 1, 2023

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

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

  - What is meant by a right to defer settlement
  - That a right to defer must exist at the end of the reporting period
  - That classification is unaffected by the likelihood that an entity will exercise its deferral right

- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and must be applied retrospectively. The Company is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

- 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

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

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

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

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

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING AND FINANCIAL REPORTING POLICIES

Financial Instruments

PFRS 9, Financial Instruments
The Company adopted PFRS 9 (2014) effective January 1, 2018, the date of adoption. This new standard on financial instruments replaced PAS 39, Financial Instruments: Recognition and Measurement, and PFRS 9 (2009, 2010, and 2013 versions) – hereinafter referred to as PFRS 9. In addition to the principal classification categories for financial assets and financial liabilities and hedge accounting under PFRS 9, PFRS 9 (2014) includes the following major provisions:

- limited amendments to the classification and measurement requirements for financial assets introducing a fair value measurement through other comprehensive income for eligible debt securities; and
- an expected credit loss (ECL) model in determining impairment of all debt financial assets that are not measured at fair value through profit or loss (FVPL), which generally depends on whether there has been a significant increase in credit risk since initial recognition of a financial asset.

The adoption of PFRS 9 (2014) from January 1, 2018 resulted to changes in accounting policies but have no significant impact on the Company's financial statements. As allowed and in accordance with the transitional provisions of this new standard, comparative figures have not been restated but the Company is required to provide the related transition disclosure requirements under PFRS 7, Financial Instruments: Disclosures.

Date of recognition
Financial assets and financial liabilities are recognized in the statement of financial position when the Company becomes a party to the contractual provisions of the instruments. Purchases or sales of financial assets that require delivery of assets within the time frame established by regulations or convention in the marketplace are recognized on the settlement date. Derivatives are recognized on trade date basis.

Initial recognition
Financial assets and financial liabilities are recognized initially at fair value, which is the fair value of the consideration given (in case of an asset) or received (in case of a liability). The fair value of the consideration given or received is determined by reference to the transaction price or other market prices. If such market prices are not reliably determinable, the fair value of the consideration is estimated as the sum of all future cash payments or receipts, discounted using the prevailing market rate of interest for similar instruments with similar maturities. The initial measurement of financial instruments, except for those designated at fair value through profit or loss (FVPL), includes transaction costs.

Determination of fair value
The fair value of financial instruments traded in active markets at the financial reporting date is based on their quoted market price or dealer price quotation (bid price for long positions and ask price for short positions), without any deduction for transaction costs. When current bid and asking prices are not available, the price of the most recent transaction provides evidence of the current fair values as long as there has not been a significant change in economic circumstances since the time of the transaction.

If the financial instruments are not listed in an active market, the fair value is determined using appropriate valuation techniques which include recent arm's length market transactions, net present value techniques, comparison to similar instruments for which market observable prices exist, options pricing models and other relevant valuation models.

Classification of Financial Instruments

Financial Assets
The classification and measurement of financial assets is driven by the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. From January 1, 2018, in accordance with the new provisions on classification and measurement of financial assets under PFRS 9 (2014), the Company classifies and measures financial assets as follows:

- Financial assets instruments at amortized cost

  Financial assets are measured at amortized cost if both of the following conditions are met:

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

  Financial assets meeting these criteria are measured initially at fair value plus transaction costs. They are subsequently measured at amortized cost using the effective interest method less any impairment in value, with the interest calculated recognized as "Interest income" in the statements of income. The Company classified "Cash" *(See Note 8)* and "Trade and other receivables" *(See Note 9)* as financial assets at amortized cost.

  The Company may irrevocably elect at initial recognition to classify a financial asset that meets the amortized cost criteria above as at FVTPL if that designation eliminates or significantly reduces an accounting mismatch had the financial asset been measured at amortized cost.

- Financial assets at FVPL

  The Company classifies financial assets under FVPL when they do not meet the criteria of FVOCI or amortized cost. Financial assets at FVPL are measured at fair value with gains and losses arising from changes in fair value recognized in profit or loss.

  The Company does not have financial assets under this category as at March 31, 2022 and December 31, 2021.

- Financial assets at FVOCI

  The Company classifies debt instruments under FVOCI when both of the following conditions are met:

  - the asset is held within the Company's business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
  - the contractual terms of the instrument give rise, on specified dates, to cash flows that are solely payment of principal and interest on the principal amount outstanding.

  Financial assets at FVOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income. Interest income and foreign exchange gains and losses are recognized in profit or loss in the same manner as for financial assets measured at amortized cost. On derecognition, cumulative gains or losses previously recognized in other comprehensive income are reclassified to profit or loss.

  The Company does not have financial assets under this category as at March 31, 2022 and December 31, 2021.

Financial Liabilities
Financial liabilities are classified as financial liabilities at FVPL and other financial liabilities. The classification depends on the purpose for which the investments are acquired and whether they are quoted in an active market. Management determines the classification of its financial assets and liabilities at initial recognition and, where allowed and appropriate, re-evaluates such designation at every financial reporting date.

Financial liabilities at FVPL
Financial liabilities are classified in this category if these result from trading activities or derivative transactions that are not accounted for as hedges, or when the Company elects to designate a financial liability under this category.

The Company does not have financial liabilities under this category as at March 31, 2022 and December 31, 2021.

Other financial liabilities
This classification pertains to financial liabilities that are not held for trading nor designated as at FVPL upon the inception of the liability. Included in this category are liabilities arising from operations or borrowings (e.g. payables or accruals and long-term debt).

The financial liabilities are recognized initially at fair value and are subsequently measured at amortized cost, taking into account the impact of applying the effective interest rate method of amortization (or accretion) for any related premium, discount and any directly attributable transaction costs. However, liabilities that have no stated interest and classified as current liabilities are measured at the undiscounted amount of cash or other consideration expected to be paid.

Fair value measurement hierarchy
PFRS 7 requires certain disclosure which requires the classification of financial asset and financial liabilities measured at fair value using a fair value hierarchy that reflects the significance of the inputs used in making the fair value measurement. The fair value hierarchy has the following levels:

a. quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
b. inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (Level 2); and
c. inputs for the assets or liabilities that are not based on observable market data (unobservable inputs) (Level 3).

The level in the fair value hierarchy within which the financial asset or financial liability is categorized is determined on the basis of the lowest level input that is significant to the fair value measurement. Financial asset and financial liabilities are classified in their entirety into one of the three levels.

Financial guarantees
A financial guarantee is classified in this category if the entity must provide for payments to be made if and only if the debtor fails to make payments when due. In order for a contract to meet the definition of a guarantee it would be necessary that the guaranteed party only receives the exact amount of loss advances from the default of the debtor. Such a contract is structured in two ways: a) the guarantor purchases the defaulted loan for its nominal amount instead of making a payment for the best estimate of loss; or b) on settlement of the final loss, there is a further payment between that amount and the initial loss estimate that was paid.

Such contracts are recognized initially at fair value and subsequently carried at the higher of the initial value that would be recognized if PAS 37 or PAS 18, was applied.

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: a) the rights to receive cash flows from the asset have expired; b) 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 c) the Company has transferred its rights to receive cash from the asset and either transferred substantially all the risks and rewards of the asset or has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

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

Financial Liabilities
A financial liability is derecognized when the obligation under the liability is discharged or cancelled or has expired.

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

Impairment of Financial Assets

Assessment of Impairment
PFRS 9 requires the Company to record expected credit loss methodology (ECL) for all loans and other debt financial assets not classified as at FVTPL, together with irrevocable loan commitments and financial guarantee contracts.

ECL represent credit losses that reflect an unbiased and probability-weighted amount which is based on reasonable and supportable information about past events, current conditions and forecasts of future economic conditions, and the time value of money. The objective of the new impairment model is to record lifetime losses on all financial instruments which have experienced a significant increase in credit risk (SICR) since their initial recognition. As a result, ECL allowances are now measured at amounts equal to either (i) 12-month ECL or (ii) lifetime ECL for those financial instruments which have experienced a SICR since initial recognition (General Approach). The 12month ECL is the portion of lifetime ECL that results from default events on a financial instrument that are possible within the next 12 months after the reporting date. Lifetime ECLs are credit losses that result from all possible default events over the expected life of a financial instrument.

Following the ECL approach, the Company must establish a policy to perform an assessment, at the end of each reporting period, whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument.

A financial asset is assessed for impairment based on the following stages:

Stage 1:	When a financial asset is first recognized, the Company recognizes credit losses based on the twelve-month ECLs. Stage 1 financial asset also include facilities where the credit risk has improved and has been reclassified from Stage 2.
Stage 2:	When a financial asset has shown a significant increase in credit risk since origination, the Company recognizes an allowance for the lifetime ECL. Stage 2 financial asset also include facilities where the credit risk has improved and has been reclassified from Stage 3.
Stage 3:	When a financial asset is considered as credit impaired, the Company recognizes an allowance for the lifetime ECL.

The key elements used in the calculation of ECL are as follows:

- Probability of Default – is an estimate of likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the instrument has not been previously derecognized and is still in the portfolio.

- Loss Given Default – is an estimate of loss arising in case where a default occurs at a given time. It is based on the difference between the contractual cash flows of a financial instrument due from a counterparty and those that the Company would expect to receive, including the realization of any collateral.

- Exposure at Default – represents the gross carrying amount of the financial instruments subject to the impairment calculation.

Evidence of Impairment
Objective evidence that financial assets are impaired can include default or delinquency by a borrower, restructuring of a receivable or an advance by the Company on terms that the Company would not otherwise consider, disappearance of an active market for a security or other observable data relating to a group of assets such as adverse changes in the payment status of borrowers, or economic conditions that correlate with defaults.

Impairment of financial assets carried at amortized cost
If there is objective evidence that an impairment loss on loans and receivables carried at amortized cost has been incurred, the amount of loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows. The carrying amount of the asset shall be reduced either directly or through the use of an allowance account. The amount of loss shall be recognized in profit or loss.
Impairment on financial assets carried at cost
If there is an objective evidence of an impairment loss on an unquoted equity/debt instrument that is not carried at fair value because its fair value cannot be reliably measured, or of a derivative asset that is linked to and must be settled by delivery of such an unquoted equity/debt instrument, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for similar financial asset.

Reversal of impairment loss
If, in subsequent period, the amount of the impairment loss decreases, and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed either directly or by adjusting an allowance account. The reversal shall not result in a carrying amount of the financial asset that exceeds what the amortized cost would have been had the impairment not been recognized at the date the impairment is reversed. The amount of the reversal shall be recognized in profit or loss.

Classification of financial instrument between debt and equity
Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual agreement. Interest, dividend, gains and losses relating to a financial instrument or a component that is a financial liability is reported as expense or income.

A financial instrument is classified as debt if it provides a contractual obligation to:

a. deliver cash or other financial assets to another entity; or

b. exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Company; or

c. 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 Company 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.

An equity instrument is any contract that evidence residual interest in the asset of an entity after deducting all of its liabilities.

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

Derivatives
Derivatives are initially recognized at fair value on the date which the derivative transaction is entered into or bifurcated, and are subsequently re-measured at fair value. Derivatives are carried as an asset when the fair value is positive and as a liability when the fair value is negative.

The Company has no derivatives as at March 31, 2022 and December 31, 2021.

Embedded derivatives
An embedded derivative is separated from the host contract and accounted for as derivative if all of the following conditions are met: (a) economic characteristics and risks of the embedded derivatives 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; (c) the hybrid or combined instrument is not recognized at FVPL.

The Company has no transactions with embedded derivatives as at March 31, 2022 and December 31, 2021.

Cash and Cash Equivalents
Cash and cash equivalents are valued at face value. Cash includes cash on hand and with banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of 3 months or less from the date of acquisitions and that are subject to an insignificant change in value. The Company has no cash equivalents as at March 31, 2022 and December 31, 2021.

Trade and Other Receivables
Trade and other receivables are recognized at transaction price and carried at amortized cost using effective interest method. At the end of each reporting period, the carrying amounts of trade and others receivables are reviewed to determine whether there is any objective evidence that the amounts are not recoverable. If so, an impairment loss is recognized immediately in the statements of comprehensive income.

If there is objective evidence that an impairment loss on trade and other receivables has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset or group of assets shall be reduced either directly or through the use of an allowance account. The amount of the loss shall be recognized in the statements of comprehensive income.

Inventories
Inventories are stated at the lower of cost and net realizable value. The net realizable value of inventory is the estimated selling price in the ordinary course of business less estimated costs necessary to make the sale. Cost is determined using the first in, first out (FIFO) method. At each reporting date, inventories are assessed for impairment. If inventory is impaired, the carrying amount is reduced to its selling price less costs to complete and sell; the impairment loss is recognized immediately in the statements of comprehensive income.

Prepayments
These are outflow of resources made in the current accounting period that would benefit future periods. Costs of this asset is amortized over the period benefited.

Investment in Associate
Investment in shares of stock where the Company holds 20% or more ownership, or where it has the ability to significantly influence the investee company's operating activities is accounted for in this separate financial statements under the cost method. Accordingly, dividends received are treated as income in the year these are collectible.

Property and Equipment
Property and equipment are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes the purchase price and other expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The Company adds to the carrying amount of an item of property and equipment the cost of replacing parts of such an item when that cost is incurred if the replacement part is expected to provide incremental future benefits to the Company. The carrying amount of the replaced part is derecognized. When assets are derecognized, their cost, accumulated depreciation and amortization and accumulated impairment losses are eliminated from the accounts. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized in the statements of comprehensive income. All other repairs and maintenance are charged to profit or loss during the period in which they are incurred.

Land is not depreciated. Depreciation is charged so as to allocate the cost of property and equipment less their residual value over the estimated useful lives, using the straight-line method. The estimated useful lives range as follows:

Components	Estimated Useful Life
Generation plant	20 years
Transmission line	10 years
Building	10-20 years
Land improvements	10 years
Service vehicles	5 years
Furniture and equipment	3-5 years

Depreciation of an item of property 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) in accordance with PFRS 5, *Non-current Assets Held for Sale and Discounted Operations*, and the date the asset is derecognized.

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, if there is an indication of a significant change since the last reporting date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Construction in progress (CIP) is stated at cost. This includes cost of construction and other direct costs. CIP is not depreciated until such time the relevant assets are completed and put into operational use.

Impairment of Non-financial Assets

The carrying amounts of the Company's non-financial assets such as the property and equipment are reviewed at each financial reporting date to determine whether there is any indication of impairment or an impairment loss previously recognized no longer exists or may have decreased. If any such indication exists, the asset's recoverable amount is estimated.

An impairment loss is recognized in profit or loss whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount.
The recoverable amount of a non-financial asset is the greater of the asset's fair value less costs to sell and value in use. The fair value less costs to sell is the amount obtainable from the sale of the asset in an arm's length transaction. 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. For an asset that does not generate cash flows largely independent of those assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized. Reversals of impairment are recognized in profit or loss.

Intangible Assets
Intangible assets include acquired licenses on computer software used in administration and accounting which is accounted for under the cost model. The cost of the asset is the amount of cash or cash equivalents paid to acquire an asset. Capitalized costs are amortized on a straight-line basis over the estimated useful lives ranging from 10 to 15 years as the lives of these intangible assets are considered limited. Costs associated with maintaining computer software are expensed as incurred.

Trade and Other Payables
Trade and other payables are recognized initially at the transaction price and subsequently measured at amortized cost using the effective interest method. Trade and other payables are on normal credit terms and do not bear interest.

Related Party Transactions
Parties are related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties can be individual or corporate entity. Key management personnel are also considered as related parties.

Borrowings and Borrowing Costs
Borrowing costs include interest charges and other costs incurred in connection with the borrowing of funds. These are recognized as expense when incurred except when such costs relate to a qualifying asset, in which case, borrowing costs incurred will be capitalized. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale.

Equity

Capital Stock
Capital stock represents the portion of the paid in capital representing the total par value of the shares issued.

Retained Earnings
Retained earnings represent the cumulative balance of net income or loss, net of any dividend declaration.

Revenue and Cost Recognition
The Company has applied PFRS 15 where revenue is recognized when (or as) the Company satisfies a performance obligation by transferring a promised good or service to a customer (i.e. an asset). An asset is transferred when (or as) the customer obtains control of that asset.

The recognition of revenue can be either over time or at a point in time depending on when the performance obligation is satisfied.

When control of a good or service is transferred over time, that is, when the customer simultaneously receives and consumes the benefits, the Company satisfies the performance obligation and recognizes revenue over time. Otherwise, revenue is recognized at the point in time at the point of transfer control of the good or service to the customer.

Variable consideration is measured using either the expected value method or the most likely amount method depending on which method the Company expects to better predict the amount of consideration to which it will be entitled. This is the estimated amount of variable consideration, or the portion, if any, of that amount for which it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur. Where there is a single performance obligation, the transaction price is allocated in its entirety to that performance obligation. Where there are multiple performance obligations, the transaction price is allocated to the performance obligation to which it relates based on stand-alone selling prices.

The Company recognizes revenue based on the price specified in the contract, net of the estimated rebates/discounts and include variable consideration, if there is any. Accumulated experience is used to estimate and provide for the discounts and revenue is only recognized to the extent that it is highly probable that a significant reversal will not occur.

The Company does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Company does not adjust any of the transaction prices for the time value of money.

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

Sale of power	-	Revenue is recognized at the point in time when the services are transferred to the customers and the performance obligations are fulfilled.
Interest on bank deposits	-	Interest is recognized as interest accrues based on effective interest method of accounting.

Cost and expenses are recognized in the statement of comprehensive income: a) when a decrease in future economic benefits related in an asset or an increase of a liability has arisen that can be measured reliably; b) on the basis of a direct association the costs incurred and the earning of specific items of income; c) 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 d) immediately when an expenditure produces no future economic benefits or when, and to the extent that, future economic benefits do not qualify, or cease to qualify, for recognition in the statement of financial position as an asset. Operating expenses are costs attributable to the general and administrative activities of the Company.

The Company presents a contract asset when it transfers control of goods or performs services before the customer pays consideration or before payment is due. A contract asset is the Company's right to consideration in exchange for goods or services that the Company has transferred to a customer.

The Company presents a contract liability when a customer pays the consideration, or the Company has the right to an amount of consideration that is unconditional (i.e., a receivable), before the Company transfers goods or performs services to the customer. A contract liability is the Company's obligation to transfer goods or services to a customer for which the Company has received consideration (or an amount of consideration is due) from the customer.

Contract liability also includes cash received from customers which are applied to subsequent progress billings for construction contracts (see Note 9). The Company considers the effect of significant financing component in the contract which is recognized as part of Contract Revenues and Finance Cost in the statement of comprehensive income.

The Company incurs incremental costs in obtaining customer contracts (i.e., biddings costs on construction contracts). These costs are expensed when incurred as these are incurred regardless whether the contract is obtained.

The Company also incurs costs in fulfilling contracts with customers. These costs are divided into: (i) costs that give rise to an asset; and, (ii) costs that are expensed as incurred. When determining the appropriate accounting treatment for such costs, the Company first considers any other applicable standards. If other standards preclude capitalization of a particular cost, then an asset is not recognized under PFRS 15. If other standards are not applicable to contract fulfillment costs, the Company applies the following criteria, which, if met, result in capitalization:

i. the costs directly relate to a contract or to a specifically identifiable anticipated contract;
ii. the costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and
iii. the costs are expected to be recovered.

Contract fulfillment assets or capitalized costs are amortized using percentage of completion method consistent with construction revenue recognition policy of the Company. Furthermore, these are derecognized either upon disposal or when no further economic benefits are expected to flow from its use or disposal.

At each reporting date, the Company determines whether there is an indication that contract fulfillment assets or capitalized costs to obtain a contract may be impaired. If such indication exists, the Company makes an estimate by comparing the carrying amount of the assets to the remaining amount of consideration that the Company expects to receive, less the costs that relate to providing services under the relevant contract.

Leases

The Company considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'.

To apply this definition, the Company assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Company
- the Company has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract
- the Company has the right to direct the use of the identified asset throughout the period of use. The Company assess whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

Measurement and recognition of leases as a lessee

At lease commencement date, the Company recognizes a right-of-use asset and a lease liability on the statement of financial position. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Company, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

The Company depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Company also assesses the right-of-use asset for impairment when such indicators exist.

At the commencement date, the Company measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the Company's incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments.

When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

The Company has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognizing a right-of-use asset and lease liability, the payments in relation to these recognized as an expense in profit or loss on a straight-line basis over the lease term.

Company as lessee
Where the Company is a lessee, payments on operating lease agreements are recognized as an expense on a straight-line basis over the lease term. Associated costs, such as maintenance and insurance, are expensed as incurred.

As at March 31, 2022 and December 31, 2021, the Company does not have long-term non-cancellable lease contracts that require the application of the new provisions in PFRS 16.

Employee Benefits
Employee benefits are all forms of consideration given by the Company in exchange for service rendered by the employees. The Company's employee benefits include the following:

Short-term benefits
Short-term employee benefits, include wages, salaries and social security contributions, short-term compensated absences (such as paid annual leave and paid sick leave), and bonuses payable within twelve months after the end of the period in which the employees render the related service, and non-monetary benefits (such as medical care, housing, cars and free or subsidized goods or services) for current employees.

The rendered services of an employee to an entity during the accounting period is recognized using the undiscounted amount of short-term employee benefits expected to be paid in exchange for that services rendered. The accounting for these benefits is generally straightforward because assumptions are required to measure the obligation or the cost and there is no possibility of any actuarial gain or loss.

Retirement benefits

Defined benefit plan
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.

The cost of providing benefits under the defined benefit plans is actuarially determined using the projected unit credit method.

Defined benefit costs comprise the following:

- Service cost;
- Net interest on the net defined benefit liability or asset; and
- Remeasurements of net defined benefit liability or asset

Service costs which include current service costs, past service costs and gains or losses on nonroutine settlements are recognized as expense in the statements of comprehensive income. Past service costs are recognized when plan amendment or curtailment occurs.

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 expense or income in the statements of comprehensive income.

Remeasurements comprising actuarial gains and losses, return on plan assets (excluding net interest on defined benefit asset) 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. All remeasurements are recognized in other comprehensive income account. Remeasurement gains (losses) on retirement plan are not reclassified to profit or loss in subsequent periods.

Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the creditors of the Company, nor can they be paid directly to the Company. 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).

The Company'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. *(Note 14)*

Termination benefits
Termination benefits are payable when employment is terminated by the Company before the normal retirement date, or whichever the employee accepts voluntary redundancy in exchange for these benefits.

Compensated absences
Compensated absences are recognized for the number of paid leaves days (including holiday entitlement) remaining at the financial reporting date.

Research and Development Costs
Research costs are expensed as incurred. Development expenditures on an individual project are recognized as an intangible asset when the Company can demonstrate:

- Technical feasibility of completing the intangible asset so that the asset will be available for use or sale
- Its intention to complete and its ability and intention to use or sell the asset
- How the asset will generate future economic benefits
- The availability of resources to complete the asset
- The ability to measure reliably the expenditure during the development

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is complete and asset is available for use. It is amortized over the period of expected future benefit. Amortization is recorded as expense. During the period of development, the asset is tested for impairment annually.

The Company's research and development in both years pertains to pilot or prospect projects and are expensed as incurred.

<u>Income Taxes</u>

Current income tax
The tax expense for the period comprises current and deferred tax. Tax is recognized in profit or loss, except that a change attributable to an item of income or expense recognized as other comprehensive income is also recognized directly in other comprehensive income.

The Company recognizes a current tax liability for tax payable on taxable profit for the current and past periods. If the amount paid for the current and past periods exceeds the amount payable for those periods, the Company recognizes the excess as a current tax asset. It also recognizes a current tax asset for the benefit of a tax loss that can be carried back to recover tax paid in a previous period.

Current income tax assets and liabilities for the current and the 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 at the financial reporting date.

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

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of goodwill or 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 profit or loss.
- In respect of taxable temporary differences associated with investments in subsidiaries, where 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 liabilities are recognized for all taxable temporary differences, including asset revaluations. Deferred income tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits from the excess of minimum corporate income tax (MCIT) over the regular corporate income tax, and unused net operating loss carryover (NOLCO), to the extent that it is probable that sufficient future taxable income will be available against which the deductible temporary differences and carry forward of unused tax credits from excess MCIT and unused NOLCO can be utilized.

The carrying amount of deferred income tax assets is reviewed at each end of reporting period and reduced to the extent that it is no longer probable that sufficient future 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 re-assessed at each end of reporting period and are recognized to the extent that it has become probable that sufficient future taxable income will allow the deferred income tax assets to be recovered. Deferred income tax assets and deferred income tax liabilities are measured at the tax rates that are applicable 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 at the end of reporting period.

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

Provisions
Provisions, if any, are recognized when the Company has a present obligation (legal or constructive) as a result of past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and reliable estimate can be made of the amount of the obligation.
If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pretax rate that reflects current market assessment of the time value of money and, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as an interest expense. When the Company expects provisions to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain.

Contingencies
Contingent liabilities are not recognized in the financial statements. These are disclosed unless the possibility of an outflow of resources embodying economic benefit is remote. A contingent asset is not recognized in the financial statements but disclosed when an inflow of economic benefits is probable.

Related Party Transactions
Parties are considered to be related if the party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making the financial and operating the decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties can be individual or corporate entity.
Associates, key management personnel, close members of the family and of any individuals owning directly or indirectly a significant voting power of the Company that gives them significant influence in the financial and operating policy decisions of the Company are also related parties.

A related party transaction is a transfer of resources, services or obligations between related parties, regardless of whether a price is charged. Transactions between related parties are unsecured and non-interest bearing and payable in cash with no definite terms.

Earnings Per Share
Basic earnings per share (EPS) is computed by dividing net income for the year by the weighted average number of common shares outstanding during the year after giving retrospective effect to stock dividends declared and stock rights exercised during the year, if any. The Company does not have potentially dilutive common shares.

Events after the End of Reporting Period
Events after the end of reporting period are those events, favorable and unfavorable, that occur between the end of reporting period and the date when the financial statements are authorized for issue. Adjusting events are those that provide evidence of conditions that existed at the end of the reporting period and lead to adjustments of financial statements. Non-adjusting events are those that are indicative of the conditions that arose after the end of reporting period and do not lead to adjustments but only to disclosures in the financial statements.

NOTE 4 – SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the financial statements in accordance with PFRS requires the Company to make estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses, other comprehensive income (loss) and disclosure of contingent assets and contingent liabilities. In preparing the Company's financial statements, management has made its best judgements and estimates relating to certain amounts, giving due consideration to materiality. The judgments and estimates used in the financial statements are based upon management's evaluation of relevant facts and circumstances as of the date of the financial statements. Actual results could differ from those estimates. Future events may occur which will cause the assumptions used in arriving at the estimates to change. The effects of any change in estimates are reflected in the financial statements as they become reasonably determinable. Judgments, estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Company believes the following represent a summary of significant judgments and estimates and related impact and associated risks in its financial statements.

Judgments

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

Determination of functional currency

Based on the economic substance of the underlying events and circumstances relevant to the Company, the Company's functional currency has been determined to be the Philippine Peso. It is the currency of the primary economic environment in which the Company operates and is consistent with the measurement of items in the financial statements in accordance with PAS 21, *The Effects of Changes in*

Revenue Recognition

The Company recognizes revenue when it satisfies an identified performance obligation by transferring a promised service to a customer. A service is considered to be transferred when the customer obtains control. The Company determines, at contract inception, whether it will transfer control of a promised service over time. If the Company does not satisfy a performance obligation over time, the performance obligation is satisfied at a point in time.

The Company's revenue from power generation is to be recognized over time since customers simultaneously receive and consume the benefits as the Company supplies power.

Significant judgments in revenue recognition are as follows:

- Identifying Performance Obligations.

  The Company identifies performance obligations by considering whether the promised goods or services in the contract are distinct goods or services. A good or service is distinct when the customer can benefit from the good or service on its own or together with other resources that are readily available to the customer and the Company's promise to transfer the good or service to the customer is separately identifiable from the other promises in the contract.

  The Company assesses performance obligations as a series of distinct goods and services that are substantially the same and have the same pattern of transfer if i) each distinct good or services in the series are transferred over time and ii) the same method of progress will be used (i.e., units of delivery) to measure the entity's progress towards complete satisfaction of the performance obligation.

For power generation where capacity and energy dispatched are separately identified, these two obligations are to be combined as one performance obligation since these are not distinct within the context of the contract as the buyer cannot benefit from the contracted capacity alone 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.

- Identifying Methods for Measuring Progress of Revenue Recognized Over Time

The Company determines the appropriate method of measuring progress which is either through the use of input or output methods. Input method recognizes revenue on the basis of the entity's efforts or inputs to the satisfaction of a performance obligation while output method recognizes revenue on the basis of direct measurements of the value to the customer of the goods or services transferred to date.

For power generation, the Company determined that the output method is the best method in measuring progress since actual electricity is supplied to customers. The Company recognizes revenue based on:

- For the variable energy payment, actual kilowatt hours consumed which are billed on a monthly basis.
- For fixed capacity payments, the Company allocates the transaction price on a straight-line basis over the contract term. The allocated fixed payments are also billed on a monthly basis.

- Determining Method to Estimate Variable Consideration and Assessing the Constraint

The Company includes some or all the amounts of variable consideration estimated but only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved. The Company considers both the likelihood and magnitude of the revenue reversal in evaluating the extent of variable consideration the Company will subject to constraint. Factors such as i) highly susceptibility to factors outside the Company's influence, ii) timing of resolution of the uncertainty, and iii) having a large number and broad range of possible considerations amount are considered.

Some contracts with customers provide unspecified quantity of energy (based on client needs considering that most of the contracts with customers are peak power agreements) and provisional ERC rates that give rise to variable consideration. In estimating the variable consideration, the Company applies the expected value method in estimating the variable consideration given the large number of customer contracts that have similar characteristics and the range of possible outcomes.
Before including any amount of variable consideration in the transaction price, the Company considers whether the amount of variable consideration is constrained. The Company determined that the estimates of variable consideration are to be fully constrained based on its historical experience, the range of possible outcomes (i.e., unspecified quantity of energy), and the unpredictability of other factors outside the Company's influence (i.e., provisional ERC rates).

- Allocation of variable consideration

  Variable consideration may be attributable to the entire contract or to a specific part of the contract. For power generation 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 Company 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, and forms part of the monthly billing of the Company.

Fair Value of Financial Instruments
Where the fair value of financial instruments recorded in the statements of financial position cannot be derived from active markets, they are determined using valuation techniques including the discounted cash flows model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. The judgements include considerations of inputs such as liquidity risk, credit risk, and volatility of share prices. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

Classification of financial instruments
The Company classifies a financial instrument, or its component parts, on initial recognition either as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definition of a financial asset, a financial liability or an equity instrument and, where allowed, and appropriate re-evaluates this designation at every reporting date. The substance of a financial instrument, rather than its legal form, governs its classification in the statements of financial position.

Estimates and Assumptions
The key assumptions concerning the future and other key sources of estimation and uncertainty at the statements of financial position 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:

Estimating Allowance for Doubtful Accounts
The measurement of credit losses under PFRS 9 requires significant judgment, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase or improvement in credit risk (SICR). These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

The ECL calculations based on PFRS 9 are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and interdependencies. Significant elements of the models include, among others:

- segmenting the Company's credit risk exposures;
- the Company's definition of default;
- determining the method to estimate ECL;
- identifying exposures with significant deterioration in credit quality;
- determining assumptions to be used in the ECL model such as the counterparty credit risk rating;
- the expected life of the financial asset and expected recoveries from defaulted accounts; and
- incorporating forward-looking information (called overlays) in calculating ECL.

As at March 31, 2022 and December 31, 2021, the allowance for impairment losses on trade and other receivables amounted to **P 3,563,708** and P 3,563,708, respectively. *(see Note 9)*

Determination of Net Realizable Value of Inventories
In determining the net realizable value of inventories, management takes into account the most reliable evidence available at the time the estimates are made. The Company periodically reviews its inventories for possible damaged and obsolete items. Items identified as obsolete are provided with impairment allowance.

Management has assessed that no allowance for obsolescence is required to be recognized on inventories in 2022 and 2021.

Estimation of Useful Lives of the Company's Property, Plant, and Equipment
The Company estimates the useful lives of property and equipment based on the period over which these assets are expected to be available for use. The estimated useful lives of these assets are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence, and legal or other limits on the use of the assets. In addition, the estimation of the useful lives of these assets is based on collective assessment of internal technical evaluation and experience with similar assets. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances.

There is no change in the estimated useful lives of property, plant, and equipment in 2022 and 2021. As at March 31, 2022 and December 31, 2021, the aggregate net book value of property, plant, and equipment amounted to **P3,797,936,953** and P3,871,181,013 , respectively *(see Note 5).*

Provisions and Contingencies
The Company provides for present obligations (legal and constructive) when it is probable that there will be an outflow of resources embodying economic benefits that will be required to settle said obligations. An estimate of the provision is based on known information at the reporting date, net of any estimated amount that may be reimbursed by the Company. The Company has not recognized any provision in both years.

Impairment of Non-Financial Assets – Property, plant, and equipment
The Company assesses impairment on assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The factors that the Company considers important which could trigger an impairment review include the following:

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

As at March 31, 2022 and December 31, 2021, no impairment loss on property and equipment was recognized in the statements of income of the Company.

Retirement Obligation
The cost of defined benefit retirement plans and the present value of the defined benefit obligation are determined using actuarial valuations. The actuarial valuation involves making various assumptions. These include the determination of the discount rates, future salary increases, and mortality rates. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined benefit obligations are highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date. In determining the appropriate discount rate, management considers the interest rates of government bonds with extrapolated maturities corresponding to the expected duration of the defined benefit obligation.

The present value of the defined benefit obligation of the Company and details about the assumptions used are disclosed in Note 14.

Recognition of Deferred Income Tax Assets
The Company reviews the carrying amounts of the deferred income tax assets at each end of reporting period and reduces deferred income tax assets to the extent that it is no longer probable that sufficient future taxable profit will be available to allow all or part of the deferred income tax assets to be utilized. Significant management judgment is required to determine the amount of deferred income tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies. However, there is no assurance that the Company will utilize all or part of the deferred income tax assets. As of March 31, 2022 and December 31, 2021, the Company recognized deferred income tax assets amounting to **P2,115,241** in both periods. *(see Note 21).*

NOTE 5 – GENERATION PLANT, PROPERTY AND EQUIPMENT

The details of generation plant, property and equipment follows:

	January 1, 2022	Additions	Disposal/ Reclassification	March 31, 2022
Cost				
Land and improvements	P 279,287,919	P -	P -	P 279,287,919
Generation plants	5,397,272,311	-	-	5,397,272,311
Transmission line	47,038,732	-	-	47,038,732
Buildings	154,688,399	-	-	154,688,399
Tools and machineries and service vehicles	60,131,164	7,946	(28,121)	60,110,989
Leasehold improvements, furniture and office equipment	22,488,874	755,050	(118,511)	23,125,413
Construction in progress	19,512,119	4,915,088	-	24,427,207
	5,980,419,518	5,678,084	(146,632)	5,985,950,970
Accumulated depreciation				
Land and improvements	85,090,500	3,171,779	-	88,262,279
Generation plants	1,900,424,614	70,854,130	-	1,971,278,744
Transmission line	26,077,597	1,175,968	-	27,253,565
Buildings	38,838,516	2,040,925	-	40,879,441
Tools and machineries and service vehicles	40,120,166	1,216,873	(27,684)	41,309,355
Leasehold improvements, furniture and office equipment	18,687,112	462,032	(118,511)	19,030,633
	2,109,238,505	78,921,707	(146,195)	2,188,014,017
Net book value	P3,871,181,013	(P 73,243,622)	(P 437)	P 3,797,936,953

	January 1, 2021	Additions	Disposal/ Reclassification	December 31, 2021
Cost				
Land and improvements	P 279,176,180	P 111,739	P -	P 279,287,919
Generation plants	5,401,055,836	110,000	(3,893,525)	5,397,272,311
Transmission line	47,038,732	-	-	47,038,732
Buildings	159,642,404	-	(4,954,005)	154,688,399
Tools and machineries and service vehicles	41,936,339	16,255,366	1,939,459	60,131,164
Leasehold improvements, furniture and office equipment	20,784,111	2,489,259	(784,496)	22,488,874
Construction in progress	13,917,928	7,608,709	(2,014,518)	19,512,119
	5,963,551,530	26,575,073	(9,707,085)	5,980,419,518
Accumulated depreciation				
Land and improvements	72,406,120	12,684,380	-	85,090,500
Generation plants	1,617,997,697	283,611,197	(1,184,280)	1,900,424,614
Transmission line	21,373,724	4,703,873	-	26,077,597
Buildings	31,933,959	8,411,400	(1,506,843)	38,838,516
Tools and machineries and service vehicles	37,391,341	2,786,071	(57,246)	40,120,166
Leasehold improvements, furniture and office equipment	17,592,555	1,855,477	(760,920)	18,687,112
	1,798,695,396	314,052,398	(3,509,289)	2,109,238,505
Net book value	P4,164,856,134	(P 287,477,325)	(P 6,197,796)	P 3,871,181,013

Depreciation charged to direct costs and operating expenses amounted to **P72,030,099** and **P6,891,608** in 2022, and P288,315,070 and P25,737,328 in 2021.

In 2022 and 2021, loss on disposal of assets amounted to **P437** and P24,304, respectively. Proceeds from disposal of asset amounted to **P0** in 2022 and P17,086 in 2021.

On December 2021, the Company's generation plant in Camiguin Island was damaged with fire. Moreover, the same powerplant was further damaged due to typhoon Odette which caused havoc not only in Camiguin but the whole province of Misamis Oriental. Total amount of losses caused by the aforementioned incidents amounted to **P6,156,407**.

Fully depreciated items of property, plant, and equipment still being used in operations amounted to **P28,659,803** as at March 31, 2022 and December 31, 2021.

The Company has determined that there is not indication that an impairment loss has occurred on its generation plant, property and equipment.

The Company's generation plant and equipment and land with net book value of **P3,614,020,186** were pledged as security or collateral for the Company's loans and borrowings discussed in Note 13.

NOTE 6 – INVESTMENT IN ASSOCIATE

This pertains to investment in **Maramag Mini Hydro Power Corporation (MMHPC)**, an associate. The carrying value of the investment in MMHPC amounted to **P17,077,809** equivalent to **267,490 shares** representing **42.71%** interest in ordinary shares as at March 31, 2022 and December 31, 2021, respectively. MMHPC is a domestic corporation engaged primarily to make, generate, sell and supply electricity through exploration, development and utilization of hydro renewable sources of energy and technologies.

Movement of the account follows:

		2022		2021
Balance, January 1	P	17,077,809	P	23,555,201
Additional investment		-		1,050,000
Share in net loss		-	(	7,527,390)
Balance, December 31	P	17,077,809	P	17,077,809

The Company recognized losses on investment amounting to **P 7,527,390** in 2021 and P 2,143,799 in 2020. Despite the losses, management believes that the investment and losses can be recovered once the required permits are obtained and the associate's hydro power plant is already fully operational. Thus, no impairment is recognized in both years.

Summarized financial information of MMHPC based on its financial statements follows:

		March 31, 2022		December 31, 2021
Total Assets				
Current assets	P	67,542,288	P	90,985,553
Noncurrent assets		528,126,003		456,906,106
		595,668,291		547,891,659
Total Liabilities				
Current liabilities		264,743,026		209,655,254
Noncurrent liabilities		300,768,209		300,998,672
		565,511,235		510,653,926
Total Equity				
Share capital		60,000,000		60,000,000
Retained earnings (Deficit)	(	29,842,944)	(	25,262,267)
	P	30,157,056	P	37,237,733
Gross income for the year	P	-	P	-
Net income for the quarter/year	P	(7,080,677)	P	(17,575,044)

NOTE 7 – OTHER NONCURRENT ASSET

This pertains to refundable deposits made for the Company's IT services (VSAT connectivity services).

NOTE 8 – CASH

Cash in banks generally earn interest at rates based on daily bank deposit rates. Interest income arising from the cash in banks amounted to **P15,345** in 2022 and P32,332 in 2021.

NOTE 9 – TRADE AND OTHER RECEIVABLES

This account consists of:

	Note		2022		2021
Trade receivables		P	**382,352,335**	P	357,408,090
Advances to related parties	*16*		**162,134,263**		151,351,986
Advances to contractors and suppliers			**27,784,078**		32,164,124
Advances to officers and employees			**22,318,826**		13,203,449
			594,589,502		554,127,649
Less: Allowance for impairment of receivables		(	**3,563,708)**	(	3,563,708)
		P	**591,025,794**	P	550,563,941

Trade and other receivables are non-interest bearing and are generally on a 30 days - 90 days' term. The Company does not hold any collateral or other credit enhancements over these balances nor does it have a legal right of offset against any amounts owed by the Company to the counterparty.

Advances to contractors and suppliers refer to noninterest-bearing advance payments for the acquisition of materials, supplies, and services which are offset against progress billings and deliveries to be made by contractors and suppliers.

Advances to officers and employees are non-interest bearing and subject to liquidation.

The Company's trade and other receivables have been reviewed for indicators of impairment. Certain receivables were found to be impaired and allowance for doubtful accounts have been provided accordingly.

The roll forward analysis of allowance for impairment of receivables follows:

Balance, January 1	P	**3,563,708**	P	-
Provisions		**-**		17,164,448
Write-off		**-**	(	13,600,740)
Balance, December 31	P	**3,563,708**	P	3,563,708

The impaired receivables are from the unpaid collectibles from completed private construction contracts and personal cash advances.

NOTE 10 – INVENTORIES

This account consists of:

Fuel	P	**39,787,149**	P	38,630,806
Plant spare parts and supplies		**65,846,534**		65,594,892
	P	**105,633,683**	P	104,225,698

Inventories are carried at cost used in the generation plant and repairs and maintenance of properties.

The cost of inventories recognized as part of cost of generated power in the statement of income amounted to **P 34,882,614** in 2022 and P 29,950,282 in 2021.

NOTE 11 – PREPAYMENTS AND OTHER CURRENT ASSETS

This account consists of:

		2022		2021
Prepayments	P	32,075,486	P	33,673,558
Deferred input taxes		7,623,274		6,616,682
	P	39,698,760	P	40,290,240

Prepayments mainly includes advance payments of taxes and insurance.

Deferred input taxes pertains to VAT credits on purchases of capital goods acquired by the Company.

NOTE 12 – CAPITAL STOCK

The components of capital stock follow:

Common Stock – Authorized 30,000,000 shares in 2022 and 2021 at P100 par value
Subscribed and outstanding – 25,478,000 shares in 2022 and 15,000,000 in 2021, respectively

		2022		2021
Balance, January 1	P	2,569,600,000	P	750,000,000
Additional paid-up capital		-		750,000,000
Balance, December 31	P	2,569,600,000	P	1,500,000,000
Less: Treasury shares	(	21,800,000)		-
	P	2,547,800,000	P	1,500,000,000

On December 4, 2020, the BOD and stockholders approved the amendment of the Company's Articles of Incorporation (AOI) to increase its authorized capital stock from P750 Million divided into 7,500,000 shares with a par value of P100 per share resulting to an authorized capital stock of P3 Billion divided into 30,000,000 common shares with a part value of P100 per share. Relative to the application for stocks subscriptions, the existing stockholders have a "Deposit for future stocks subscription" amounting to P2,137,469,946 in 2020.

On January 8, 2021, the Securities and Exchange Commission approved the Company's application for increase in authorized capital stock. Relative thereto, the "Deposit for futures stocks subscriptions" were converted to capital stock equivalent to **18,000,000 shares** and a share premium of **P337,469,946** was recognized.

In 2021, there were additional stockholders who subscribed P19,600,000 of capital stock equivalent to 196,000 shares.

On March 24, 2022, the Company purchased its own shares amounting to **P21,800,000** equivalent to **218,000 shares** and presented in the statements of equity as treasury shares. Consequently, the equivalent amount of retained earnings was appropriated.

NOTE 13 – LOANS AND BORROWINGS

This account consists of:

		2022		2021
Commercial banks	P	**683,333,333**	P	733,333,333
Financing companies		**11,152,918**		12,022,609
		694,486,251		745,355,942
Current portion	(	**153,809,185)**	(	204,944,524)
	P	**540,677,066**	P	540,411,418

This account consists of loans and borrowings from commercial banks and financing companies. The movement of the loans and borrowings during the year follows:

Balance, January 1	P	**745,355,942**	P	952,083,333
Availments during the period		**-**		12,496,364
Payments during the period	(	**50,869,691)**	(	219,223,755)
Balance, December 31		**694,486,251**		745,355,942
Current portion (due within 1 year)	(	**153,809,185)**	(	204,944,524)
Non-current portion	P	**540,677,066**	P	540,411,418

The proceeds of the loans were used for additional working capital and construction of the generation plant, property and equipment. These were covered by promissory notes at various dates with various interest rates ranging from 4% to 6.535% per annum, payable in various dates until 2025. Certain properties were pledged as security or collateral for loans and borrowings. *(See Note 5)*

Finance cost charged to operations amounted to **P14,111,401** and P20,660,645 in the quarter ended March 31, 2022 and 2021, respectively.

NOTE 14 – RETIREMENT PAYABLE

The Company provides a noncontributory defined benefit pension plan for all the qualified employees. Provisions for pension obligations are established for benefits payable in the form of retirement pensions. Benefits are dependent on years of service and the respective employee's final compensation. The present values of the defined benefit obligation, and the related current service cost and past service cost were measured using the projected unit credit actuarial method.

The net retirement liability recognized in the Statement of Financial Position as at December 31, 2021 and 2020 was determined as follows:

Present value of defined benefit obligation	P	**4,394,555**	P	4,897,255
Less: Fair value of plan assets		**-**		-
	P	**4,394,555**	P	4,897,255

Movement of the present value of defined benefit obligation follows:

Balance, January 1	P	**4,897,255**	P	4,897,254
Provision during the year		**-**		970,143
Payments	(	**502,700)**	(	1,008,574)
Adjustments during the year		**-**		38,432
Balance, December 31	P	**4,394,555**	P	4,897,255

Actuarial assumptions
The following are the principal actuarial assumptions at the reporting date (expressed as weighted averages):

Discount rate	5.09%	3.96%
Future salary growth	2.00%	2.00%

The weighted-average duration of the defined benefit obligation is 11 years in 2021 and 12.7 years in 2020.

Sensitivity analysis
Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below.

Decrease in DBO if Discount Rate + 100 basis points (bps)	(485,790); (9.9%)
Increase in DBO if Discount Rate – 100 bps	598,785;12.2%
Increase in DBO if Salary Increase Rate + 100 bps	612,213; 12.5%
Decrease in DBO if Salary Increase Rate – 100 bps	(503,458) (10.3%)
Increase in DBO if No Attrition Rates	1,031,226; 21.1%

Although the analysis does not take account of the full distribution of cash flows expected under the plans, it does provide an approximation of the sensitivity of the assumptions shown.

No remeasurement loss was recognized in other comprehensive loss in the statement of changes in equity and statement of income for the quarter ended March 31, 2022 and 2021.

NOTE 15 – TRADE AND OTHER PAYABLES

This account consists of:

		2022		2021
Trade payables	P	**741,656,221**	P	772,491,892
Deferred output tax		**59,405,050**		57,637,592
Accrued expenses		**6,549,451**		19,419,006
Retention payable		**1,863,673**		1,661,433
Payable to government agencies		**5,944,461**		2,336,211
		815,418,856		853,546,134
Less: Noncurrent portion		**393,364,328**		393,364,328
	P	**422,054,528**	P	460,181,806

Trade payables primarily consist of liabilities to suppliers. These are noninterest-bearing and are normally settled within the next financial year.

Deferred output tax pertain VAT charged on services not yet collected.

Accrued expenses pertain to cost and operating expenses which are normally settled within the next financial year.

Energy Regulation (ER) 1-94
ER 1-94 and the IRR of the EPIRA mandates generation companies to provide benefits to its host communities equivalent to 0.01/kwh of energy sales. The Company accrues the required benefits to its

host community (included under "Trade and other payables" account in the statements of financial position) prospectively from the date of effectivity of ER 1-94.

Retention payable pertains to construction projects.

Payables to government agencies mainly consist of vat payable, expanded withholding taxes, and SSS/PHIC/HDMF payable which is normally settled within the next financial year.

Trade and other payables are non-interest bearing.

NOTE 16 – RELATED PARTY TRANSACTIONS

In the ordinary course of trade or business, the Company has transactions with related parties. Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party, or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence.

The following are the transactions with related parties:

Receivables from related parties
The Company, in the ordinary course of business transacts with related parties (i.e. contractors, suppliers of materials and supplies, etc.). These receivables are unsecured, non-interest bearing and are settled in cash with no definite terms.

Movement of account follows:

		2022		2021
Balance, January 1	P	**151,351,986**	P	135,667,329
Additions during the period		**10,782,277**		15,684,657
Noncurrent portion	P	**162,134,263**	P	151,351,986

Free Use of Land
The Company was allowed free use of land (owned by related parties) where its Baloi office is situated.

Key management personnel compensation
The Company considered as key management personnel all employees holding managerial positions up to the President. Total compensation and benefits paid/accrued for key management personnel amounted to **P370,000** in 2022 and P290,000 in 2021.

NOTE 17 – REVENUE AND DIRECT COSTS

Sale of Power

This pertains to sale of power generated by the Company for customers with peak generation agreements.

Contract information

The Company has only one product of power generation and has a few and similar customers within the geographical area of Mindanao, Philippines. Revenue is recognized at the point in time when power generated is transferred to the customer and is measured using the preapproved rates based on the respective Power Supply Agreement (PSA).

Power Supply Agreements

On September 11, 2019, the Company and National Grid Corporation of the Philippines (NGCP) entered an Ancillary Services Procurement Agreement ("ASPA") wherein the company will supply electricity at a maximum dependable capacity of 15.5 MW installed in Misamis Occidental Power Plant 3 and 15.0 MW installed in Misamis Occidental Power Plant 2. The contract will run a term of five (5) years upon the receipt of a provisional approval or final approval by ERC.

On July 01, 2016, the Company entered a Power Supply Agreement (PSA) with SUKELCO to supply 6.0 MW at any given time during the duration of the contract. The contract is valid for five (5) years from the date when the Company commences delivery of contracted capacity. The power supply is generated from Misamis Occidental Power Plant 3.

On October 28, 2015, the Company and SUKELCO entered a Power Supply Agreement (PSA) of 2.65 MW at any given time during the duration of the contract. The contract is valid for five (5) years from the date when the Company commences delivery of contracted capacity. The power supply is generated from Misamis Occidental Power Plant 3.

On May 29,2015, the Company has Power Supply Agreement (PSA) with ZAMSURECO for 2.0 MW supply at any given time during the duration of the contract. The contract is valid for five (5) years from the date when the Company commences delivery of contracted capacity.

On December 03, 2014, the Company and LANECO has an approved Power Supply Agreement (PSA) for 3.0 MW supply at any given time during the duration of the contract. The contract is valid for five (5) years from the date when the Company commences delivery of contracted capacity.

On June 08, 2013, the company entered a Power Supply Agreement (PSA) at 6.0 MW with FIBECO at any given time during the duration of the contract. The power supply is generated from Bukidnon Power Plant 2 with a dependable capacity of 7.5 MW. The contract is valid for ten (10) years from the date when the Company commences delivery of contracted capacity.

On April 10, 2013, the Company entered into a Power Supply Agreement (PSA) with Surigao del Sur Electric Cooperative II wherein the company agreed to supply the power needs of SURSECO II. The Company agrees to supply electricity generated by the power station to SURSECO II at a maximum of 5.461 MW at any given time during the cooperation period. The contract is valid for ten (10) years from the date when the Company commences delivery of contracted capacity.

On March 15, 2013, the company and Camiguin Electric Cooperative, Inc. (CAMELCO) entered a Power Supply Agreement (PSA) wherein the company will supply electricity at a maximum of 4.0 MW. The contract will run a term of ten (10) years from the date when the Company commences delivery of contracted capacity.

The Company and Misamis Occidental II Electric Cooperative, Inc. (MOELCI II) and Misamis Occidental I Electric Cooperative. Inc. (MOELCI I) agreed on the Power Supply Agreement (PSA) issued on July 31, 2012 and August 02, 2012, respectively. MOELCI II has a contracted capacity of 10.0 MW, and MOELCI I have a contracted capacity of 3.760 MW. The power supply for both MOELCI I and MOELCI II is generated from Misamis Occidental Power Plant 2 with a total dependable capacity of 15.0 MW. The agreement has a term of ten (10) years from the date when the Company commences delivery of contracted capacity.

On February 08, 2011, the Company entered into a Power Supply Agreement (PSA) with MORESCO II with a contracted capacity of 9.4 MW. The power supply is generated from Misamis Oriental Power Plant 1 with a dependable capacity of 10.0MW. The agreement has a term of ten (10) years from the date when the Company commences delivery of contracted capacity.
On January 20, 2011, the company and FIBECO entered a Power Supply Agreement (PSA) wherein the company will supply electricity at a contracted capacity of 3.0 MW. The power supply is generated from Bukidnon Power Plant 1 with a dependable capacity of 3.0 MW. The agreement has a term of ten (10) years from the date when the Company commences delivery of contracted capacity.

Fuel Supply and Management Agreement
Pursuant to the Power Supply Agreement, the Company also entered into a FSMA with Chemfour Inc. to ensure the continued and timely supply of fuel and lube oil to the power plant in the needed quantities and qualities and to put in place a transparent process in order to ensure at all times the lowest cost thereof. The Company shall own the storage tanks and dispensing pumps that will be installed at the power plant and all the structures, fixtures and equipment used in connection with the supply of fuel and lube oil.

Power Plant Operating and Maintenance Agreement
The Company has entered into a fixed and variable agreement with Galaxy Power Solutions, Inc. for monthly maintenance of power plant. The fixed contract relates to manpower services while the variable contract refers to additional cost for the plant to operate effectively and efficiently.

Cost of Service
This account consists of:

	Notes	**2022**	2021
Operating and maintenance cost		P **74,623,646**	P 73,196,012
Depreciation	*5*	**72,030,099**	72,078,767
Fuel costs		**34,882,614**	29,950,282
Taxes and licenses		**9,053,302**	8,985,719
Light and water		**2,959,550**	2,657,367
Insurance		**2,349,119**	2,857,604
Personnel	*18*	**2,221,047**	2,135,107
NGCP domestic lease line		**620,102**	963,624
Others		**23,126**	3,771
		P **198,762,605**	P 192,828,253

NOTE 18 – EMPLOYEES' SALARIES, WAGES AND OTHER BENEFITS

This account consists of:

		2022		2021
Salaries and wages	P	**5,850,497**	P	4,943,046
Employee benefits		**581,670**		689,987
SSS, PhilHealth and HDMF contributions		**517,340**		468,278
	P	**6,949,507**	P	6,101,311

Employees, salaries, and wages and other benefits are charged as follows:

Cost of service	P	**2,221,047**	P	2,135,107
Operating expenses		**4,728,460**		3,966,204
	P	**6,949,507**	P	6,101,311

NOTE 19 – OTHER OPERATING EXPENSES

This account consists of:

	Note				
Research and development		P	**11,923,751**	P	702,895
Repairs and maintenance			**3,971,103**		2,794,452
Entertainment, amusement and recreation			**2,388,716**		2,335,879
Consulting services			**1,961,500**		1,599,395
Gas, oil and lubricants			**1,332,399**		1,172,345
Postage and communication			**736,267**		498,759
Professional and legal fees			**363,575**		21,600
Transportation and travel			**221,151**		101,095
Corporate social responsibilities			**173,966**		73,269
Trainings and seminars			**121,862**		118,386
Insurance			**103,002**		584,806
Light, power and water			**99,374**		83,869
Rentals	*20*		**66,964**		277,421
Others			**932,513**		978,945
		P	**24,396,143**	P	11,343,116

Others pertains to penalties and surcharges, bank charges, meals and other incidental expenses.

NOTE 20 – LEASES

The Company as a Lessee

The Company is a lessee under short term and cancellable operating leases for one of its office and parking space. The total amount of rental expense on short term lease amounted to **P66,964** for the quarter ended March 31, 2022 and P277,421 for the quarter ended March 31, 2021.

The Company do not have long term and noncancellable lease contracts requiring the application of PFRS 16 as at March 31, 2022 and December 31, 2021.

NOTE 21 – TAX EXPENSE

The component of deferred tax follow:

		2022		2021
Retirement benefit obligation	P	**1,224,314**	P	1,224,314
Allowance for impairment of receivables		**890,927**		890,927
	P	**2,115,241**	P	2,115,241

NOTE 22 – EARNINGS PER SHARE

The following table presents information necessary to calculate the earnings per share:

Net income	**P**	**7,635,337**	P	4,599,469
Weighted average number of shares		**25,679,045**		15,000,000
Earnings per share	**P**	**0.30**	P	0.31

There are no potential dilutive ordinary shares for the quarters ended March 31, 2022 and 2021.

The weighted average number of ordinary shares used as the denominator in calculating the basic EPS as at March 31, 2022 and 2021 follows:

2022

Date	**Number of shares issued**	**Number of shares outstanding**	**Weighted average no. of shares**
January 1, 2022	**25,696,000**	**25,696,000**	**25,696,000**
March 24, 2022 (treasury shares)	**(218,000)**	**(25,478,000)**	**(16,955)**
March 31, 2022	**25,478,000**		**25,679,045**

2021

Date	Number of shares issued	Number of shares outstanding	Weighted average no. of shares
January 1, 2021	7,500,000	7,500,000	7,500,000
January 2021	7,500,000	15,000,000	7,500,000
March 31, 2021	15,000,000		15,000,000

NOTE 23 – FINANCIAL RISK AND CAPITAL MANAGEMENT

Financial Risk Management

The Company has exposure to the following risks from its use of financial instruments: credit risk and liquidity risk. The Board of Directors reviews and approves policies for managing each of these risks.

Credit Risk
Credit risk is the risk that a third party will fail to discharge its obligation to the Company and cause the Company to incur financial losses.

The Company's exposure to credit risk is inherent in the nature of its business as well as the laws and regulations governing the industry. The Company's policy is to evaluate the financial capabilities of its customers in order to determine whether the Company will be exposed to a high credit risk. The credit risk is mitigated through periodic progress billings and collections while the debtors are still enrolled in the Company. This practice also helps the Company identify accounts which will possibly be problem accounts.

The Company reviews, on as regular basis, the aging of its receivables and identifies possible uncollectible accounts based on the profile of the receivables. An analysis of the profile of debtors is also performed monthly to evaluate the significance of the credit risk that the Company is facing.

With respect to credit risk arising from the other financial assets of the Company, which comprise mainly of cash and short-term investments, the Company's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. However, the company's customers are mainly government offices which risk for non-collection is likely to be low.

The table below shows the credit quality of financial assets as of March 31, 2022 and December 31, 2021.

	2022			
	Neither past due nor impaired	**Past Due**		
		Not impaired	**Impaired**	**Total**
Financial assets:				
Cash	**P 83,596,447**	**P -**	**P -**	**P 83,596,447**
Trade and other receivables	**587,462,086**	**-**	**3,563,708**	**591,025,794**
	P 671,058,533	**P -**	**P 3,563,708**	**P 674,622,241**

	2021			
	Neither past due nor impaired	Past Due		
		Not impaired	Impaired	Total
Financial assets:				
Cash	P 155,295,077	P -	P -	P 155,295,077
Trade and other receivables	550,563,941	-	3,563,708	554,127,649
	P 705,859,018	P -	P 3,563,708	P 709,422,726

Credit Risk Exposure
The table below shows the maximum exposure to credit risk of the Company as at December 31, without considering the effects of collaterals and other credit risk mitigation techniques:

As at March 31, 2022

	Gross Maximum Exposure (a)	**Fair Value and financial effect of collateral or credit enhancement (b)**	**Net Exposure (c) = (a) – (b)**
Financial assets:			
Cash	**P 83,596,447**	**P -**	**P 83,596,447**
Trade and other receivables	**591,025,794**	**-**	**591,025,794**
	P 674,622,241	**P -**	**P 674,622,241**

As at December 31, 2021

	Gross Maximum Exposure (a)	Fair Value and financial effect of collateral or credit enhancement (b)	Net Exposure (c) = (a) – (b)
Financial assets:			
Cash	P 155,295,077	P -	P 155,295,077
Trade and other receivables	554,127,649	-	554,127,649
	P 709,422,726	P -	P 709,422,726

Liquidity Risk
Liquidity risk is the risk that the Company will encounter difficulty in raising liquid funds to meet commitments as they fall due.

The Company's policy is to continue to fund its working capital requirements as well as capital projects through external sources. Treasury controls and procedures are in place to ensure that sufficient cash is maintained to cover daily operational and working capital requirements.

The Company manages liquidity risk by forecasting projected cash flows and maintaining a balance between continuity of funding and flexibility of its funds availability to meet expected maturing liabilities.

The outstanding unpaid loan availment from local banks as at March 31, 2022 and December 31, 2021 amounted to **P694,486,251** and P745,355,942, respectively. *(See Note 13)*

The table below summarizes the maturity profile of financial instruments based on its contractual undiscounted cash flows. The maturity grouping of financial assets and financial liabilities is based on the remaining period from the end of the reporting period to be contractual maturity date. When counterparty has a choice of when the amount is paid, the liability is allocated to the earliest period in which the Company can be required to pay.

March 31, 2022

	Total	On Demand	<3 months	3-12 months	1-5 years	>5 years
Financial assets						
Cash *(Note 8)*	P 83,596,447	P 83,596,447	P -	P -	P -	P -
Trade and other receivables *(Note 9)*	591,025,794	591,025,794	-	-	-	-
	P 674,622,241	P 674,622,241	P -	P -	P -	P -
Financial liabilities						
Trade and other payables *(Note 15)*	P 815,418,856	P 422,054,528	P -	P -	P 393,364,328	P -
Loans and borrowings *(Note 13)*	694,486,251	17,078,710	34,157,420	102,573,055	540,677,066	
	P1,509,905,107	P 439,133,238	P 34,157,420	P 102,573,055	P 934,041,394	P -
Net asset (liability)	(P 835,282,866)	P 235,489,003	(P34,157,420)	(P102,573,055)	(P 934,041,394)	P -

December 31, 2021

	Total	On Demand	<3 months	3-12 months	1-5 years	>5 years
Financial assets						
Cash *(Note 8)*	P 155,295,077	P 155,295,077	P -	P -	P -	P -
Trade and other receivables *(Note 9)*	554,127,649	554,127,649	-	-	-	-
	P 709,422,726	P 709,422,726	P -	P -	P -	P -
Financial liabilities						
Trade and other payables *(Note 15)*	P 853,546,134	P 460,181,806	P -	P -	P 393,364,328	P -
Loans and borrowings *(Note 13)*	745,355,942	17,078,710	34,157,420	153,708,394	540,411,418	
	P 1,598,902,076	P 477,260,516	P 34,157,420	P153,708,394	P 933,775,746	P -
Net asset (liability)	(P 889,479,350)	P 232,162,210	(P34,157,420)	(P153,708,394)	(P 933,775,746)	P -

Capital Management

The Company's objective when managing capital are to increase the value of fund available for the Company's operations and maintain growth by applying free cash flow to selective investments.

The Company's source of capital is mainly from external borrowings. The Chief Finance Officer of the Company has the overall responsibility for monitoring of capital requirements and its availability for Company operational and capital expenditures. The above capital management objective and policy did not change during the current period. The Company is not subject to externally imposed capital requirements unless required by regulatory agencies (i.e. ERC, NEA, etc.).

As at March 31, 2022 and December 31, 2021, the Company's debt ratio and net debt ratio are as follows:

Debt Ratio

		2022		2021
Total debt (a)	P	1,515,867,034	P	1,605,366,703
Total equity		3,121,433,653		3,135,598,316
Total debt and equity (b)	P	4,637,300,687	P	4,740,965,019
Debt ratio (a/b)		33%		34%

Net Debt Ratio

Total debt	P	1,515,867,034	P	1,605,366,703
Less: Cash		83,596,447		155,295,077
Net debt (a)		1,432,270,587		1,450,071,626
Total equity		3,121,433,653		3,135,598,316
Total debt and equity (b)	P	4,553,704,240	P	4,585,669,942
Debt ratio (a/b)		31%		32%

NOTE 24 – FAIR VALUE MEASUREMENT

Set out below is a comparison of carrying value and fair value of the Company's financial instruments as of March 31, 2022 and December 31, 2021:

	2022			
	Carrying value		Fair value	
Financial assets				
Cash	P	83,596,447	P	83,596,447
Trade and other receivables		591,025,794		591,025,794
	P	674,622,241	P	674,622,241
Financial liabilities				
Trade and other payables	P	815,418,856	P	815,418,856
Loans and borrowings		694,486,251		694,486,251
	P	1,509,905,107	P	1,509,905,107

	2021			
	Carrying value		Fair value	
Financial assets				
Cash	P	155,295,077	P	155,295,077
Trade and other receivables		550,563,941		550,563,941
	P	705,859,018	P	705,859,018
Financial liabilities				
Trade and other payables	P	853,546,134	P	853,546,134
Loans and borrowings		745,355,942		745,355,942
	P	1,598,902,076	P	1,598,902,076

Fair value is defined as the amount at which the financial instrument could be exchanged in a current transaction between knowledgeable willing parties in an arm's length transaction, other than in a forced liquidation or sale. Fair values are obtained from quoted market prices, discounted cash flow models, recent arm's length market transaction, option pricing models and other relevant valuation models, as appropriate.

The carrying value of cash, trade and other receivables, trade and other payables, current portion of long-term debt approximate their fair values due to the relatively short-term maturities of the financial instruments or short-term nature of transactions.

Noncurrent portion of the loans payable are carried at the outstanding principal amounts of the loan which approximates their fair values.

NOTE 25 – OTHER MATTERS AND SUBSEQUENT EVENTS

- In December 2019, COVID-19 was reported to have surfaced in China. The World Health Organization has declared the outbreak as a 'public health emergency of international concern'. COVID-19 started to become widespread in the Philippines in early March 2020 causing the government to declare the country in a state of public health emergency followed by the implementation of enhanced quarantine and social distancing measures and restrictions within the Luzon area with other cities and provinces in the country enacting similar measures thereafter. This resulted in a wide-ranging business interruption such as disrupting supply chains and affecting production and sales across a range of industries.

  On April 30, 2020, President Rodrigo R. Duterte, through Executive Order No. 112, has approved Resolution No. 30 of the Inter-Agency Task Force IATF for the Management of Emerging Infectious Disease containing the omnibus guidelines for the implementation of ECQ and general community quarantine (GCQ) for the period May 1 to May 15, 2020 that will apply to all regions, provinces, cities or areas placed under ECQ or GCQ to prevent the spread of COVID-19. As of March 31, 2022, Gingoog City, and the whole of Misamis Oriental is still under Alert Level 1.

  The COVID-19 pandemic affected the Company's operations as follows:

  - Slowdown of ongoing construction projects due to work stoppage;
  - Slow collection of receivables caused by the slow collection rate of the customers from end users; and
  - Delays in the delivery of goods and supplies due to strict travel protocols.

  In order for the Company to fully adapt the new normal, it has implemented the following measures:

  - Strict observance of the social distancing requirements;
  - Requiring clients and employees to always wear face mask and face shields;
  - Plans to pursue digitalization initiatives and maximizing digital transactions;
  - Streamline and/or restructure business operations (i.e., minimize face to face interactions);
  - Skeletal workforce and shortened office hours.

  The Company's assessment will further depend on certain developments, including the duration and spread of the outbreak, impact on Company's customers, employees, and the accessibility and effectiveness of government support programs.

- On October 21, 2021, the Company filed a motion for a partial reconsideration with the Energy Regulatory Commission (ERC) per ERC Case No. 2014-119 RC entitled " In the Matter of Application for the Approval of the Power Supply Agreement (PSA) between Camiguin Electric Cooperative, Inc. (CAMELCO) and King Energy Generation, Inc. (KEGI) with prayer for the issuance of provisional authority". The partial reconsideration was filed as it seek reconsideration of the ERC's decision which would have an impact to the financial flow of KEGI in its Camiguin Power Plant. The motion is still pending as at December 31, 2021.

- Under section 43 (t) of the EPIRA law and Rule 3 section 4(m) of its implementing rules and regulations, the generation companies as well as distribution utilities are mandated "to offer or sell to the public a portion of not less 15% of their common stock. As at December 31, 2021, the Company is still in the process of complying with the requirements.

- The Company's financial statements as at March 31, 2022 were approved and authorized for issue by the board of directors on June 30, 2022 and were signed on its behalf by Engr. Gilbert Rodriguez, General Manager.

The Company's assessment will further depend on certain developments, including the duration and spread of the outbreak, impact on Company's customers, employees, and the accessibility and effectiveness of government support programs.

- On October 21, 2021, the Company filed a motion for a partial reconsideration with the Energy Regulatory Commission (ERC) per ERC Case No. 2014-119 RC entitled " In the Matter of Application for the Approval of the Power Supply Agreement (PSA) between Camiguin Electric Cooperative, Inc. (CAMELCO) and King Energy Generation, Inc. (KEGI) with prayer for the issuance of provisional authority". The partial reconsideration was filed as it seek reconsideration of the ERC's decision which would have an impact to the financial flow of KEGI in its Camiguin Power Plant. The motion is still pending as at December 31, 2021.

- Under section 43 (t) of the EPIRA law and Rule 3 section 4(m) of its implementing rules and regulations, the generation companies as well as distribution utilities are mandated "to offer or sell to the public a portion of not less 15% of their common stock. As at December 31, 2021, the Company is still in the process of complying with the requirements.

- The Company's financial statements as at December 31, 2021 were approved and authorized for issue by the board of directors on May 10, 2022 and were signed on its behalf by Engr. Gilbert Rodriguez, General Manager.

NOTE 27 – SUPPLEMENTARY INFORMATION REQUIRED BY THE BUREAU OF INTERNAL REVENUE

The President of the Philippines signed into law on March 26, 2021 the 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 on April 11, 2021 (15 days after its complete publication in the Office Gazette or in a newspaper of the general circulation).

The following are the key changes to the Philippine tax law pursuant to the CREATE Act:

- Effective July 1, 2020, regular corporate income tax (RCIT) rate is reduced from 30% to 25% or 20% as applicable for domestic and resident foreign corporations. For domestic corporations with net taxable income not exceeding P5 Million and with total assets not exceeding P100 Million (Excluding land on which the business entity's office, plant and equipment are situated) during the taxable year, the RCIT rate is to 25% or 20% as applicable.

- Minimum corporate income tax (MCIT) rate reduced from 2% to 1% of gross income effective July 1, 2020 to June 30, 2023.

The CREATE Act do not have a significant impact on the Company's financial statements.

On December 18, 2020, the BIR issued RR No. 34-2020, to prescribe the guidelines and procedures for the submission of BIR Form No. 1709 (Information Return on Related Party Transactions (Domestic and/or Foreign), Transfer Pricing Documentation (TPD) and other supporting documents, amending for this purpose the pertinent provisions of Revenue Regulations (RR) Nos. 19-2020 and 21-2002, as amended by RR No. 15-2010. Pursuant to Section 2(D) and Section 4, the Company is not covered by the requirements and procedures for related party transactions provided under RR No. 34-2020.

Revenue Regulations (RR) No. 15-2010 (issued on December 10, 2010), an act amending certain provisions of RR No. 21-2002, provides that effective December 10, 2010, the disclosures on the Notes to Financial Statements as mandated under PFRS and such other standards and/or conventions as may heretofore be adopted, shall include information on taxes paid or accrued during the taxable year. The amounts relating to such information may not necessarily be the same with those amounts disclosed in the financial statements which were prepared in accordance with PFRS.

In compliance to the foregoing RR, the following taxes were paid/accrued by the Company as at December 31, 2021:

Output VAT

The Company is VAT registered with output tax declaration of **P113,752,880** for the year based on the amount of collected services.

Input VAT

The amounts of VAT input taxes claimed are broken down as follow:

Beginning of the year	**P 15,943,348**
Current year's domestic purchases:	
Goods other than capital goods	**44,530,001**
Services	**11,945,210**
Claims for tax credit/ refund and other adjustments	**(65,801,877)**
Balance at the end of the year	**P 6,616,682**

Withholding Taxes

The total amount of tax withheld and remitted to the BIR are as follows:

Expanded	**P 4,787,850**
Compensation	**1,160,187**
	P 5,948,037

Documentary stamp tax (DST)

The DST paid/accrued in 2021 follows:

	Gross Amount	**DST**
On original issuance of shares	**P 1,069,600,000**	**P 10,696,000**
On financing loans	**8,757,422**	**113,282**
On insurance	**130,211**	**16,537**
	P 1,078,487,633	**P 10,825,819**

Local and National Taxes

Other local and national taxes paid and accrued in 2021 reported under cost of services and taxes and licenses account follows:

Permits, accreditation, business permit and local taxes	**P 37,631,546**
Documentary stamp tax	**10,825,819**
LTO registration	**77,282**
BIR annual registration	**3,500**
	P 48,538,147

KING ENERGY GENERATION, INC

SUPPLEMENTARY SCHEDULE OF ADOPTION OF
LIST OF EFFECTIVE ACCOUNTING STANDARDS AND INTERPRETATIONS
DECEMBER 31, 2021

BUREAU OF INTERNAL REVENUE
RECEIVED
16 MAY 2022
GINGOOG CITY

Baconga Patriana & Co.
Certified Public Accountants

BP&CO.

BACONGA PATRIANA & Co.
Certified Public Accountants

SEC Accreditation No. 0393-F
NEA Accreditation No. 2013-10
Bangko Sentral ng Pilipinas (BSP) Accredited
CDA CEA No. 0027-AF

6th Floor TTK Tower
Imperial Appliance Plaza Bldg.
Don Apolinar Velez Street,
9000 Cagayan de Oro City
Telefax No. +63 (08822) 714729 or 8566498
Email Address: cpas_bprcdo@yahoo.com.ph
Website: www.bpandcompany.com

Report of Independent Auditors to Accompany Supplementary Information Required by the Securities and Exchange Commission to be Filed Separately from the Basic Financial Statements

The Stockholders and Board of Directors
KING ENERGY GENERATION, INC.
San Luis, Gingoog City, Misamis Oriental

We have audited in accordance with Philippine Standards on Auditing, the financial statements of **KING ENERGY GENERATION, INC.** for the year ended December 31, 2021, on which we have rendered the attached report dated May 10, 2022. Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The following applicable supplementary information are presented for purposes of compliance with the requirements of the Securities Regulation Code Rule 68 as amended, and are not required and part of the basic financial statements prepared in accordance with Philippine Financial Reporting Standards:

a. Schedule of Philippine Financial Reporting Standards and Interpretations adopted by the Securities and Exchange Commission and the Financial Reporting Standards Council as of December 31, 2021.

Such supplementary information is the responsibility of the management. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

BACONGA PATRIANA & CO.
By:

JESERIO G. LONON, JR.
Partner
CPA Certificate No. 0123245
TIN No. 948-861-793
PTR No. 5222193 A - January 5, 2022, Cagayan de Oro City
Partner's SEC Accreditation No. 1810-A, July 7, 2020 to July 7, 2023
BIR AN 16-005517-003-2019, July 16, 2019 to July 16, 2022

Firm BOA/PRC Cert. of Reg. No. 2431, September 15, 2020 to October 8, 2023
Firm SEC Accreditation No. 0393-F, July 7, 2020 to July 7, 2023
Firm CDA CEA No. 0027-AF, February 25, 2020 to February 24, 2023
Firm NEA Accreditation No. 2019-10-0006, October 30, 2019 to October 29, 2022
Firm BSP Selected External Auditors for Institutions under Category B
valid for 2021, 2022, 2023, 2024 and 2025 audited reports and AFS

16 MAY 2022

Cagayan de Oro City
May 10, 2022

KING ENERGY GENERATION, INC.
SUPPLEMENTARY SCHEDULE OF ADOPTION OF
EFFECTIVE ACCOUNTING STANDARDS AND INTERPRETATIONS
DECEMBER 31, 2021

Title	Adopted	Not Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements Conceptual Framework Phase A: Objectives and qualitative characteristics	✓		
PFRS Practice Statement Management Commentary			✓
PFRS Practice Statement 2: Making Materiality Judgments	✓		

Philippine Financial Reporting Standards (PFRS)

PFRS	Title	Adopted	Not Adopted	Not Applicable
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards			✓
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters			✓
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			✓
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			✓
	Amendments to PFRS 1: Government Loans			✓
	Amendments to PFRS 1: First-Time Adoption of Philippine Financial Reporting Standards – Deletion of Short-term Exemptions for First-time Adopters			✓
PFRS 2	Share-based Payment			✓
	Amendments to PFRS 2: Vesting Conditions and Cancellations			✓
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			✓
	Amendments to PFRS 2: Classification and Measurement of Share-based Payment Transactions			✓
PFRS 3 (Revised)	Business Combinations			✓
	Amendments to PFRS 3: Accounting for Contingent Consideration in a Business Combination			✓
	Amendments to PFRS 3: Scope Exceptions for Joint			✓

16 MAY 2022

PFRS	Title	Adopted	Not Adopted	Not Applicable
	Ventures			
	Amendments to PFRS 3, Definition of a Business			✓
PFRS 4	Insurance Contracts			✓
	Amendments to PFRS 4: Financial Guarantee Contracts			✓
	Amendments to PFRS 4: Applying PFRS 9, Financial Instruments with PFRS 4, Insurance Contracts			✓
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			✓
	Amendments to PFRS 5: Changes in Methods of Disposal			✓
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓
PFRS 7	Financial Instruments: Disclosures	✓		
	Amendments to PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓		
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets			✓
	Amendments to PFRS 7: Disclosures – Offsetting Financial Assets and Financial Liabilities			✓
	Amendments to PFRS 7: Servicing Contracts			✓
	Amendments to PFRS 7: Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements			✓
PFRS 8	Operating Segments			✓
	Amendments to PFRS 8: Aggregation of Operating Segments			✓
	Amendments to PFRS 8: Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets			✓
PFRS 9	Financial Instruments	✓		
	Amendments to PFRS 9: Prepayment Features with Negative Compensation			✓
PFRS 10	Consolidated Financial Statements			✓
	Amendments to PFRS 10: Transition Guidance			✓
	Amendments to PFRS 10: Investment Entities			✓
	Amendments to PFRS 10: Investment Entities: Applying the Consolidation Exception			✓

PFRS 11	Joint Arrangements			✓
	Amendments to PFRS 11: Transition Guidance			✓
	Amendments to PFRS 11: Accounting for Acquisitions of Interests in Joint Operations			✓
PFRS 12	Disclosure of Interests in Other Entities			✓
	Amendments to PFRS 12: Transition Guidance			✓
	Amendments to PFRS 12: Investment Entities			✓
	Amendments to PFRS 12: Investment Entities: Applying the Consolidation Exception			✓
	Amendments to PFRS 12: Clarification of the Scope of the Standard			✓
PFRS 13	Fair Value Measurement	✓		
	Amendments to PFRS 13: Short-term receivables and Payables	✓		
	Amendments to PFRS 13: Portfolio Exception			✓
PFRS 14	Regulatory Deferral Accounts			✓
PFRS 15	Revenue from Contracts with Customers	✓		
	Amendments to PFRS 15: Clarification of PFRS 15	✓		
PFRS 16	Leases	✓		

Philippine Accounting Standards (PAS)

PAS	Title	Adopted	Not Adopted	Not Applicable
PAS 1 (Revised)	Presentation of Financial Statements	✓		
	Amendments to PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendments to PAS 1: Definition of Material	✓		
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
	Amendments to PAS 1: Clarification of the Requirements for Comparative Presentation	✓		
	Amendments to PAS 1: Disclosure Initiative	✓		
PAS 2	Inventories			
PAS 7	Statement of Cash Flows	✓		
	Amendments to PAS 7: Disclosure Initiative	✓		

PAS	Title	Adopted	Not Adopted	Not Applicable
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
	Amendments to PAS 8: Definition of Material	✓		
PAS 10	Events after the Reporting Period	✓		
PAS 12	Income Taxes	✓		
	Amendment to PAS 12: Recovery of Underlying Assets	✓		
	Amendments to PAS 12: Recognition of Deferred Tax Assets for Unrealized Losses	✓		
PAS 16	Property, Plant and Equipment	✓		
	Amendment to PAS 16: Classification of Servicing Equipment			✓
	Amendment to PAS 16: Revaluation Method – Proportionate Restatement of Accumulated Depreciation	✓		
	Amendment to PAS 16: Clarification of Acceptable Methods of Depreciation and Amortization	✓		
	Amendment to PAS 16: Agriculture: Bearer Plants			✓
	Amendment to PAS 16: COVID 19-Related Rent Concessions			✓
PAS 17	Leases	✓		
PAS 19 (Revised)	Employee Benefits	✓		
	Amendment to PAS 19: Defined Benefit Plans: Employee Contributions	✓		
	Amendment to PAS 19: Discount Rate: Regional Market Issue	✓		
	Amendment to PAS 19: Plan Amendment, Curtailment or Settlement	✓		
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates			✓
	Amendment: Net Investment in a Foreign Operation			✓
PAS 23 (Revised)	Borrowing Costs	✓		
PAS 24 (Revised)	Related Party Disclosures	✓		
	Amendment to PAS 24: Key Management Personnel	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans	✓		
PAS 27 (Amended)	Financial Statements			✓
	Amendments to PAS 27: Investment Entities			✓

PAS	Title	Adopted	Not Adopted	Not Applicable
	Amendments to PAS 27: Equity Method in Financial statements			✓
PAS 28 (Amended)	Investments in Associates and Joint Ventures			✓
	Amendments to PAS 28: Investment Entities: Applying the Consolidation Exception			✓
	Amendments to PAS 28: Long-term Interests in Associates and Joint Ventures			✓
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 32	Financial Instruments: Disclosure and Presentation	✓		
	Financial Instruments: Presentation	✓		
	Amendments to PAS 32: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendment to PAS 32: Classification of Rights Issues			✓
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities			✓
	Amendments to PAS 32: Tax Effect of Distribution to Holders of Equity Instruments			✓
PAS 33	Earnings per Share	✓		
PAS 34	Interim Financial Reporting			✓
	Amendment to PAS 34: Interim Financial Reporting and Segment Information for Total Assets and Liabilities			✓
	Amendment to PAS 34: Disclosure of Information 'Elsewhere in the Interim Financial Report'			✓
PAS 36	Impairment of Assets	✓		
	Amendments to PAS 36: Recoverable Amount Disclosures for Nonfinancial Assets	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets	✓		
	Amendment to PAS 38: Revaluation Method – Proportionate Restatement of Accumulated Amortization			✓
	Amendment to PAS 38: Classification of Acceptable Methods of Depreciation and Amortization	✓		
PAS 40	Investment Property	✓		
	Amendment to PAS 40: Clarifying the Interrelationship between PFRS 3 and PAS 40 when Classifying Property as Investment Property or Owner-occupied	✓		

BUREAU OF INTERNAL REVENUE

PAS	Title	Adopted	Not Adopted	Not Applicable
	Amendments to PAS 40: Transfers of Investment Property	✓		
PAS 41	Agriculture			✓
	Amendment to PAS 41: Agriculture: Bearer Plants			✓

Philippine Interpretations

Interpretations	Title	Adopted	Not Adopted	Not Applicable
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓
IFRIC 4	Determining Whether an Arrangement Contains a Lease			✓
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓
IFRIC 6	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment			✓
IFRIC 7	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies			✓
IFRIC 9	Reassessment of Embedded Derivatives			✓
	Amendments to Philippine Interpretation IFRIC 9: Embedded Derivatives			✓
IFRIC 10	Interim Financial Reporting and Impairment			✓
IFRIC 12	Service Concession Arrangements			✓
IFRIC 13	Customer Loyalty Programmes			✓
IFRIC 14	PAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction			✓
	Amendments to Philippine Interpretations IFRIC- 14, Prepayments of a Minimum Funding Requirement			✓
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓
IFRIC 17	Distributions of Non-cash Assets to Owners			✓
IFRIC 18	Transfers of Assets from Customers			✓
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments			✓
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			✓
IFRIC 21	Levies			✓
IFRIC 22	Foreign Currency Transactions and Advance Consideration			✓
IFRIC 23	Uncertainty over Income Tax Treatments			✓

Philippine Interpretations - SIC

Interpretations	Title	Adopted	Not Adopted	Not Applicable
SIC-7	Introduction of the Euro			✓
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
SIC-15	Operating Leases - Incentives			✓
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			✓
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease			✓
SIC-29	Service Concession Arrangements: Disclosures.			✓
SIC-31	Revenue - Barter Transactions Involving Advertising Services			✓
SIC-32	Intangible Assets - Web Site Costs			✓

Below is the Comparative Financial Statements for Years 2020 and 2019:

King Energy Generation, Inc.
San Luis
Gingoog City
Philippines

FINANCIAL STATEMENTS
For the Year Ended December 31, 2020
(With Comparative Figures for 2019)
(In Philippine Peso)

AND

INDEPENDENT AUDITORS' REPORT

Cuenca Ponferrada Alag (CPA) & Co., CPAs

CDO MAIN OFFICE
3/F Southbank Plaza, Velez-Yacapin Street,
Cagayan De Oro City 9000 | Phone (088) 852 0220
DAVAO BRANCH OFFICE
2nd Floor AML Building Camus Street,
Davao City 8000 | Phone (082) 830 3112
www.alasoplasalliancefirms.com

Independent Member of
Alas Oplas Alliance Firms
credibility and honor defined.

KING ENERGY GENERATION INC.
"Efficiently providing you the most reliable source of energy..."
Misamis Oriental Power Plant (MOPP1) Brgy. San Luis, Gingoog City, Misamis Oriental
*Cellular No.: 0917-7140-584
*Telephone No.: (088) 859-3542
*Email: kegi@kingenergy.info
*Website: www.kingenergy.info

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR ANNUAL INCOME TAX RETURN

The management of **King Energy Generation, Inc.** is responsible for all information and representations contained in the Annual Income Tax Return for the year then ended December 31, 2020 and 2019. Management is likewise responsible for all information and representations contained in the financial statements accompanying the (Annual Income Tax Return or Annual Information Return) covering the same reporting period. Furthermore, the Management is responsible for all information and representations contained in all the other tax returns filed for the reporting period, including, but not limited, to the value added tax and/or percentage tax returns, withholding tax returns, documentary stamp tax returns, and any and all other tax returns that may be applicable.

In this regard, the Management affirms that the attached audited financial statements for the year then ended December 31, 2020 and 2019 and the accompanying Annual Income Tax Return are in accordance with the books and records of **King Energy Generation, Inc.** that are complete and correct in all material respects. Management likewise affirms that:

a) the Annual Income Tax Return has been prepared in accordance with the provisions of the National Internal Revenue Code, as amended, and pertinent tax regulations and other issuances of the Department of Finance and the Bureau of Internal revenue;

b) any disparity of figures in the submitted reports arising from the preparation of financial statements pursuant to financial accounting standards and the preparation of the income tax return pursuant to tax accounting rules has been reported as reconciling items and maintained in the accounting books and records in accordance with the requirements of Revenue Regulations No. 8-2007 and other relevant issuances;

c) the **King Energy Generation, Inc.** has filed all applicable tax returns, reports and statements required to be filed under Philippine tax laws for the reporting period, and all taxes and other impositions shown thereon to be due and payable have been paid for the reporting period, except those contested in good faith.

EDGARDO L. SALVAME
Chief Executive Officer/President
(Signature over printed name)

ROSALIE A. SALVAME
Chief Financial Officer/Treasurer
(Signature over printed name)

EDGARDO L. SALVAME
Chairman of the Board
(Signature over printed name)

REVENUE REGION NO. 10 ... BUREAU OF INTERNAL REVENUE RECEIVED 4/15/21

KING ENERGY GENERATION INC.
"Efficiently providing you the most reliable source of energy..."
Misamis Oriental Power Plant (MOPP1) Brgy. San Luis, Gingoog City, Misamis Oriental
*Celular No.: 0917-7140-584 *Telephone No.: (088) 859-3642
*Email: kegi@kingenergy.info *Website: www.kingenergy.info

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The management of **King Energy Generation Inc.** is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the year ended December 31, 2020 and 2019, 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 financial statements that are as free from material misstatements, whether due to fraud or error.

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

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

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

Cuenca Ponferrada Alag (CPA) & Co., CPAs, the independent auditor appointed by the stockholders, has audited the 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.

EDGARDO L. SALVAME
Chief Executive Officer/President
(Signature over printed name)

ROSALIE A. SALVAME
Chief Financial Officer/Treasurer
(Signature over printed name)

EDGARDO L. SALVAME
Chairman of the Board
(Signature over printed name)

Signed this ________ of ______________________, 20__

RECEIVED
4/15/21

Cuenca Ponferrada Alag (CPA) & Co., CPAs

Cuenca Ponferrada Alag (CPA) & Co., CPAs
CDO MAIN OFFICE
3/F Southbank Plaza, Velez-Yacapin Street,
Cagayan De Oro City 9000 | Phone (088) 852 0220
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Independent Member of
Alas Oplas Alliance Firms
credibility and honor defined.

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
King Energy Generation, Inc.
San Luis, Gingoog City
Philippines

Report on the Audit of the Financial Statements

Our Opinion
We have audited the accompanying financial statements of **King Energy Generation, Inc.**, which comprise of statement of financial position as of December 31, 2020 and 2019, statement of financial performance, statement of changes in equity, statement of cash flows for the years then ended, and notes to the financial statements, including the summary of significant accounting policies and other explanatory notes.

In our opinion, the financial statements referred to present fairly, in all material respects, the financial position of **King Energy Generation, Inc.** as of December 31, 2020 and 2019 and its financial performance and its cash flows for the years then ended in conformity with the Philippine Financial Reporting Standards.

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

Other Information
Management is responsible for the other information. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

Responsibilities of Management and Those Charged with Governance for the Financial Statements
The management is responsible for the preparation and fair presentation of these financial statements in accordance with Philippine Financial Reporting Standards. This responsibility includes the designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

The management is also responsible in assessing the 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 or to cease operations, or have no realistic alternative but to do so.

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

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

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 ability to continue as a going concern. If we conclude that a material uncertainty exists, then we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation and obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group 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.

Report on the Supplementary Information Required Under Revenue Regulations 15-2010

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information on taxes, duties, and license fees in the Note 29 to the 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. The information has been subjected to 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.

Cuenca Ponferrada Alag (CPA) & Co., CPAs
PRC/BOA Reg. No. 0265 issued last 28-Dec-2020 and valid until 15-Feb-2024

By:

EDUARDO C. CUENCA
Partner
CPA Cert. No. 083435 issued last 23-Aug-2018 and valid 10-Oct-2021
BIR AN: 19-005306-001-2018 issued last 07-May-2018 and valid 06-May-2021
TIN: 105-024-686
PTR No. 4927055A issued 04-Jan-2021 at Cagayan de Oro City

REVENUE REGION NO. 10-CDO
BUREAU OF INTERNAL REVENUE
RECEIVED
4/15/21

April 13, 2021
Cagayan de Oro City, Philippines

Cuenca Ponferrada Alag (CPA) & Co., CPAs

SUPPLEMENTAL STATEMENT OF INDEPENDENT AUDITORS

Cuenca Ponferrada Alag (CPA) & Co., CPAs
CDO MAIN OFFICE
3/F Southbank Plaza, Velez-Yacapin Street,
Cagayan De Oro City 9000 | Phone (088) 852 0220
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Independent Member of
Alas Oplas Alliance Firms
credibility and honor defined.

The Board of Directors and Shareholders
King Energy Generation, Inc.
San Luis, Gingoog City
Philippines

We have audited the financial statements **King Energy Generation, Inc.** for the year then ended December 31, 2020 and 2019, on which we have rendered the attached report dated April 13, 2021.

In compliance with SRC Rule 68, we are stating that the said company has six (6) stockholders, and each stockholder owns at least 100 or more shares as of December 31, 2020 and 2019.

Cuenca Ponferrada Alag (CPA) & Co., CPAs
PRC/BOA Reg. No. 0265 issued last 28-Dec-2020 and valid until 15-Feb-2024

By:

EDUARDO C. CUENCA
Partner
CPA Cert. No. 083435 issued last 23-Aug-2018 and valid 10-Oct-2021
BIR AN: 19-005306-001-2018 issued last 07-May-2018 and valid 06-May-2021
TIN: 105-024-686
PTR No. 4927055A issued 04-Jan-2021 at Cagayan de Oro City

April 13, 2021
Cagayan de Oro City, Philippines

REVENUE REGION NO. 10 CDO ... BUREAU OF INTERNAL REVENUE
RECEIVED
4/15/21
INITIAL

KING ENERGY GENERATION, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2020 AND 2019
In Philippine Peso

	Note	2020	2019
ASSETS			
Current Assets			
Cash	9	**₱124,056,712**	₱126,233,749
Trade and other receivables	10	**705,754,336**	523,178,641
Prepayments and other current assets	11	**108,885,525**	156,560,674
Total Current Assets		**938,696,573**	805,973,064
Non-current Assets			
Property and equipment	12	**4,148,888,204**	4,348,990,503
Construction in progress	13	**13,917,930**	104,951,403
Investment in Associate		**23,555,201**	–
Total Non-current Assets		**4,186,361,335**	4,453,941,906
TOTAL ASSETS		**₱5,125,057,908**	₱5,259,914,970
LIABILITIES AND EQUITY			
Current Liabilities			
Trade payables	15	**₱792,816,563**	₱720,427,231
Other payables	15	**56,901,313**	32,297,081
Total Current Liabilities		**849,717,876**	752,724,312
Non-current Liabilities			
Retirement benefit obligation	16	**4,897,254**	3,876,745
Borrowings	17	**1,222,083,333**	1,522,083,333
Deposit for future stock subscription	18	**–**	2,137,469,946
Total Non-current Liabilities		**1,226,083,333**	3,663,430,025
TOTAL LIABILITIES		**2,076,698,463**	4,416,154,337
Equity			
Share capital	18	**750,000,000**	750,000,000
Deposit for future stock subscription		**2,137,469,946**	–
Retained earnings		**160,889,499**	93,760,634
TOTAL EQUITY		**3,048,359,446**	843,760,634
TOTAL LIABILITIES AND EQUITY		**₱5,125,057,908**	₱5,259,914,970

See Notes to Financial Statements.

INTERNAL REVENUE

KING ENERGY GENERATION, INC.
STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019
In Philippine Peso

	Note	2020	2019
Revenues from contracts with customers	19	**₱1,013,735,821**	₱1,021,044,070
Rental income		**-**	-
Revenues		**1,013,735,821**	1,021,044,070
Cost of sales and services	20	**665,701,620**	681,767,630
Gross profit		**348,034,201**	339,276,440
Administrative expenses	21	**107,342,033**	79,607,030
Operating profit		**240,692,168**	259,669,410
Finance costs	22	**141,968,054**	145,616,683
Other income	23	**165,785**	198,519
Loss on investment in associate		**2,143,799**	–
Other expenses		**–**	–
Profit before tax		**96,746,098**	114,251,246
Income tax expense	25	**29,617,234**	34,246,659
PROFIT FOR THE YEAR		**67,128,864**	80,004,587
OTHER COMPREHENSIVE INCOME		**–**	–
TOTAL COMPREHENSIVE INCOME		**₱67,128,864**	₱80,004,587

See Notes to Financial Statements.

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KING ENERGY GENERATION, INC.
STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019
In Philippine Peso

	Share Capital	Deposit for future stock subscription	Retained Earnings	Total Equity
Balance at January 1, 2019	₱750,000,000	₱–	₱13,756,047	₱763,756,047
Profit for the year	–	–	80,004,587	80,004,587
Other comprehensive income	–	–	–	–
Dividends	–	–	–	–
Appropriations	–	–	–	–
Balance at December 31, 2019	750,000,000	–	93,760,634	843,760,634
Profit for the year	–	–	67,128,864	67,128,864
Other comprehensive income	–	–	–	–
Issuance of shares	–	2,137,469,946	–	2,137,469,946
Appropriations	–	–	–	–
Dividends declared	–	–	–	–
Balance at December 31, 2019	**₱750,000,000**	**₱2,137,469,946**	**₱160,889,499**	**₱3,048,359,446**

See Notes to Financial Statements.

KING ENERGY GENERATION, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019
In Philippine Peso

	Note	2020	2019
OPERATING ACTIVITIES			
Profit before tax		**₱96,746,099**	₱114,251,246
Adjustments for non-cash items:			
Depreciation	12	**328,221,838**	345,582,565
Provision for retirement	16	**1,020,509**	1,328,389
Loss (gain) on disposal	12	**6,138**	29,421
Finance cost	23	**141,968,054**	145,616,683
Decrease (increase) in:			
Trade and other receivables	10	**(182,575,695)**	(302,394,516)
Prepayments	11	**47,675,148**	11,208,786
Increase (decrease) in:			
Trade and other payables	15	**72,389,332**	220,269,096
Other current liabilities		**(2,098,950)**	5,829,842
Cash generated from operations		**503,352,473**	541,721,512
Interest paid	23	**(141,968,054)**	(145,616,683)
Taxes paid	25	**(26,469,253)**	(33,584,863)
Net cash from operating activities		**334,915,165**	362,519,966
INVESTING ACTIVITIES			
Purchases of property and equipment	12	**(3,184,515)**	(2,948,417)
Proceed from sale of property and equipment	12	**–**	699,576
Payments for construction in progress	13	**(33,907,687)**	(43,860,560)
Net cash used in investing activities		**(37,092,203)**	(46,109,401)
FINANCING ACTIVITIES			
Proceeds from borrowings	17		
Repayment of borrowings	17	**(300,000,000)**	(250,000,000)
Net cash used in financing activities		**(300,000,000)**	(250,000,000)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**(2,177,037)**	66,410,566
CASH BEGINNING OF YEAR		**126,233,749**	59,823,184
CASH AT END OF YEAR	9	**₱124,056,712**	₱126,233,749

See Notes to Financial Statements

INTERNAL REVENUE
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NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019
In Philippine Peso

1. CORPORATION INFORMATION

King Energy Generation, Inc. (the Company) was incorporated and registered with the Philippine Securities and Exchange Commission on December 06, 2010 primarily to carry on the business of exploring, developing and utilizing renewable energy, such as but not limited to biomass, biogas, hydro-power, geothermal, wind, solar energy including operating, managing, maintaining and rehabilitating renewable energy systems. Also, the Company has a purpose to build, construct, erect, own, equip, install, operate, maintain, sell and lease power generation plants and related facilities, machineries, equipment for the generation and supply of electric power utilizing any fuel or energy source; to provide ancillary services and to supply services such as billing, collection, customer service, energy trading and electricity sales for the contestable market and/or customers, including but not limited to electric cooperatives and private distribution utilities; and to engage in any and all acts which may be necessary, or convenient, in the furtherance of such power generation services.

The Company's registered office address, which is also its principal place of business, is located San Luis, Gingoog City. The Company is domiciled in the Philippines.

2. FINANCIAL REPORTING FRAMEWORK

2.1 Statement of Compliance

The financial statements of the Company have been prepared in accordance with the Philippine Financial Reporting Standards (PFRSs).

2.2 Basis of Preparation

The financial statements are prepared on a going concern basis under the historical cost convention, except where PFRSs requires an alternative treatment (such as fair values) as disclosed where appropriate in these financial statements.

2.3 Presentation and Functional Currency

Items included in the financial statements of the Company are measured using Philippine Peso, the currency of the primary economic environment in which the Company operates (the "functional currency"). The Company chose to present its financial statements using its functional currency. All presented financial information has been rounded to the nearest peso, except when otherwise indicated.

2.4 Use of Judgments and Estimates

The preparation of the Company's financial statements requires management to make judgments, estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes.

Judgments are made by management in the development, selection and disclosure of the Company's significant accounting policies and estimates and the application of these policies and estimates. These are reviewed on an ongoing basis. These are based on management's evaluation of relevant facts and circumstances as of the reporting date. Actual results could differ from such estimates.

Changes in accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

2.5 Going Concern Assumption

The Company is not aware of any significant uncertainties that may cast doubts upon the Company's ability to continue as a going concern.

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2.6 Current versus Non-current Classification

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

- Expected to be realized or intended to be sold or consumed in the normal operating cycle;

- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

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

The terms of the liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

The Company classifies all other liabilities as non-current.

2.7 Fair value measurement

The Company measures some of its financial instruments at fair value at each financial reporting date.

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 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 economic best interest.

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

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

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

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

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

The Company's management determines the policies and procedures for recurring fair value measurement, such as unquoted financial assets.

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

3. ADOPTION OF NEW AND REVISED STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS

The Philippine Financial Reporting Standards Council (FRSC) approved the issuance of new and revised Philippine Financial Reporting Standards (PFRSs). The term PFRSs in general includes all applicable PFRSs, Philippine Accounting Standards (PAS), and Interpretations issued by the Philippine Interpretations Committee (PIC), Standing Interpretations Committee (SIC) and International Financial Reporting Interpretations Committee (IFRIC) which have been approved by the FRSC and adopted by SEC.

These new and revised PFRSs prescribe new accounting recognition, measurement and disclosure requirements applicable to the Company. When applicable, the adoption of the new standards was made in accordance with their transitional provisions, otherwise the adoption is accounted for as change in accounting policy under PAS 8: "Accounting Policies, Changes in Accounting Estimates and Errors".

3.1 New Accounting Standards Effective on January 1, 2019

The accounting policies adopted are consistent with those of the previous financial year except for the adoption of the following standards, amendments to previously issued PFRSs, PAS and Philippine Interpretations based on International Financial Reporting Interpretations Committee (IFRIC), which were effective on January 1, 2019.

Adoption of these new standard and amendments to PFRS, PAS and Philippine Interpretations did not have any significant impact on the Company's financial position or performance unless otherwise indicated.

a. PFRS 16: "Leases"

PFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on balance sheet model similar to the accounting for finance leases under PAS 17, Leases. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets and short-term leases or leases with a lease term of 12 months or less. At the commencement date of a lease, a lessee will recognize a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees is also required to re-measure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognize the amount of the re-measurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under PFRS 16 is substantially unchanged from PAS 17: "Leases". Lessors will continue to classify all leases as either operating or finance leases using similar principles as in PAS 17. Therefore, PFRS 16 did not have an impact for leases where the Company is a lessor.

The Company adopted PFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognized at the date of initial application. The Company elected to use the transition practical expedient to not reassess whether a contract is, or contains a lease at 1 January 2019. Instead, the Company applied the standard only to contracts that were previously identified as leases applying PAS 17 and IFRIC 4 at the date of initial application. Since the Company holds lease contracts that are 'low-value' assets and short-term leases or leases with a lease term of 12 months or less, there are no reclassifications made by the Company.

For leases previously classified as finance leases, the Company did not change the initial carrying amounts of recognized assets and liabilities at the date of initial application for leases previously classified as finance leases (i.e., the right-of-use assets and lease liabilities equal the lease assets and liabilities recognized under PAS 17). The requirements of PFRS 16 were applied to these leases from 1 January 2019.

For leases previously accounted for as operating leases, the Company recognized right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets for most leases were recognized based on the carrying amount as if the standard had always been applied, apart from the use of incremental borrowing rate at the date of initial application. In some leases, the right-of-use assets were recognized based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognized. Lease liabilities were recognized based on the present value of the remaining lease

The Company also applied the available practical expedients wherein it:
- used a single discount rate to a portfolio of leases with reasonably similar characteristics
- Relied on its assessment of whether leases are onerous immediately before the date of initial application
- Applied the short-term leases exemptions to leases with lease term that ends within 12 months of the date of initial application
- Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application
- Used hindsight in determining the lease term where the contract contained options to extend or terminate the lease

b. Philippine Interpretation IFRIC-23, Uncertainty over Income Tax Treatments

The interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of PAS 12, Income Taxes, and does not apply to taxes or levies outside the scope of PAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

An entity must determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed.

This interpretation is not relevant to the Company because there is no uncertainty involved in the tax treatments made by management in connection with the calculation of current and deferred taxes as of December 31, 2019 and 2018.

c. Amendments to PFRS 9, Prepayment Features with Negative Compensation

Under PFRS 9, a debt instrument can be measured at amortized cost or at fair value through other comprehensive income, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to PFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract.

These amendments had no impact on the financial statements of the Company.

d. Amendments to PAS 28, Long-term Interests in Associates and Joint Ventures

The amendments clarify that an entity applies PFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in PFRS 9 applies to such long-term interests.

The amendments also clarified that, in applying PFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognized as adjustments to the net investment in the associate or joint venture that arise from applying PAS 28, Investments in Associates and Joint Ventures.

The amendments should be applied retrospectively and are effective from January 1, 2019. Since the Company's current practice is in line with these amendments, they had no impact on the financial statements of the Company.

e. Amendments to PAS 19: Plan Amendment, Curtailment or Settlement

The amendments to PAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to determine the current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the offered under the plan and the plan assets after that event. An entity is also required to determine the net interest for the remainder of the period after the plan amendment, curtailment or settlement using the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event, and the discount rate used to re-measure that net defined benefit liability (asset).

The amendments had no impact on the financial statements of the Company as it did not have any plan amendments, curtailments, or settlements during the period.

f. Annual Improvements 2015-2017 Cycle

i. PFRS 3: "Business Combination"

The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including re-measuring previously held interests in the assets and liabilities of the joint operation at fair value. In doing so, the acquirer re-measures its entire previously held interest in the joint operation.

These amendments had no impact on the financial statements of the Company as there is no transaction where joint control is obtained.

ii. PFRS 11: "Joint Arrangements"

An entity that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in IFRS 3. The amendments clarify that the previously held interests in that joint operation are not re-measured.

These amendments had no impact on the financial statements of the Company as there is no transaction where a joint control is obtained.

iii. PAS 12: "Income Taxes"

The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognizes the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where it originally recognized those past transactions or events.

When the entity first applies those amendments, it applies them to the income tax consequences of dividends recognized on or after the beginning of the earliest comparative period.

Since the Company's current practice is in line with these amendments, they had no impact on the financial statements of the Company.

iv. PAS 23: "Borrowing Costs"

The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.
The entity applies the amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments.

Since the Company's current practice is in line with these amendments, they had no impact on the financial statements of the Company.

3.2 New Accounting Standards and Interpretations Issued but Not Yet Effective

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

3.2.1 Effective Beginning on or after January 1, 2020

a. Amendments to PFRS 3, Definition of a Business

The amendments to PFRS 3 clarify the minimum requirements to be a business, remove the assessment of a market participant's ability to replace missing elements, and narrow the definition of outputs. The amendments also add guidance to assess whether an acquired process is substantive and add illustrative examples. An optional fair value concentration test is introduced which permits a simplified assessment of whether an acquired set of activities and assets is not a business.

These amendments will apply on future business combinations of the Company.

b. Amendments to PAS 1, Presentation of Financial Statements, and PAS 8, Accounting Policies, Changes in Accounting Estimates and Errors, Definition of Material

The amendments refine the definition of material in PAS 1 and align the definitions used across PFRSs and other pronouncements. They are intended to improve the understanding of the existing requirements rather than to significantly impact an entity's materiality judgments.

3.2.2 Effective Beginning on or after January 1, 2021

a. 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

The Company does not expect any effect on its financial statements upon adoption.

3.2.3 Deferred Effective Date

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

The Company does not expect any effect on its financial statements upon adoption.

4. SIGNIFICANT ACCOUNTING POLICIES

Principal accounting and financial reporting policies applied by the Company in the preparation of its financial statements are enumerated below and are consistently applied to all the years presented, unless otherwise stated.

4.1 Financial Instruments

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

4.1.1 Financial Assets

a. Initial Recognition and Measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, fair value through other comprehensive income, and fair value through profit or loss.

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. With the exception of trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient are measured at the transaction price determined under PFRS 15.

In order for a financial asset to be classified and measured at amortized cost or fair value through OCI, 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. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

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. Financial assets classified and measured at amortized cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows while financial assets classified and measured at fair value through OCI are held within a business model with the objective of both holding to collect contractual cash flows and selling.

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

b. Subsequent Measurement

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

- Financial assets at amortized cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

i. Financial assets at amortized cost (debt instruments)

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

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

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

The Company's financial assets at amortized cost include cash in bank, cash equivalents, trade and other receivables, advances to related parties and refundable deposits.

- Cash and cash equivalents

In the statements of cash flows, cash includes cash on hand and cash in banks.

Cash on hand includes petty cash fund and other cash items not yet deposited with the banks. Cash in banks include demand deposits which are unrestricted as to withdrawal. Cash equivalents are short-term highly liquid deposits with a maturity of three months or less, that are readily convertible to a known amount of cash and subject to an insignificant risk of changes in value

Cash is valued at face value. Cash in foreign currency is valued at the current exchange rate. If a bank holding the funds of the Company is in bankruptcy or financial difficulty, cash is written-down to estimated realizable value if the amount recoverable is estimated to be lower than the face amount.

- Trade and other receivables

Trade and other receivables are amounts due from customers for services performed in the ordinary course of business.

Trade and other receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest rate (EIR) method, less provision for impairment.

ii. Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)

The Company measures debt instruments at fair value through OCI if both of the following conditions are met:

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

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognized in the statement of profit or loss and computed in the same manner as for financial assets measured at amortized cost. The remaining fair value changes are recognized in OCI. Upon derecognition, the cumulative fair value change recognized in OCI is recycled to profit or loss.

As of December 31, 2020, and 2019, the Company has no debt instruments at fair value through OCI.

iii. Financial assets designated at fair value through OCI (equity instruments)

Upon initial recognition, the Company can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI 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 the statements of profit or loss 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 instruments designated at fair value through OCI are not subject to impairment assessment.

As of December 31, 2020, and 2019, the Company has no debt instruments at fair value through OCI.

iv. Financial assets at fair value through profit or loss.

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortized cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statements of financial position at fair value with net changes in fair value recognized in the statements of profit or loss.

This category includes derivative instruments and listed equity investments which the Company had not irrevocably elected to classify at fair value through OCI. Dividends on listed equity investments are also recognized as other income in the statement of profit or loss when the right of payment has been established.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if: the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognized in profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.

c. Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a company of similar financial assets) is primarily derecognized (i.e., removed from the Company's statements of financial position) when:

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

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Company also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

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

d. Impairment

The Company recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. 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. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

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

For trade receivables and contract assets, 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 the debtors and the economic environment.

For debt instruments at fair value through OCI, the Company applies the low credit risk simplification. At every reporting date, the Company evaluates whether the debt instrument is considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Company reassesses the internal credit rating of the debt instrument. In addition, the Company considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

The Company considers a financial asset in default when contractual payments are 30 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 amounts 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.

4.1.2 Financial Liabilities

a. 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 recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Company's financial liabilities include trade and other payables, advances from shareholders and deposit for future stock subscriptions.

b. Subsequent Measurement

The measurement of financial liabilities depends on their classification, as described below:

i. Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships as defined by PFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognized in the statements of profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in PFRS 9 are satisfied. The Company has not designated any financial liability as at fair value through profit or loss.

ii. Financial liabilities at amortized cost (loans and borrowings)

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR 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 finance costs in the statements of profit or loss.

This category generally applies to trade and other payables, advances from related parties and borrowings.

c. Derecognition

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. 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 the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the statements of profit or loss.

4.1.3 Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statements of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously.

4.2 Inventories

Inventories are stated at the lower of cost and net realizable value.

The Company include in the cost of inventories all cost of purchase, cost of conversion and other costs incurred in bringing the inventories to their present location and condition. The costs of purchase of inventories comprise the purchase price, import duties and other taxes (other than those subsequently recoverable by the entity from the taxing authorities), and transport, handling and other costs directly attributable to the acquisition of finished goods, materials and services. Trade discounts, rebates and other similar items are deducted in determining the costs of purchase.

In some cases, the Company purchases inventories on deferred settlement terms and the arrangement may contain an unstated financing element, for example, there is a difference between the purchase price for normal credit terms and the deferred settlement amount. In these cases, the difference is recognized as interest expense over the period of the financing and is not added to the cost of the inventories.

The costs of conversion of inventories include costs directly related to the units of production, such as direct labor. They also include a systematic allocation of fixed and variable production overheads that are incurred in converting materials into finished goods. Fixed production overheads are those indirect costs of production that remain relatively constant regardless of the volume of production, such as depreciation and maintenance of factory buildings and equipment, and the cost of factory management and administration. Variable production overheads are those indirect costs of production that vary directly, or nearly directly, with the volume of production, such as indirect materials and indirect labor.

Cost is determined using first-in-first-out (FIFO) method.

When inventories are sold, the carrying amount of those inventories is recognized as an expense in the period in which the related revenue is recognized.

The Company assesses at each reporting date whether any inventories are impaired. The Company makes the assessment by comparing the carrying amount of each item of inventory (or group of similar items) with its net realizable value. If an item of inventory (or group of similar items) is impaired, the Company reduces the carrying amount of the inventory (or the group) to its net realizable value. That reduction is an impairment loss and it is recognized immediately in profit or loss.

If the Company, after making every reasonable effort to do so, is unable to determine the net realizable for inventories item by item, the Company groups items of inventory relating to the same product line that have similar purposes or end uses and are produced and marketed in the same geographical area for the purpose of assessing impairment.

The Company makes a new assessment of net realizable value at each subsequent reporting date. When the circumstances that previously caused inventories to be impaired no longer exist, or when there is clear evidence of an increase in market value because of changed economic circumstances, the Company reverses the amount of the impairment (i.e., the reversal is limited to the amount of the original impairment loss) so that the new carrying amount is the lower of the cost and the revised selling price less costs to complete and sell.

4.3 Prepayments and Other Current Assets

Prepayments represent expenses not yet incurred but already paid in cash. Prepayments are initially recorded as assets and measured at the amount of cash paid. Subsequently, these are expensed to profit or loss as they are consumed in the operations or expire with the passage of time.

Prepayments are classified in the statements of financial position as current asset when they are expected to be expensed within one year or the entity's normal operating cycle, whichever is longer. Otherwise, these are classified as non-current.

4.4 Property and Equipment

The Company measures an item of property and equipment at initial recognition at its cost. The cost of an item of property, plant and equipment comprises its purchase price, including legal and brokerage fees, import duties and non-refundable purchase taxes, after deducting trade discounts and rebates and any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. These can include the costs of site preparation, initial delivery and handling, installation and assembly, testing of functionality and borrowing costs for long-term construction projects if the recognition criteria are met. Cost also includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an entity incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

If payment is deferred beyond normal credit terms, the cost is the present value of all future payments.

Items such as spare parts, stand-by equipment and servicing equipment are property and equipment if the Company expects to use them during more than one period or if they can be used only in connection with an item of property and equipment. Otherwise, such items are classified as inventories.

The Company adds to the carrying amount of an item of property and equipment the cost of replacing parts of such an item when that cost is incurred if the replacement part is expected to provide incremental future benefits to the Company. The carrying amount of the replaced part is derecognized.

The Company recognizes the costs of day-to-day servicing (repairs and maintenance) of an item of property and equipment in profit or loss in the period in which the costs are incurred.

At reporting date, the Company measures an item of property and equipment after initial recognition at cost less any accumulated depreciation and accumulated impairment loss.

If a reliable measure of fair value is no longer available without undue cost or effort for an item of investment property measured using the fair value model, the Company thereafter accounts for that item in accordance with the cost model under property and equipment until a reliable measure of fair value becomes available.

Land is not depreciated. Depreciation on other class of property and equipment is provided on a straight-line method to allocate the cost of assets less their residual values over their estimated useful lives. The estimated useful lives are as follows:

Generation plant	-	20 Years
Building	-	10-20 Years
Land improvement	-	10 Years
Transmission line	-	10 years
Service vehicles	-	5 Years
Leasehold improvement, office furniture and equipment	-	3-5 Years

Leasehold improvements are depreciated over the shorter between the improvements' useful life of 5 years or the lease term.

If the major components of an item of property and equipment have significantly different patterns of consumption of economic benefits, the Company allocates the initial cost of the asset to its major components and depreciates each such component separately over its useful life. Other assets are depreciated over their useful lives as a single asset.

The assets' useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, and if there is an indication of a significant change since the last reporting date.

Fully-depreciated assets still in use are retained in financial statements.

An item of property and equipment is derecognized on disposal or when no future economic benefits are expected from its use or disposal. When assets are retired or otherwise disposed of, the cost and the related accumulated depreciation and any impairment in value are removed from the financial statements. Gains and losses on disposals are determined by comparing the net disposal proceeds with the carrying amount and are recognized in profit or loss.

An asset's carrying amount is written down immediately to its recoverable amount if it carrying amount is greater than its estimated recoverable amount.

4.5 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.

4.5.1 Right-of-Use Assets

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, and lease payments made at or before the commencement date less any lease incentives received. 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 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 following the accounting policy on Impairment of Non-financial Assets.

4.5.2 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.

4.5.3 Short-term Leases and Leases of Low-value Assets

The Company applies the short-term lease recognition exemption to its short-term leases of office and staff house spaces. It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. 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.

The Company as a Lessor

Leases in which the Company does not transfer substantially all the risks and rewards incidental to 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.

4.6 Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses.

Internally generated intangibles, excluding capitalized development costs, are not capitalized and the related expenditure is reflected in profit or loss in the period in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the statement of profit or loss in the expense category that is consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

An intangible asset is derecognized upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising upon derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss.

4.6.1 Research and Development Costs

Research costs are expensed as incurred. Development expenditures on an individual project are recognized as an intangible asset when the Company can demonstrate:

- The technical feasibility of completing the intangible asset so that the asset will be available for use or sale
- Its intention to complete and its ability and intention to use or sell the asset
- How the asset will generate future economic benefits
- The availability of resources to complete the asset
- The ability to measure reliably the expenditure during development

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is complete and the asset is available for use. It is amortized over the period of expected future benefit. Amortization is recorded in cost of sales. During the period of development, the asset is tested for impairment annually.

4.7 Investment in Associates

Associates are entities over which the Company has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence, generally accompanying a shareholding of 20% or more of the voting power of the associate, is the power to participate in the financial and operating policy decisions of the associate but is not control or joint control over those policies.

The cost of the investment is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value.

Any excess of the cost of acquisition over the Company's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognized at the date of acquisition is recognized as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of that investment. Any excess of the Company's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognized immediately in profit or loss.

The Company accounts for all of its investments in associates using equity method. Under the equity method of accounting, investment in associates is initially recognized at the transaction price (including transaction costs) and is subsequently adjusted to reflect the Company's share of the profit or loss of the associate. Distributions received from the associate reduce the carrying amount of the investment. Unrealized profits and losses resulting from upstream (associate to the Company) and downstream (the Company to associate) transactions to the extent of the Company's interest in the associate are eliminated.

If the Company's share of losses of an associate equal or exceeds the carrying amount of its investment in the associate, the Company discontinues recognizing its share of further losses. If the associate subsequently reports profits, the Company resumes recognizing its share of those profits only after its share of the profits equals the share of losses not recognized.

The requirements of PAS 36 are applied to determine whether it is necessary to recognize any impairment loss with respect to the Company's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with PAS 36: "Impairment of Assets" as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognized forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized in accordance with PAS 36 to the extent that the recoverable amount of the investment subsequently increases.

The Company ceases using the equity method from the date that significant influence ceases. Upon loss of significant influence over the associate, the Company 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 profit or loss.

When the investment is classified as held for sale, it is accounted for in accordance with PFRS 5: "Non-current Assets Held for Sale and Discontinued Operations".

4.8 Impairment of Non-financial Assets other than Inventories

At each reporting date, the Company assesses whether there is any indication that any of its non-financial assets may have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. 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 for which the estimates of future cash flows have not been adjusted. Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties less the costs of disposal.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognized as an expense.

Non-financial assets that suffered impairment are reviewed for possible reversal of the impairment at each reporting date. When an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized as income.

4.9 Provisions and Contingencies

4.9.1 Provisions

Provisions are recognized when the Company has a present obligation, whether legal or constructive, as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. When the Company expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of profit or loss 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, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

The Company charges against a provision only those expenditures for which the provision was originally recognized. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

4.9.2 Contingent Liabilities and Assets

Contingent liabilities and assets are not recognized because their 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 Company.

Contingent liabilities are disclosed, unless the possibility of an outflow of resources embodying economic benefits is remote.

Contingent assets are disclosed only when an inflow of economic benefits is probable.

4.10 Equity

Equity is the residual interest in the assets of the Company after deducting all its liabilities. A liability is a present obligation of the Company arising from past events, the settlement of which is expected to result in an outflow from the entity of cash or other resources. Equity includes investments by the owners of the Company, plus additions to those investments earned through profitable operations and retained for use in the entity's operations, minus reductions to owners' investments as a result of unprofitable operations and distributions to owners.

4.11.1 Share Capital

The Company recognizes the issue of ordinary shares as equity when it issues those instruments and when another party is obliged to provide cash or other resources to the Company in exchange for the instruments:

a. if the equity instruments are issued before the Company receives the cash or other resources, the Company presents the amount receivable as an offset to equity in its statement of financial position, not as an asset.

b. if the Company receives the cash or other resources before the equity instruments are issued, and the Company cannot be required to repay the cash or other resources received, the Company recognizes the corresponding increase in equity to the extent of consideration received.

c. to the extent that the equity instruments have been subscribed for but not issued, and the Company has not yet received the cash or other resources, the Company does not recognize an increase in equity.

The Company measures the equity instruments at the amount of cash received. If payment is deferred and the time value of money is material, the initial measurement shall be on a present value basis. If the equity instruments are exchanged for resources other than cash, the equity instruments shall be recognized at the fair value of those resources. The Company accounts for the transaction costs (i.e., incremental costs that are directly attributable to the issue) of an equity transaction as a deduction from equity, net of any related income tax benefit.

4.11.2 Retained Earnings

Retained earnings is the sum of all profits generated by a Company since its inception that are not distributed to stockholders as dividends but are either reinvested in the business or kept as a reserve for specific objectives. Retained earnings are reduced by losses. Retained earnings are classified into unappropriated and appropriated.

Unappropriated retained earnings are accumulated earnings of the Company available for dividend distribution. On the other hand, appropriated retained earnings are retained earnings that have been set aside by action of the board of directors for a specific use. An appropriation of retained earnings may be for purposes such as future plant acquisitions or expansion, reserve against expected losses, restriction imposed by a loan covenant and treasury shares.

4.11.3 Dividends

Dividend is a distribution of Company's earnings to the stockholders recognized upon declaration and approval by the stockholders. Amount to be distributed to the stockholders is net of the applicable withholding taxes.

The Company reduces equity for the amount of distributions to its owners (holders of its equity instruments), net of any related income tax benefits.

When it declares distribution of assets other than cash as dividends to its owners, the Company recognizes a liability which is measured at the fair value of the assets to be distributed. At the end of each reporting period and at the date of settlement, the Company reviews and adjusts the carrying amount of the dividend payable to reflect changes in the fair value of the assets to be distributed, with any changes recognized in equity as adjustments to the amount of the distribution. When the Company settles the dividend payable, it shall recognize in profit or loss any difference between the carrying amount of the assets distributed and the carrying amount of the dividend payable.

4.12 Revenue from Contracts with Customers

The Company is in the business of power generation. 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 Company expects to be entitled in exchange for those goods or services. The Company has generally concluded that it is the principal in its revenue arrangements.

Timing of revenue recognition may change depending on when the performance obligation is satisfied, either at a point in time or over time. The Company recognizes revenue from goods or services at a point in time when the goods or services are transferred to the customers and fulfills the performance obligations. In order to determine whether the control over the goods or services is transferred over time, the Company determines whether the customer simultaneously obtains and consumes the benefits provided by the Company's performance and whether the assets controlled by the customer and whether the assets created by the Company have no substitute purpose, and whether the Company has the right to make executable claims for the portion that has been completed so far.

The Company allocates the transaction prices based on the stand-alone selling prices to the various performance obligations identified in a single contract. The Company estimates the amounts of consideration depending on which method the entity expects to better predict the amount of consideration to which it will be entitled - the expected value or the most likely amount. Variable consideration is included in the transaction price only to the extent that it is highly probable that a significant reversal in the cumulative amount of revenue recognized will not occur in the future periods.

If the period between the transfer of the goods or services promised to the customer and the payment of the customer is within one year, a practical simple method that does not adjust the promised price for a significant financing component is used.

4.12.1 Sale of Goods

Revenues from sale of goods are recognized at the point in time when control of the asset is transferred to the customer, generally on delivery of the equipment at the customer's location. The normal credit term is 30 to 90 days upon delivery.

4.12.2 Rendering of Services

Rendering of services is considered a separate performance obligation aside from the sale of goods. Revenues from rendering services are recognized as revenue at a point in time when the services are transferred to the customers and the performance obligations are fulfilled.

4.12.3 Interest Income from Cash in Bank

Interest income is recognized on a time proportion basis using the applicable bank deposit rates. Interest income is subject to final withholding tax and is presented net of tax. The Company does not consider this to be 'revenue' as the earning of interest is not part of the Company's ordinary activities but rather an incidental benefit.

The Company considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated (e.g., warranties, customer loyalty points). In determining the transaction price for the sale of power generation, the Company considers the effects of variable consideration, existence of a significant financing component, noncash consideration, and consideration payable to the customer (if any).

4.12.4 Variable consideration

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

4.12.5 Contract Balances

a. Contract Asset

A contract asset is initially recognized for revenue earned from installation services because the receipt of consideration is conditional on successful completion of the installation. Upon completion of the installation and acceptance by the customer, the amount recognized as contract assets is reclassified to trade receivables.

Contract assets are subject to impairment assessment.

b. Trade receivable

A receivable is recognized if an amount of consideration that is unconditional is due from the customer (i.e., only the passage of time is required before payment of the consideration is due).

c. Contract liabilities

A contract liability is recognized if a payment is received or a payment is due (whichever is earlier) from a customer before the Company transfers the related goods or services. Contract liabilities are recognized as revenue when the Company performs under the contract (i.e., transfers control of the related goods or services to the customer).

4.12.5 Assets and liabilities arising from rights of return

a. Right of return assets

A right-of-return asset is recognized for the right to recover the goods expected to be returned by customers. The asset is measured at the former carrying amount of the inventory, less any expected costs to recover the goods and any potential decreases in value. The Company updates the measurement of the asset for any revisions to the expected level of returns and any additional decreases in the value of the returned products.

b. Refund liabilities

A refund liability is recognized for the obligation to refund some or all of the consideration received (or receivable) from a customer. The Company's refund liabilities arise from customers' right of return and volume rebates. The liability is measured at the amount the Company ultimately expects it will have to return to the customer. The Company updates its estimates of refund liabilities (and the corresponding change in the transaction price) at the end of each reporting period.

4.13 Cost and Expense Recognition

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

- On the basis of a direct association between costs incurred and the earning of specific items of income;
- On the basis of a systematic and rational allocation procedures when economic benefits are expected to arise over several accounting periods and association with income can only be broadly or indirectly determined; or
- Immediately when an expenditure produces no future economic benefits or when, and to the extent that, future economic benefits do not qualify, or cease to qualify, for recognition in the statement of financial position as an asset;
- Expense encompasses losses as well as those expenses that arise in the course of the ordinary activities of the Company.

4.14 Employee Benefits

4.14.1 Short-term Benefits

The Company recognizes a liability net of amounts already paid and an expense for services rendered by employees during the accounting period. Short-term benefits are measured at the undiscounted amount expected to be paid in exchange for services rendered. Short-term benefits given by the Company to its employees include salaries and wages, social security contributions, short-term compensated absences, profit sharing and bonuses, and non-monetary benefits.

For employee leave entitlement, the expected cost of short-term employee benefits in the form of compensated absences is recognized in the case of accumulating compensated absences, when the employees render service that increases their entitlement to future compensated absences; and in the case of non-accumulating compensated absences, when the absences occur. A liability for bonuses is recognized when the entity is contractually obliged or when there is constructive obligation based on past practice.

4.14.2 Retirement Benefits

The Company does not have an established retirement plan and only conforms to the minimum regulatory benefit as required by the provisions of Republic Act (R.A.) No. 7641, otherwise known as the Philippine Retirement Pay Law. Under R.A. 7641, in the absence of a retirement plan or agreement providing for retirement benefits of employees in the private sector upon reaching the age of sixty (60) years or more, but not beyond sixty-five (65) years, an employee who has served at least five years in a private company, may retire and shall be entitled to a retirement pay. The Company provides for a retirement benefit equal to 22.5 days for every year of credited services which is accounted for as a defined benefit plan.

Retirement benefit obligation recognized in the statements of financial position is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of government bonds and that have terms to maturity approximating to the terms of the related retirement benefit obligation.

The Company recognizes immediately the following changes in the retirement benefit obligation in the statements of comprehensive income:

- Service costs comprising current service costs, gains and losses on curtailment and non-routine settlements; and
- Net interest expense or income, which is calculated by applying the discount rate to the net defined benefit liability or asset.

Remeasurements, comprising actuarial gains or losses, the effect of the asset ceiling, excluding net interest and the return on plan assets, excluding net interest, are recognized immediately in the statements of financial position with a corresponding debit or credit to equity through "other comprehensive income" in the period in which they occur. Remeasurements are not reclassified to profit or loss in subsequent periods.

4.14.3 Termination Benefits

Termination benefits are payable when employment is terminated by the Company before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Company recognizes termination benefits at the earlier of the following dates: (a) when the Company can no longer withdraw the offer of those benefits; and (b) when the Company recognizes costs for a restructuring that is within the scope of PAS 37: "Provisions, Contingent Liabilities and Contingent Assets" and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

4.15 Borrowing Costs

Borrowing costs are interest and other costs that the Company incurs in connection with the borrowing of funds. Borrowing costs include interest expense calculated using the effective interest method.

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur.

4.16 Foreign Currency Transactions and Translation

Transactions in currencies other than the Philippine peso are recorded at the rate of exchange prevailing on the dates of the transactions. At each reporting date, outstanding monetary assets and liabilities denominated in foreign currencies are restated at the closing exchange rates at the reporting date. Gains or losses arising on retranslation are included in profit or loss. Outstanding non-monetary items carried at historical cost in foreign currencies are retranslated using the exchange rates prevailing on the dates of transactions. Outstanding non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date the fair value was determined.

4.17 Related Parties and Related Party Transactions

4.17.1 Related Party Relationship

Related party relationship exists when one party has the ability to control, directly or indirectly through one or more intermediaries, the other party or exercise significant influence over the other party in making financial and operating decisions. Such relationship also exists between and/or among entities which are under common control with the reporting entity, or between and/or among the reporting entity and its key management personnel, directors and shareholders. In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

4.17.2 Related Party Transactions

A related party transaction is a transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged. Transactions between related parties are accounted for at arm's length prices on terms similarly offered to non-related entities in an economically comparable market.

4.18 Income Taxes

Current tax is determined in accordance with is the amount reported on the Company's income tax return for the period in conformity with tax laws or regulations. Deferred tax is income tax payable (recoverable) in respect of the taxable profit (tax loss) for future reporting periods as a result of past transactions or events. The past transactions or events are those that have not yet been included in the Company's income tax return although they have been included when measuring profit or loss in conformity with PFRSs or have been included in the Company's income tax return although they have been not yet been included when measuring profit or loss in conformity with PFRSs.

The Company recognizes a deferred tax asset or liability for tax recoverable or payable in future periods as a result of past transactions or events. Such tax arises from the difference between the amounts recognized for the Company's assets and liabilities in the statement of financial position and the recognition of those assets and liabilities by the tax authorities, and the carry-forward of currently unused tax losses and tax credits. In most cases, those differences between the amounts in the statement of financial position and the amounts recognized by the tax authorities are accompanied by corresponding differences between profit or loss as measured by PFRSs and taxable profit or loss. If the Company expects to recover the carrying amount of an asset or settle the carrying amount of a liability without affecting taxable profit, no deferred tax arises in respect of the asset or liability.

The Company measures its deferred tax liabilities (assets) using the tax rates and laws that have been enacted or substantively enacted by the reporting date. When different tax rates apply to different levels of taxable profit, the Company measures deferred tax expense (income) and related deferred tax liabilities (assets) using the average enacted or substantively enacted rates that it expects to be applicable to the taxable profit (tax loss) of the periods in which it expects the deferred tax asset to be realized or the deferred tax liability to be settled.

The Company does not discount deferred tax assets and liabilities.

The carrying amount of a deferred tax asset shall be reviewed at the end of each reporting period. An entity shall reduce the carrying amount of a deferred tax asset to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that recognized deferred tax asset to be utilized. Any such reduction shall be reversed to the extent that it becomes probable that sufficient taxable profit will be available.

Carry-forward benefit of unused tax losses (net operating loss carryover or NOLCO) and unused tax credits (excess minimum corporate income tax or MCIT) arising in the current period which can be applied against the entity's future taxable income and future tax liability, respectively, should be recognized as an asset to the extent that it is probable that sufficient taxable profit will allow the unused tax losses or unused tax credits be utilized.

4.19 Value-added Tax

Revenues, expenses and assets are recognized, net of the amount of value-added tax (VAT) except:

- where VAT incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the VAT is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables that are stated with the amount of VAT included.

4.20 Events after the End of the Reporting Period

The Company identifies events after the end of the reporting date but before the date when the financial statements were authorized for issue. Any events that provide additional information about the Company's position at the reporting date, adjusting events, are reflected in the financial statements, while events that do not require adjustments, non-adjusting events, are disclosed in the notes to financial statements when material.

5. INFORMATION ABOUT KEY SOURCES OF ESTIMATION UNCERTAINTY AND JUDGMENTS

The preparation of the financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts in the financial statements and related disclosures. The estimates and assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from such estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis to ensure they incorporate all relevant information available at the reporting date. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

5.1 Critical Judgments in Applying Accounting Policies

The following are the critical judgments, apart from those involving estimations, that Management has made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognized in financial statements:

5.1.1 Determination of Functional Currency

Based on the economic substance of the underlying circumstances relevant to the Company, the functional currency has been determined to be the Philippine peso, which is the currency of the primary economic environment in which the Company operates.

5.1.2 Determining the Lease Term of Contracts with Renewal and Terminal Options – The Company as a Lessee

The Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Company has several lease contracts that include extension and termination options. The Company applies judgment in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Company reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customization to the leased asset).

5.1.3 Classification of Leases – The Company as a Lessor

The Company classifies leases as finance or operating lease in accordance with the substance of the contractual agreement and the transfer of the risks and rewards incidental to the ownership of the leased item. Leases where management has determined that the risks and rewards related to the leased items are transferred to the lessees are classified as finance lease. Otherwise, these are accounted for as operating lease.

5.1.4 Classification of Costs and Expenses

The Company determines the classification of costs and expenses as either direct costs or operating expenses. Classification of costs and expenses to direct costs are determined on the basis of direct association with the revenues of the Company. All other costs and expenses are classified as operating expenses and allocated to either distribution costs or administrative expenses.

5.1.5 Distinction between Provisions and Contingencies

Judgment is exercised by management to distinguish between provisions and contingencies. In evaluating provision and contingencies, the Company takes into consideration its present, legal or constructive obligations, if any, in accordance with its policy management's assumptions, assessments and its legal counsel. At each reporting date, the Company has determined that no contingencies are probable and/nor the amount of obligation can be estimated reliably; hence, no provisions are recognized.

5.1.6 Revenue from Contracts with Customers

The Company applied the following judgments that significantly affect the determination of the amount and timing of revenue from contracts with customers:

a. Identifying performance obligations in a power supply agreement

The Company provides power generation services that are sold to the customer. The services are a promise to transfer services in the future and are part of the negotiated exchange between the Company and the customer under a power supply agreement.

b. Determining the timing of satisfaction of power generation services

The Company concluded that revenue for power generation services is to be recognized over time because the customer simultaneously receives and consumes the benefits provided by the Company.

The Company determined that the output method is the best method in measuring progress of the power supply services because there is a direct relationship between the Company's effort (i.e., KW hours generated) and the transfer of service to the customer. The Company recognizes revenue based on the KW hours generated.

5.2 Key Sources of Estimation Uncertainty

The following are the key assumptions concerning the future and other key sources of estimation uncertainty at the 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.

5.2.1 Provision for Expected Credit Losses of Trade Receivables and Contract Assets

The Company 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 (i.e., by geography, product type, customer type and rating, and coverage by letters of credit and other forms of credit insurance).

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. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

The assessment of the correlation between historical 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 Company's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

5.2.2 Impairment of Inventories

At each reporting date, inventories are assessed for excess inventory, obsolescence and declines in net realizable value below cost and an allowance is recorded against the inventory balance for any such declines. These reviews require management to consider the future demand for the products. The usual considerations for determining the amount of allowance for obsolescence or stock loss include aging analysis, technical assessment and subsequent events. In general, such an evaluation process requires significant judgment that may materially affects the carrying amount of inventories at the end of the reporting period. Possible changes in these estimates could result in revisions to the stated value of the inventories.

As at December 31, 2020 and 2019, there are no allowance for impairment of inventories.

5.2.3 Useful Lives of Property and Equipment, Intangible Assets and Investment Properties

The useful lives of the Company's property and equipment, intangible assets and investment properties are estimated based on the period over which the assets are expected to be available for use. The estimated useful lives of the assets are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the Company's assets. In addition, the estimation of the useful lives is based on the Company's collective assessment of industry practice, internal technical evaluation and experience with similar assets.

There was no change in the estimated useful lives of depreciable property and equipment, intangible assets and investment properties in 2020 and 2019.

5.2.4 Impairment of Non-Financial Assets except Inventories

An assessment is made at reporting date to determine whether there is any indication of impairment of any non-financial assets except inventories or whether there is any indication that an impairment loss previously recognized for an asset in prior years may no longer exist or may have decreased. If any such indication exists, the asset's recoverable amount is estimated. An asset's recoverable amount is calculated as the higher of the asset's value in use or its net selling price.

The net selling price is the amount obtainable from the sale of an asset in an arm's length transaction while value in use is the present value of the estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. Recoverable amounts are estimated for individual assets, or, if it is not possible, for the cash-generating unit to which the asset belongs.

Management has made significant estimates on the recoverability of the Company's property and equipment, intangible assets and investment properties, and concluded that as of December 31, 2020 and 2019, no indications of impairment are present that would necessitate the recognition of impairment loss of the Company's assets.

5.2.5 Deferred Taxes

The Company reviews the carrying amounts of deferred taxes at each balance sheet date and reduces deferred taxes to the extent that it is no longer probable that sufficient future taxable profits will be available to allow all or part of the deferred tax assets to be utilized. Management believes that the Company will have sufficient future taxable profits against which the deferred tax assets can be used.

The Company has no deferred tax assets as of December 31, 2020 and 2019.

5.2.6 Retirement Benefit Obligation

In the absence of a formal retirement plan, the Company recognized its retirement benefit obligation required under R.A. 7641 for its qualified employees. In determining the said obligation, management must make an estimate of salary increases, the discount rate to be used in the present value calculation and the number of employees expected to leave before they receive the benefits. However, because of the undue cost or effort to obtain relevant data, the Company availed of the simplifications permitted under Section 28 of the PFRS for SMEs.

Retirement benefit obligation amounted to ₱4,897,254 and ₱3,876,745 in 2020 and 2019, respectively as disclosed in Notes. No actuarial gain or loss has been incurred during the year.

5.2.7 Leases - Estimating the incremental borrowing rate

The Company cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Company 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Company estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

6. RELATED PARTY AND RELATED PARTY TRANSACTIONS

a. Related party relationships
In 2020 and 2019, the related parties of the Company include its shareholders and key management personnel.

b. Related party transactions
As of December 31, 2020 and 2019, there are no related party transactions and balances.

c. Key Management Personnel Compensation
Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly. For the years ended December 31, 2020 and 2019, compensation paid to key management personnel and presented as part of personnel costs is ₱ 8,613,148 and ₱11,432,827, respectively.

7. FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's principal financial liabilities comprise loans and borrowings, and trade and other payables. The main purpose of these financial liabilities is to finance the Company's operations. The Company's principal financial assets include trade receivables, and cash and short-term deposits that derive directly from its operations. The Company also holds investments in debt and equity instruments.

The Company is exposed to market risk, credit risk and liquidity risk. The Company's management oversees the management of these risks. The management ensures that the Company's financial risk activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with the Company's policies and risk objectives. The Board of Directors reviews and agrees policies for managing each of these risks, which are summarized below.

In Philippine Peso

The Company's financial instruments consist of:

	2020	2019
Financial Assets:		
Financial assets at fair value through profit or loss		
Listed equity investment	₱–	₱–
Equity instruments at fair value through OCI		
Non-listed equity investment	–	–
Debt instruments at fair value through OCI		
Quoted debt instruments	–	–
Debt instrument at amortized cost		
Cash	124,056,712	126,233,749
Trade and other receivables	705,754,336	523,178,641
	829,811,049	649,412,390
Total Financial Assets	₱829,811,049	₱649,412,390
Financial Liabilities:		
Measured at fair value through profit or loss	₱–	₱–
Measured at cost/amortized cost		
Trade and other payables	792,816,563	720,427,231
Borrowings	1,222,083,333	1,522,083,333
	2,014,899,896	2,242,510,564
Total Financial Liabilities	₱2,014,899,896	₱2,242,510,564

7.1 Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, currency risk and other price risk, such as equity price risk. Financial instruments affected by market risk include loans and borrowings, deposits, debt and equity investments.

The sensitivity analyses in the following sections relate to the position as at December 31, 2020 and 2019.

The sensitivity analyses have been prepared on the basis that the amount of net debt, the ratio of fixed to floating interest rates of debt and the proportion of financial instruments in foreign currencies are all constant at December 31, 2020.

The analyses exclude the impact of movements in market variables on the carrying values of pension and other post-retirement obligations and provisions.

The following assumptions have been made in calculating the sensitivity analyses:

- The sensitivity of the relevant statement of profit or loss item is the effect of the assumed changes in respective market risks. This is based on the financial assets and financial liabilities held at December 31, 2020 and 2019.
- The sensitivity of equity is calculated by considering the effect of any associated cash flow hedges at December 31, 2020 for the effects of the assumed changes of the underlying risk.

7.1.1 Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's long-term debt obligations with floating interest rates.

In Philippine Peso

The Company manages its interest rate risk by having a balanced portfolio of fixed and variable rate loans and borrowings. The Company's policy is to maintain borrowings at fixed rates of interest, excluding borrowings that relate to discontinued operations. To manage this, the Company enters interest rate swaps, in which it agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed-upon notional principal amount. At December 31, 2020, after taking into account the effect of interest rate swaps, approximately 100% of the Company's borrowings are at a fixed rate of interest (2019: 100%).

7.1.2 Foreign Currency Risk

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Company's operating activities (when revenue or expense is denominated in a foreign currency).

The Company closely monitors the movements in the exchange rate and makes a regular assessment of future foreign exchange movements. The Company then manages the balance of its foreign currency-denominated assets and liabilities based on this assessment.

The Company's foreign currency-denominated financial assets and liabilities as of December 31, 2020 and 2019, and their Peso equivalents follow:

	Foreign Currency	PhP Equivalent
2020		
Financial Assets:		
Cash in bank		**377,883**
Trade receivables	**-**	**-**
		377,883
Financial Liability:		
Trade payables	**-**	**-**
Exposure	**8,110**	**377,883**
2019		
Financial Assets:		
Cash in bank	8,110	411,510
Trade receivables	-	-
	8,110	411,510
Financial Liability:		
Trade payables	-	-
Exposure	8,110	411,510

7.1.3 Equity Price Risk

The Company's listed equity investments are susceptible to market price risk arising from uncertainties about future values of the investment securities. The Company manages the equity price risk through diversification and by placing limits on individual and total equity instruments. Reports on the equity portfolio are submitted to the Company's management on a regular basis. The Company's Board of Directors reviews and approves all equity investment decisions.

At the reporting date, there are no listed equity investments held by the Company.

7.2 Credit Risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company established controls and procedures on its credit policy to determine and monitor the credit worthiness of its customer and other counterparties. Moreover, the PSAs with its customers include inherent protection clauses, i.e., provisions for interests on unpaid billings, and change in laws/circumstances, among others. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed. The Company does not hold collateral as security. The Company evaluates the concentration of risk with respect to trade receivables and contract assets as low, as its customers are located in several jurisdictions and industries and operate in largely independent markets.

In Philippine Peso

The credit quality of financial assets is being managed by the Company using internal credit ratings.

Cash and cash equivalents and short-term investment are considered high grade as the Company trades only with top banks in the Philippines. High grade include receivables that are not past due, exclusive of VAT, and are from customers who are highly reputable, progressive and consistently pay their accounts and who have the financial capacity to pay and due from related parties.

Standard grade receivables are VAT on current billings subject to special rulings on VAT for power industry and some accounts which would require some reminder follow-ups to obtain settlement from the counterparty.

The table below shows the aging analysis of financial assets per class that the Company held as of December 31, 2020 and 2019. A financial asset is past due when a counterparty has failed to make a payment when contractually due.

2020	Neither past due nor impaired	Past due but not impaired				Impaired	
		Less than 30 days	31 to 60 days	61 to 90 days	More than 91 days		]
Cash	₱124,056,712	₱–	₱–	₱–	₱–	₱–	₱124,056
Receivables:							
Trade	103,118,166	64,618,663	28,553,828	9,124,267	174,195,157	–	379,610
Others¹	325,395,714	–	–	–	–	–	325,395
	₱552,570,593	₱64,618,663	₱28,553,828	₱9,124,267	₱174,195,157	₱–	₱504,871

¹Excluding advances to employees.

2019	Neither past due nor impaired	Past due but not impaired				Impaired	
		Less than 30 days	31 to 60 days	61 to 90 days	More than 91 days		
Cash	₱126,233,749	₱–	₱–	₱–	₱–	₱–	₱126,233
Receivables:							
Trade	159,200,649				72,159,967	–	231,360
Others¹	291,075,806	–	–	–	–	–	291,075
	₱576,510,203	₱–	₱–	₱ –	₱72,159,967	₱–	₱648,670

¹Excluding advances to employees.

The Company has the following financial assets that are subject to the expected credit loss model:

General Approach

- Cash and Cash equivalents. As of December 31, 2020, and 2019, the ECL relating to the cash and cash equivalents of the Company is minimal as these are deposited in reputable financial institutions which have good credit rating, and are considered to have lower credit risk.

- Other receivables. The Company did not recognize any allowance relating to receivable from related parties as there were no history of default payments. This assessment is undertaken each financial year through examination of the financial position of the related parties and the markets in which the related parties operate.

Simplified Approach

- Receivables (i.e., Trade and Others). The Company applied the simplified approach under PFRS 9, using a 'provision matrix', in measuring expected credit losses which uses a lifetime expected loss allowance for receivables. The expected loss rates are based on the payment profiles of revenues/sales over a period of at least 24 months before the relevant reporting date and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers/counterparties to settle the receivables. The Company has identified the GDP, CPI and unemployment rate in the locations in which it sells its services to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

  No impairment losses resulted from performing collective impairment test, due to the past experience of the Company of realizing receivables within the credit period which help reduce the Company's credit risk exposure in case of default by the customers.

In Philippine Peso

The table below shows the financial assets per stage of allocation and by credit risk rating grades as at December 31, 2020 and 2019:

2020	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
High grade	**₱148,721,306**	**₱664,333,287**	**₱–**	**₱813,054,593**
Standard grade	–	**40,672,509**	–	**40,672,509**
Default	–	–	–	–
Gross carrying amount	**148,721,306**	**705,005,795**	–	**853,727,101**
Loss allowance	–	–	–	–
Carrying amount	**₱148,721,306**	**₱705,005,795**	**₱–**	**₱853,727,101**

2019	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
High grade	₱126,233,749	₱206,571,979	₱–	₱332,805,728
Standard grade	–	24,788,637	–	24,788,637
Default	–	–	–	–
Gross carrying amount	126,233,749	231,360,616	–	357,594,365
Loss allowance	–	–	–	–
Carrying amount	₱126,233,749	₱231,360,616	₱–	₱357,594,365

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 for groupings of various customer segments with similar loss patterns (i.e., by geographical region, product type, customer type and rating, and coverage by letters of credit or other forms of credit insurance). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written-off if past due for more than one year and are not subject to enforcement activity.

7.3 Liquidity Risk

The Company monitors its risk of a shortage of funds using a liquidity planning tool.

Ultimate responsibility for liquidity risk management rests with the board of directors, which has established an appropriate liquidity risk management framework for the management of the Company's short-, medium- and long-term funding and liquidity management requirements. The Company manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.

The Company's objective is to maintain a balance between continuity of funding and flexibility using bank loans, and advances from shareholders. The Company's policy is that not more than 25% of borrowings should mature in the next 12-month period. 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 sources of funding and debt maturing within 12 months can be rolled over with existing lenders.

a. Collateral

The Company has pledged its power plants in order to fulfill the collateral requirements for its borrowings. There are no other significant terms and conditions associated with the use of collateral.

8. CAPITAL MANAGEMENT

To the Company's capital management, capital includes issued capital, convertible preference shares, share premium and all other equity reserves. The primary objective of the Company's capital management is to maximize the shareholder value.

The Company manages its capital structure and adjusts in light of changes in economic conditions and the requirements of the financial covenants. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Company monitors capital using a gearing ratio, which is 'net debt' divided by total capital plus net debt.

In Philippine Peso

At December 31, the gearing ratio is as follows:

	2020	2019
Loans and borrowings	₱1,222,083,333	₱1,522,083,333
Trade and other payables	793,023,215	720,427,231
Less: Cash and cash in bank	(124,056,712)	(126,233,749)
Net debt	1,891,049,835	2,116,276,815
Preference share – liability	–	–
Total Equity	3,048,359,446	843,760,634
Total Capital	3,048,359,446	843,760,634
Total Capital and Net Debt	₱4,939,409,281	₱2,960,037,449
Gearing Ratio	0.62	2.51

In order to achieve this overall objective, the Company's capital management, among other things, aims to ensure that it meets financial covenants attached to the interest-bearing loans and borrowings that define capital structure requirements. Breaches in meeting the financial covenants would permit the bank to immediately call loans and borrowings. There have been no breaches of the financial covenants of any interest-bearing loans and borrowing in the current period.

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

9. CASH

Cash at the end of the reporting period as shown in the statements of cash flows can be reconciled to the related items in the statements of financial position as follows:

	Note	2020	2019
Cash in banks		₱124,056,712	₱126,233,749
		₱124,056,712	₱126,233,749

Cash in banks earns interest at the applicable bank deposit rates.

10. TRADE AND OTHER RECEIVABLES

The Company's trade and other receivables consist of:

	Note	2020	2019
Trade receivables:			
Outside parties		₱379,610,082	₱231,360,616
Allowance for expected credit losses		–	–
		379,610,082	231,360,616
Other receivables:			
Advances to contractors		158,899,448	177,135,453
Others		167,224,807	114,682,571
		326,144,254	291,818,025
		₱705,754,336	₱523,178,641

In Philippine Peso

Trade receivables are amounts due from customers for services performed in the ordinary course of business. The average credit period on the service is 30 days. No interest is charged on trade receivables. The Company does not hold any collateral or other credit enhancements over these balances nor does it have a legal right of offset against any amounts owed by the Company to the counterparty.

Advances to contractors pertain to downpayments to contractors.

Others pertain to advances to employees subject to liquidation.

10.1 Allowance for Expected Credit Losses

The movements in the allowance for expected credit losses are as follows:

	Note	**2020**	2019
Balance, January 1		**₱–**	₱–
Provisions during the year		**–**	–
Recovery		**–**	–
Accounts written-off		**–**	–
Balance, December 31		**₱–**	₱–

11. PREPAYMENTS AND OTHER CURRENT ASSETS

The account at December 31 consists of

	Note	**2020**	2019
Spare Parts		**₱28,646,137**	₱57,042,528
Fuel		**30,608,911**	45,600,850
Prepayments		**33,687,130**	33,980,643
Deferred Input tax		**15,943,349**	19,936,653
		₱108,885,526	₱156,560,674

Prepayments refer to advance payments made by the Company for its taxes and licenses on its building and vehicles.

Deferred input VAT pertains to value-added tax credits on purchases of capital goods incurred by the Company.

In Philippine Peso

12. PROPERTY AND EQUIPMENT

The account at December 31 consists of

	Land	Land improvements	Generation plant	Transmission Line	Buildings	Tools and Machinery	Service vehicles	Leasehold improvement, furniture and office equipment	Total
Cost:									
January 1, 2019	₱98,662,412	₱177,509,921	₱4,792,818,366	₱–	₱94,511,956	₱14,630,312	₱29,840,225	₱19,277,875	₱5,227,251,067
Additions	–	–	594,771,135	–	–	250,550	1,330,000	1,367,867	597,719,552
Disposals	–	–	–	–	–	(304)	(3,509,160)	(699,273)	(4,208,736)
Other changes	–	–	–	–	–	–	–	–	–
December, 31, 2019	98,662,412	177,509,921	5,387,589,501		94,511,956	14,880,558	27,661,065	19,946,469	5,820,761,883
Additions	–	953,847	13,466,335	47,038,732	65,130,448	470,710	174,800	890,805	128,125,676
Disposals	–	–	–	–	–	(100,794)	(1,150,000)	(53,163)	(1,303,957)
Other changes	–	–	–	–	–	–	–	–	–
December 31, 2020		**178,463,768**	**5,401,055,835**	**47,038,732**	**159,642,404**	**15,250,474**	**26,685,865**	**20,784,111**	**5,947,583,601**
Accumulated depreciation and impairment:									
January 1, 2019	–	47,126,364	1,014,679,194	–	19,977,325	9,371,514	21,600,021	12,542,420	1,125,296,838
Depreciation	–	12,616,076	320,105,576	–	5,154,878	2,200,177	4,109,227	2,915,012	347,100,946
Disposals	–	–	–	–	–	–	–	–	–
Other changes	–	–	–	–	–	(304)	–	(626,102)	(626,406)
December 31, 2019	–	**59,742,441**	**1,334,784,769**	–	**25,132,204**	**11,571,388**	**25,709,248**	**14,831,329**	**1,471,771,379**
Depreciation	–	12,663,680	283,212,927	21,373,724	6,801,756	1,513,418	(154,606)	2,810,939	328,221,838
Disposals	–	–	–	–	–	(98,106)	(1,150,000)	(49,714)	(1,297,820)
Other changes	–	–	–	–	–	–	–	–	–
December 31, 2020	–	**72,406,120**	**1,617,997,698**	**21,373,724**	**31,933,959**	**12,986,698**	**24,404,642**	**17,592,555**	**1,798,695,396**
Carrying amount:									
At December 31, 2018	₱98,662,412	₱117,767,480	₱4,052,804,732	₱–	₱69,379,752	₱3,309,170	₱1,951,817	₱5,115,140	₱4,348,990,504
At December 31, 2019	**₱98,662,412**	**₱106,057,647**	**₱3,783,058,138**	**₱25,665,007**	**₱127,708,445**	**₱2,263,775**	**₱2,281,222**	**₱3,191,557**	**₱4,148,888,204**

All additions to property and equipment in 2020 and 2019 were paid in cash. As of December 31, 2020, and 2019, the Company has no outstanding contractual commitments to acquire certain property and equipment and there are no other assets pledged as security for a liability.

The Company has determined that there is no indication that an impairment loss has occurred on its property and equipment.

In Philippine Peso

13. CONSTRUCTION IN PROGRESS

This account represents the amount of capitalized cost of power plant, office building and transmission line constructions. As of December 31, 2020, a total of ₱126.03 million is completed and transferred as part of property, plant and equipment (see note 12).

As of December 31, 2019, a total of ₱594.77 million power plant is completed and transferred as part of property, plant and equipment (see note 8).

14. INVESTMENT IN ASSOCIATE

The account at December 31 consists of:

Name	Principal Activities	Percentage of Equity Held by the Company	2020	2019
Maramag Mini Hydro Corporation	Power generation	42%	**₱23,555,201**	₱–

In 2020, the Company recognized ₱2,143,799 as loss on investment in associate presented in the statement of comprehensive income.

In 2020, no impairment loss was recognized related to investment in associate.

15. TRADE AND OTHER PAYABLES

The account at December 31 consists of

	Note	2020	2019
Trade payables:			
Outside parties		**₱765,648,178**	₱700,736,201
Retention payable		**7,551,283**	10,944,660
Accrued expenses		**19,617,102**	8,746,370
		792,816,563	720,427,231
Other payables:			
Deferred Output VAT		**43,976,906**	24,066,312
Income tax payable		**6,724,699**	3,576,718
VAT payable		**5,595,274**	4,116,025
SSS, PHIC and HDMF contributions		**318,736**	294,849
Withholding tax payable		**285,699**	243,177
Unearned income		**–**	–
		₱56,901,313	₱32,297,081

Trade payables to outside parties pertain to purchase of goods and services on account. The normal credit term to settle trade payables is about 15 - 30 days.

Energy Regulation (ER) 1-94
ER 1-94 and the IRR of the EPIRA mandates generation companies to provide benefits to its host communities equivalent to 0.01/kwh of energy sales. The Company accrues the required benefits to its host community (included under "Trade and other payables" account in the statements of financial position) prospectively from the date of effectivity of ER 1-94. Total accrued regulatory fees amounted to ₱329,063 and ₱150,000 as of December 31, 2020 and 2019, respectively.

Accrued expenses pertain to unpaid salaries, transportation and utilities.

Output VAT pertains to VAT charged on sale of Company's goods and services.

In Philippine Peso

16. RETIREMENT BENEFIT OBLIGATION

The Company has not yet established a formal retirement policy for its employees. In the absence of a policy, the Company is covered by the provisions of Republic Act No. 7641 otherwise known as the Retirement Pay Law. RA 7641 provides that in the absence of a retirement plan, an employee upon reaching the age of 60 years or more, but not beyond 65 years which is designated as the compulsory retirement age and who has served at least five (5) years in the Company, shall be entitled to retirement pay equivalent to at least one-half month salary for every year of service, a fraction of at least six months being considered as one whole year. The term half-month shall mean 15 days plus one-twelfth (1/12) of the 13th month pay and five (5) days of service incentive leave.

The present value of the retirement benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

The amount recognized in the statements of financial position are determined as follows:

	Note	2020	2019
Defined benefit obligation		**₱4,897,254**	₱3,876,745
Fair value of plan assets		**–**	–
Retirement benefit obligation		**₱4,897,254**	₱3,876,745

a. Defined Benefit Obligation

The movement in the defined benefit obligation (DBO) over the year is as follows:

	Note	2020	2019
At January 1		**₱3,876,745**	₱2,548,356
Current service cost		**1,020,509**	1,328,389
Interest expense		**–**	–
Benefits paid		**–**	–
Actuarial loss (gains)		**–**	–
At December 31		**₱4,897,254**	₱3,876,745

b. Fair Value of Plan Assets (if applicable)

The movement in the fair value of plan assets (FVPA) during the year is as follows:

	Note	2020	2019
At January 1		**₱–**	₱–
Contributions		**–**	–
At December 31		**₱–**	₱–

c. Retirement Benefit Expense

The components of retirement benefit expense for the year are as follows:

	Note	2020	2019
Recognized in Profit or Loss:			
Current service cost		**₱1,020,509**	₱1,328,389
Interest expense – DBO		**–**	–
Interest income – FVPA		**–**	–
		₱1,020,509	₱1,328,389

No amount of retirement benefit expense is included in the cost of an asset.

In Philippine Peso

17. BORROWINGS

The account at December 31 consists of

	Note	2020	2019
Balance, January 1		₱1,522,083,333	₱1,772,083,333
Additional borrowings		–	–
Payment on borrowings		(300,000,000)	(250,000,000)
Balance, December 31		₱1,222,083,333	₱1,522,083,333

The Company makes regular repayments on the bank borrowings. The Company is subject to externally imposed restrictions and must seek approval from the lending bank for any capital transactions that the Company wishes to enter.

Bank borrowings are secured with generation plants and properties as collateral.

Interest expense incurred, amounted to ₱141,966,593 and ₱145,601,551 in 2020 and 2019, respectively.

18. SHARE CAPITAL

a. Share Capital

	Note	No. of Shares	Amount
Common shares authorized at P100 par		7,500,000	₱750,000,000
Issued and fully paid		7,500,000	₱750,000,000

There were no movements in the share capital of the Company in 2020 and 2019. The Company has one class of ordinary shares which carries no right to fixed income.

On December 4, 2020, the BOD and stockholders approved the amendment of the Company's Articles of Incorporation (AOI) to increase its authorized capital stock from ₱750,000,000 divided into 7,500,000 with a par value of P100 per share resulting to an authorized capital stock of ₱3,000,000,000 divided into 30,000,000 common shares with a par value of P100 per share. The Company's amended AOI was approved by SEC on January 8, 2021.

In relation to the said increase, in 2020, 'Deposit for future stock subscription' under 'Other non-current liabilities' amounting to ₱2,137,469,946 were converted to equity proportionate to the percentage of ownership.

19. REVENUES FROM CONTRACT WITH CUSTOMERS

19.1 Revenue Information

The Company has only one product of power generation and has a few and similar customers within the geographical area of Mindanao, Philippines. Revenue is recognized at the point in time when power generated is transferred to the customer and is measured using the preapproved rates based on the respective Power Supply Agreement (PSA).

19.2 Power Supply Agreement

On September 11, 2019, the Company and National Grid Corporation of the Philippines (NGCP) entered an Ancillary Services Procurement Agreement ("ASPA") wherein the Company will supply electricity at a maximum of 16.2 MW power. The contract will run a term of five (5) years upon the receipt of a provisional approval or final approval by the ERC.

On July 01, 2016, the Company entered a PSA with SUKELCO to supply 6MW power at any given time during the duration of the contract. The contract is valid for ten (10) years from the date when the Company commences delivery of contracted capacity.

In Philippine Peso

On October 08, 2015, the Company and SUKELCO entered a PSA for 2.65KW power at any given time during the duration of the contract. The contract is valid for ten (10) years from the date when the Company commences delivery of contracted capacity.

On July 29, 2015, the Company has a PSA with ZAMSURECO for the supply of 2MW power at any given time during the duration of the contract. The contract is valid for ten (10) years from the date when the Company commences delivery of contracted capacity.

On December 03, 2014, the Company and LANECO has an approved PSA for the Company to supply 3MW power at any given time during the duration of the contract. The contract is valid for ten (10) years from the date when the Company commences delivery of contracted capacity.

On June 08, 2013, the Company entered a PSA with FIBECO to supply 6MW power at any given time during the duration of the contract. The contract is valid for ten (10) years from the date when the Company commences delivery of contracted capacity.

On April 10, 2013, the Company entered into a PSA with Surigao del Sur II Electric Cooperative, Inc. (SURSECO II) wherein the Company agreed to supply the power needs of SURSECO II. The Company agrees to supply electricity generated by the power station to FIBECO at a maximum of 5.4 MW power at any given time during the cooperation period. The contract will run a term of ten (10) years from the date when the Company commences delivery of contracted capacity.

On March 25, 2013, the Company and Camiguin Electric Cooperative, Inc. (CAMELCO) entered a PSA wherein the Company will supply electricity at a maximum of 4.0 MW power. The contract will run a term of ten (10) years from the date when the Company commences delivery of contracted capacity.

The Company and Misamis Occidental II Electric Cooperative, Inc. (MOELCI II) and Misamis Occidental I Electric Cooperative, Inc. (MOELCI I) agreed on the PSA issued on July 31, 2012 and August 02, 2012, respectively. The Company will provide a total of 15.6 MW of power to the electric cooperatives. The agreement has term of ten (10) years from the date when the Company commences delivery of contracted capacity.

The Company and FIBECO and MORESCO II agreed on the PSA issued on January 20, 2011 and February 08, 2011, respectively. The Company will provide a total of 12.4 MW of power to the electric cooperatives. The agreement has term of ten (10) years from the date when the Company commences delivery of contracted capacity.

19.3 Fuel Supply and Management Agreement

Pursuant to the Power Supply Agreement, the Company also entered into a FSMA with Resago, Inc. to ensure the continued and timely supply of fuel and lube oil to the power plant in the needed quantities and qualities and to put in place a transparent process in order to ensure at all times the lowest cost thereof. The Company shall own the storage tanks and dispensing pumps that will be installed at the power plant and all the structures, fixtures and equipment used in connection with the supply of fuel and lube oil.

19.4 Power Plant Operating and Maintenance Agreement

The Company has entered into a fixed and variable agreement with Galaxy Power Solutions, Inc. for monthly maintenance of power plant. The fixed contract relates to manpower services while the variable contract refers to additional cost for the plant to operate effectively and efficiently.

19.5 Contract Balances

	Note	2020	2019
Contract Assets		₱–	₱–
Contract Liabilities		₱–	₱–

Contract assets are initially recognized for revenue earned from services as receipt of consideration is conditional on successful completion of service. Upon completion and acceptance by the customer, the amounts recognized as contract assets are reclassified to trade receivables.

Contract liabilities include long-term advances received to deliver power supply and short-term advances received to render services. The outstanding balances of these accounts increased in 2020 and 2019 due to the continuous increase in the Company's customer base.

In Philippine Peso

20. COST OF SERVICES

The details of the account for the years ended December 31 are as follows:

	Note	2020	2019
Depreciation		**₱305,926,716**	₱322,129,816
Operating and maintenance cost		**205,137,820**	207,388,958
Fuel cost		**81,535,701**	68,720,554
Taxes and licenses		**35,305,361**	38,906,119
Light & water		**11,675,232**	12,780,940
Insurance		**11,011,290**	11,331,516
Personnel		**7,984,397**	9,064,238
NGCP domestic leased line		**4,937,142**	7,220,488
Transmission cost		**1,959,276**	4,006,599
Others		**228,685**	218,404
		₱665,701,620	₱681,767,630

21. ADMINISTRATIVE EXPENSES

The details of the account for the years ended December 31 are as follows:

	Note	2020	2019
Depreciation		**₱22,295,122**	₱23,452,749
Personnel		**18,828,707**	20,406,406
Impairment		**14,851,979**	–
Regulatory taxes and licenses		**14,339,673**	2,078,736
Security services		**8,575,899**	8,574,155
Professional fees		**5,721,709**	252,503
Transportation and travel		**4,305,753**	1,654,429
Solicitations		**4,044,276**	3,033,772
Research and development		**3,948,827**	75,000
Repairs and maintenance		**3,914,204**	3,668,641
Representation		**2,037,963**	3,881,913
Trainings and seminars		**1,204,411**	7,716,594
Gas, oil, and lubricants		**916,372**	1,356,116
Office supplies		**749,250**	808,273
Postage and communication		**643,680**	581,969
Rentals		**491,479**	582,523
Insurance		**379,677**	427,044
Light, power, and water		**48,933**	519,599
Loss on disposal		**6,138**	74,087
Publications and advertisements		**–**	396,540
Others		**37,982**	65,981
		₱107,342,033	₱79,607,030

The Company's donations amounting to 3.5 million relates to the COVID assistance provided to the local government units.

22. PERSONNEL COSTS

The details of the account for the years ended December 31 are as follows:

	Note	2020	2019
Cost of service		**₱7,984,397**	₱9,064,238
Administrative expenses		**18,828,707**	20,406,406
		₱26,813,104	₱29,470,644

In Philippine Peso

23. FINANCE COST

The details of the account for the years ended December 31 are as follows:

	Note	2020	2019
Interest on borrowings		**₱141,966,593**	₱145,601,551
Other bank fees and charges		**1,461**	15,132
		₱145,968,054	₱145,616,683

24. OTHER INCOME

The details of the account for the years ended December 31 are as follows:

	Note	2020	2019
Interest income on bank deposits		**₱165,785**	₱162,920
Others		**–**	35,599
		₱198,519	₱198,519

25. INCOME TAX

a. Income Tax Expense
The component of income tax expense for the years ended December 31 are as follows:

	Note	2020	2019
Financial income		**₱96,746,098**	₱114,251,246
Permanent difference		**1,978,014**	(95,715)
Taxable income		**98,724,113**	114,155,531
Current:			
Regular Corporate Income Tax at 30%		**29,617,234**	34,246,659
MCIT at 2%		**6,740,331**	6,785,529
Income tax expense – Current		**29,617,234**	34,246,659
Deferred:			
Origination of temporary difference		**–**	–
Reversal of temporary difference		**–**	–
		₱29,617,234	₱34,246,659
Income taxes already paid		**₱22,892,535**	₱30,669,941
Income tax payable		**₱6,724,699**	₱3,576,718

b. Net Operating Loss Carry-Over

Under Section 34(D)(3) of the NIRC of 1997, the net operating loss of the business or enterprise for any taxable year immediately preceding the current taxable year which had not been previously offset as deduction from gross income shall be carried over as a deduction from gross income for the next three (3) consecutive taxable years immediately following the year of such loss.

c. Minimum Corporate Income Tax

Section 27(E) of the National Internal Revenue Code of 1997 provides that an MCIT of 2% of the gross income as of the end of the taxable year is imposed on a taxable corporation beginning on the fourth taxable year immediately following the year in which such corporation commenced its business operation, when the MCIT is greater than RCIT for the taxable year.

Below is the Comparative Financial Statements for Years 2019 and 2018:

King Energy Generation, Inc.

Brgy. San Luis
Gingoog City
Philippines

FINANCIAL STATEMENTS

For the Year Ended December 31, 2019
(With Comparative Figures for 2018)
(In Philippine Peso)

AND

INDEPENDENT AUDITORS' REPORT

Cuenca Ponferrada Alag (CPA) & Co., CPAs

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Alas Oplas Alliance Firms

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"Efficiently providing you the most reliable source of Energy..."

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STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The management of **King Energy Generation, Inc.** is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the year ended December 31, 2019, 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 financial statements that are as free from material misstatements, whether due to fraud or error.

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

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

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

Cuenca Paurillo Alag (CPA) & Co., CPAs, the independent auditor appointed by the stockholders, has audited the 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.

EDGARDO L. SALVAME
Chief Executive Officer/President
(Signature over printed name)

ROSALIE A. SALVAME
Chief Financial Officer/Treasurer
(Signature over printed name)

EDGARDO L. SALVAME
Chairman of the Board

STATEMENT OF MANAGEMENT'S RESPONSIBILITY
FOR ANNUAL INCOME TAX RETURN

The management of **King Energy Generation, Inc.** is responsible for all information and representations contained in the Annual Income Tax Return for the year then ended December 31, 2019. Management is likewise responsible for all information and representations contained in the financial statements accompanying the (Annual Income Tax Return or Annual Information Return) covering the same reporting period. Furthermore, the Management is responsible for all information and representations contained in all the other tax returns filed for the reporting period, including, but not limited, to the value added tax and/or percentage tax returns, withholding tax returns, documentary stamp tax returns, and any and all other tax returns that may be applicable.

In this regard, the Management affirms that the attached audited financial statements for the year then ended December 31, 2019 and the accompanying Annual Income Tax Return are in accordance with the books and records of **King Energy Generation, Inc.** that are complete and correct in all material respects. Management likewise affirms that:

a) the Annual Income Tax Return has been prepared in accordance with the provisions of the National Internal Revenue Code, as amended, and pertinent tax regulations and other issuances of the Department of Finance and the Bureau of Internal revenue;

b) any disparity of figures in the submitted reports arising from the preparation of financial statements pursuant to financial accounting standards and the preparation of the income tax return pursuant to tax accounting rules has been reported as reconciling items and maintained in the accounting books and records in accordance with the requirements of Revenue Regulations No. 8-2007 and other relevant issuances;

c) the **King Energy Generation, Inc.** has filed all applicable tax returns, reports and statements required to be filed under Philippine tax laws for the reporting period, and all taxes and other impositions shown thereon to be due and payable have been paid for the reporting period, except those contested in good faith.

EDGARDO L. SALVAME
Chief Executive Officer/President
(Signature over printed name)

ROSALIE A. SALVAME
Chief Financial Officer/Treasurer
(Signature over printed name)

EDGARDO L. SALVAME
Chairman of the Board
(Signature over printed name)

BUREAU OF INTERNAL REVENUE
Calapan City
RECEIVED
JUN 23 2020
Date
REVENUE DISTRICT NO.

Cuenca Ponferrada Alag (CPA) & Co., CPAs

Cuenca Ponferrada Alag (CPA) & Co., CPAs
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3/F Southbank Plaza, Velez-Yacapin Street,
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INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
King Energy Generation, Inc.
Brgy. San Luis, Gingoog City
Philippines

Report on the Audit of the Financial Statements

Our Opinion

We have audited the accompanying financial statements of **King Energy Generation, Inc.**, which comprise of statement of financial position as of December 31, 2019, statement of financial performance, statement of changes in equity, statement of cash flows for the year then ended, and notes to the financial statements, including the summary of significant accounting policies and other explanatory notes.

In our opinion, the financial statements referred to present fairly, in all material respects, the financial position of **King Energy Generation, Inc.** as of December 31, 2019 and its financial performance and its cash flows for the year then ended in conformity with the Philippine Financial Reporting Standards.

Basis for Opinion

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

Other Information

Management is responsible for the other information. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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

The management is responsible for the preparation and fair presentation of these financial statements in accordance with Philippine Financial Reporting Standards. This responsibility includes the designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

The management is also responsible in assessing the 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 or to cease operations, or have no realistic alternative but to do so.

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

Cuenca Ponferrada Alag (CPA) & Co., CPAs

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 ability to continue as a going concern. If we conclude that a material uncertainty exists, then we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation and obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group 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.

Report on the Supplementary Information Required Under Revenue Regulations 15-2010

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information on taxes, duties, and license fees in the Note 28 to the 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. The information has been subjected to 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.

Cuenca Ponferrada Alag (CPA) & Co., CPAs
PRC/BOA Reg. No. 0265 issued last 12-Nov-2018 and valid until 15-Feb-2021

By:

EDUARDO C. CUENCA
Partner
CPA Cert. No. 083435 issued last 23-Aug-2018 and valid 10-Oct-2021
BIR AN: 19-005306-001-2018 issued last 07-May-2018 and valid 06-May-2021
TIN 105-024-686
PTR No. 4108531A issued 03-Jan-2020 at Cagayan de Oro City

April 12, 2020
Cagayan de Oro City, Philippines

Cuenca Ponferrada Alag (CPA) & Co., CPAs

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Independent Member of
Alas Oplas Alliance Firms

SUPPLEMENTAL STATEMENT OF INDEPENDENT AUDITORS

The Board of Directors and Shareholders
King Energy Generation, Inc.
Brgy. San Luis, Gingoog City
Philippines

We have audited the financial statements **King Energy Generation, Inc.** for the year then ended December 31, 2019, on which we have rendered the attached report dated April 12, 2020.

In compliance with SRC Rule 68, we are stating that the said company has six (6) stockholders and each stockholder owns at least 100 or more shares as of December 31, 2019.

Cuenca Ponferrada Alag (CPA) & Co., CPAs
PRC/BOA Reg. No. 0265 issued last 12-Nov-2018 and valid until 15-Feb-2021

By:

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April 12, 2020
Cagayan de Oro City, Philippines

KING ENERGY GENERATION, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2019 AND 2018
In Philippine Peso

	Note	2019	2018
ASSETS			
Current Assets			
Cash	9	**126,233,749**	59,823,184
Trade and other receivables	10	**523,178,641**	220,784,124
Prepayments and other current assets	11	**156,560,674**	167,769,460
Total Current Assets		**805,973,064**	448,376,768
Non-current Assets			
Property and equipment	12	**4,348,990,503**	4,101,954,227
Construction in progress	13	**104,951,403**	652,152,060
Total Non-current Assets		**4,453,941,906**	4,754,106,287
TOTAL ASSETS		**5,259,914,970**	5,202,483,055
LIABILITIES AND EQUITY			
Current Liabilities			
Trade payables	14	**720,427,231**	2,637,628,080
Other payables	14	**32,297,081**	26,467,239
Total Current Liabilities		**752,724,312**	2,664,095,319
Non-current Liabilities			
Retirement benefit obligation	15	**3,876,745**	2,548,356
Borrowings	16	**1,522,083,333**	1,772,083,333
Other non-current liabilities	6	**2,137,469,946**	-
Total Non-current Liabilities		**3,663,430,025**	1,774,631,689
TOTAL LIABILITIES		**4,416,154,337**	4,438,727,009
Equity			
Share capital	17	**750,000,000**	750,000,000
Other comprehensive income		-	-
Retained earnings		**93,760,634**	13,756,047
TOTAL EQUITY		**843,760,634**	763,756,047
TOTAL LIABILITIES AND EQUITY		**5,259,914,970**	5,202,483,055

See Notes to Financial Statements.

KING ENERGY GENERATION, INC.
STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
In Philippine Peso

	Note	2019	2018
Revenues from contracts with customers	18	**1,021,044,070**	982,903,319
Rental income		-	-
Revenues		**1,021,044,070**	982,903,319
Cost of sales and services	19	**681,767,630**	717,374,969
Gross profit		**339,276,440**	265,528,350
Administrative expenses	20	**79,607,030**	91,905,014
Operating profit		**259,669,410**	173,623,336
Finance costs	22	**145,616,683**	99,414,647
Other income	23	**198,519**	152,423
Other expenses		-	-
Profit before tax		**114,251,246**	74,361,112
Income tax expense	24	**34,246,659**	22,264,705
PROFIT FOR THE YEAR		**80,004,587**	52,096,407
OTHER COMPREHENSIVE INCOME		-	-
TOTAL COMPREHENSIVE INCOME		**80,004,587**	52,096,407

See Notes to Financial Statements.

KING ENERGY GENERATION, INC.
STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
In Philippine Peso

	Share Capital	Retained Earnings		Total Equity
		Appropriated	Unappropriated	
Balance at January 1, 2018	750,000,000	-	(38,340,361)	711,659,639
Profit for the year	-	-	52,096,407	52,096,407
Other comprehensive income	-	-	-	
Dividends	-	-	-	
Appropriations	-	-	-	
Balance at December 31, 2018	750,000,000	-	13,756,047	763,756,047
Profit for the year	-	-	80,004,587	80,004,587
Other comprehensive income	-	-	-	
Issuance of shares	-	-	-	
Appropriations	-	-	-	
Dividends declared	-	-	-	
Balance at December 31, 2019	**750,000,000**	**-**	**93,760,634**	**843,760,634**

See Notes to Financial Statements.

KING ENERGY GENERATION, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
In Philippine Peso

	Note	2019	2018
OPERATING ACTIVITIES			
Profit before tax		**114,251,246**	74,361,112
Adjustments for non-cash items:			
Depreciation	12	**345,582,565**	281,963,020
Provision for retirement	15	**1,328,389**	1,192,820
Gain (loss) on disposal	12	**29,421**	41,903
Finance cost	22	**145,616,683**	99,414,647
Decrease (increase) in:			
Trade and other receivables	10	**(302,394,516)**	(25,633,001)
Prepayments	11	**11,208,786**	(45,486,211)
Increase (decrease) in:			
Trade and other payables	14	**226,098,938**	(419,011,797)
Cash generated from operations		**541,721,512**	(33,157,506)
Interest paid	22	**(145,616,683)**	(99,414,647)
Taxes paid	24	**(33,584,863)**	(21,830,704)
Net cash from operating activities		**362,519,966**	(154,402,858)
INVESTING ACTIVITIES			
Purchases of property and equipment	12	**(2,948,417)**	(18,730,793)
Proceed from sale of property and equipment	12	**699,576**	11,862,906
Payments for construction in progress	13	**(43,860,560)**	(428,803,659)
Net cash used in investing activities		**(46,109,401)**	(435,671,545)
FINANCING ACTIVITIES			
Proceeds from borrowings	16	**(250,000,000)**	(425,000,000)
Repayment of borrowings	16	**-**	1,000,000,000
Net cash used in financing activities		**(250,000,000)**	575,000,000
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**66,410,566**	(15,074,403)
CASH BEGINNING OF YEAR		**59,823,184**	74,897,587
CASH AT END OF YEAR	9	**126,233,749**	59,823,184

See Notes to Financial Statements

1. CORPORATION INFORMATION

King Energy Generation, Inc. (the Company) was incorporated and registered with the Philippine Securities and Exchange Commission on December 06, 2010 primarily to carry on the business of exploring, developing and utilizing renewable energy, such as but not limited to biomass, biogas, hydro-power, geothermal, wind, solar energy including operating, managing, maintaining and rehabilitating renewable energy systems. Also, the Company has a purpose to build, construct, erect, own, equip, install, operate, maintain, sell and lease power generation plants and related facilities, machineries, equipment for the generation and supply of electric power utilizing any fuel or energy source; to provide ancillary services and to supply services such as billing, collection, customer service, energy trading and electricity sales for the contestable market and/or customers, including but not limited to electric cooperatives and private distribution utilities; and to engage in any and all acts which maybe necessary, or convenient, in the furtherance of such power generation services.

The Company's registered office address, which is also its principal place of business, is located San Luis, Gingoog City. The Company is domiciled in the Philippines.

2. FINANCIAL REPORTING FRAMEWORK

2.1 Statement of Compliance

The financial statements of the Company have been prepared in accordance with the Philippine Financial Reporting Standards (PFRSs).

2.2 Basis of Preparation

The financial statements are prepared on a going concern basis under the historical cost convention, except where PFRSs requires an alternative treatment (such as fair values) as disclosed where appropriate in these financial statements.

2.3 Presentation and Functional Currency

Items included in the financial statements of the Company are measured using Philippine Peso, the currency of the primary economic environment in which the Company operates (the "functional currency"). The Company chose to present its financial statements using its functional currency. All presented financial information has been rounded to the nearest peso, except when otherwise indicated.

2.4 Use of Judgments and Estimates

The preparation of the Company's financial statements requires management to make judgments, estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes.

Judgments are made by management in the development, selection and disclosure of the Company's significant accounting policies and estimates and the application of these policies and estimates. These are reviewed on an ongoing basis. These are based on management's evaluation of relevant facts and circumstances as of the reporting date. Actual results could differ from such estimates.

JUN 2 2020

Changes in accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

2.5 Going Concern Assumption

The Company is not aware of any significant uncertainties that may cast doubts upon the Company's ability to continue as a going concern.

2.6 Current versus Non-current Classification

The Company presents assets and liabilities in the statement of financial position based on current/non-current 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 12 months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

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

The terms of the liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

The Company classifies all other liabilities as non-current.

2.7 Fair value measurement

The Company measures some of its financial instruments at fair value at each financial reporting date.

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 Company.

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

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

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

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

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

The Company's management determines the policies and procedures for recurring fair value measurement, such as unquoted financial assets.

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

3. ADOPTION OF NEW AND REVISED STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS

The Philippine Financial Reporting Standards Council (FRSC) approved the issuance of new and revised Philippine Financial Reporting Standards (PFRSs). The term PFRSs in general includes all applicable PFRSs, Philippine Accounting Standards (PAS), and Interpretations issued by the Philippine Interpretations Committee (PIC), Standing Interpretations Committee (SIC) and International Financial Reporting Interpretations Committee (IFRIC) which have been approved by the FRSC and adopted by SEC.

These new and revised PFRSs prescribe new accounting recognition, measurement and disclosure requirements applicable to the Company. When applicable, the adoption of the new standards was made in accordance with their transitional provisions, otherwise the adoption is accounted for as change in accounting policy under PAS 8: "Accounting Policies, Changes in Accounting Estimates and Errors".

3.1 New Accounting Standards Effective on January 1, 2019

The accounting policies adopted are consistent with those of the previous financial year except for the adoption of the following standards, amendments to previously issued PFRSs, PAS and Philippine Interpretations based on International Financial Reporting Interpretations Committee (IFRIC), which were effective on January 1, 2019.

Adoption of these new standard and amendments to PFRS, PAS and Philippine Interpretations did not have any significant impact on the Company's financial position or performance unless otherwise indicated.

a. PFRS 16: "Leases"

PFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on balance sheet model similar to the accounting for finance leases under PAS 17, Leases. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets and short-term leases or leases with a lease term of 12 months or less. At the commencement date of a lease, a lessee will recognize a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees is also required to re-measure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognize the amount of the re-measurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under PFRS 16 is substantially unchanged from PAS 17: "Leases". Lessors will continue to classify all leases as either operating or finance leases using similar principles as in PAS 17. Therefore, PFRS 16 did not have an impact for leases where the Company is a lessor.

The Company adopted PFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognized at the date of initial application. The Company elected to use the transition practical expedient to not reassess whether a contract is, or contains a lease at 1 January 2019. Instead, the Company applied the standard only to contracts that were previously identified as leases applying PAS 17 and IFRIC 4 at the date of initial application. Since the Company holds lease contracts that are 'low-value' assets and short-term leases or leases with a lease term of 12 months or less, there are no reclassifications made by the Company.

For leases previously classified as finance leases, the Company did not change the initial carrying amounts of recognized assets and liabilities at the date of initial application for leases previously classified as finance leases (i.e., the right-of-use assets and lease liabilities equal the lease assets and liabilities recognized under PAS 17). The requirements of PFRS 16 were applied to these leases from 1 January 2019.

operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets for most leases were recognized based on the carrying amount as if the standard had always been applied, apart from the use of incremental borrowing rate at the date of initial application. In some leases, the right-of-use assets were recognized based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognized. Lease liabilities were recognized based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

The Company also applied the available practical expedients wherein it:

- used a single discount rate to a portfolio of leases with reasonably similar characteristics
- Relied on its assessment of whether leases are onerous immediately before the date of initial application
- Applied the short-term leases exemptions to leases with lease term that ends within 12 months of the date of initial application
- Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application
- Used hindsight in determining the lease term where the contract contained options to extend or terminate the lease

b. Philippine Interpretation IFRIC-23, Uncertainty over Income Tax Treatments

The interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of PAS 12, Income Taxes, and does not apply to taxes or levies outside the scope of PAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

An entity must determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed.

This interpretation is not relevant to the Company because there is no uncertainty involved in the tax treatments made by management in connection with the calculation of current and deferred taxes as of December 31, 2019 and 2018.

c. Amendments to PFRS 9, Prepayment Features with Negative Compensation

Under PFRS 9, a debt instrument can be measured at amortized cost or at fair value through other comprehensive income, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to PFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract.

These amendments had no impact on the financial statements of the Company.

d. Amendments to PAS 28, Long-term Interests in Associates and Joint Ventures

The amendments clarify that an entity applies PFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in PFRS 9 applies to such long-term interests.

The amendments also clarified that, in applying PFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognized as adjustments to the net investment in the associate or joint venture that arise from applying PAS 28, Investments in Associates and Joint Ventures.

The amendments should be applied retrospectively and are effective from January 1, 2019. Since the Company does not have associate and joint venture, the amendments will not have an impact on its financial statements.

These amendments had no impact on the financial statements as the Company does not have long-term interests in its associates.

e. Amendments to PAS 19: Plan Amendment, Curtailment or Settlement

The amendments to PAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to determine the current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to re-measure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event. An entity is also required to determine the net interest for the remainder of the period after the plan amendment, curtailment or settlement using the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event, and the discount rate used to re-measure that net defined benefit liability (asset).

The amendments had no impact on the financial statements of the Company as it did not have any plan amendments, curtailments, or settlements during the period.

f. Annual Improvements 2015-2017 Cycle

i. PFRS 3: "Business Combination"

The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including re-measuring previously held interests in the assets and liabilities of the joint operation at fair value. In doing so, the acquirer re-measures its entire previously held interest in the joint operation.

These amendments had no impact on the financial statements of the Company as there is no transaction where joint control is obtained.

ii. PFRS 11: "Joint Arrangements"

An entity that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in IFRS 3. The amendments clarify that the previously held interests in that joint operation are not re-measured.

These amendments had no impact on the financial statements of the Company as there is no transaction where a joint control is obtained.

iii. PAS 12: "Income Taxes"

The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognizes the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where it originally recognized those past transactions or events.

When the entity first applies those amendments, it applies them to the income tax consequences of dividends recognized on or after the beginning of the earliest comparative period.

Since the Company's current practice is in line with these amendments, they had no impact on the financial statements of the Company.

iv. PAS 23: "Borrowing Costs"

The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete. The entity applies the amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments.

Since the Company's current practice is in line with these amendments, they had no impact on the financial statements of the Company.

3.2 New Accounting Standards and Interpretations Issued But Not Yet Effective

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

3.2.1 Effective Beginning on or after January 1, 2020

a. Amendments to PFRS 3, Definition of a Business

The amendments to PFRS 3 clarify the minimum requirements to be a business, remove the assessment of a market participant's ability to replace missing elements, and narrow the definition of outputs. The amendments also add guidance to assess whether an acquired process is substantive and add illustrative examples. An optional fair value concentration test is introduced which permits a simplified assessment of whether an acquired set of activities and assets is not a business.

These amendments will apply on future business combinations of the Company.

b. Amendments to PAS 1, Presentation of Financial Statements, and PAS 8, Accounting Policies, Changes in Accounting Estimates and Errors, Definition of Material

The amendments refine the definition of material in PAS 1 and align the definitions used across PFRSs and other pronouncements. They are intended to improve the understanding of the existing requirements rather than to significantly impact an entity's materiality judgments.

3.2.2 Effective Beginning on or after January 1, 2021

a. 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

The Company does not expect any effect on its financial statements upon adoption.

3.2.3 Deferred Effective Date

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

The Company does not expect any effect on its financial statements upon adoption.

4. SIGNIFICANT ACCOUNTING POLICIES

Principal accounting and financial reporting policies applied by the Company in the preparation of its financial statements are enumerated below and are consistently applied to all the years presented, unless otherwise stated.

4.1 Financial Instruments

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

4.1.1 Financial Assets

a. Initial Recognition and Measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, fair value through other comprehensive income, and fair value through profit or loss.

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. With the exception of trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient are measured at the transaction price determined under PFRS 15.

In order for a financial asset to be classified and measured at amortized cost or fair value through OCI, 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. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

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. Financial assets classified and measured at amortized cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows while financial assets classified and measured at fair value through OCI are held within a business model with the objective of both holding to collect contractual cash flows and selling.

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

b. Subsequent Measurement

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

- Financial assets at amortized cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

i. Financial assets at amortized cost (debt instruments)

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

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

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

The Company's financial assets at amortized cost include cash in bank, cash equivalents, trade and other receivables, advances to related parties and refundable deposits.

- Cash and cash equivalents

In the statements of cash flows, cash includes cash on hand and cash in banks.

Cash on hand includes petty cash fund and other cash items not yet deposited with the banks. Cash in banks include demand deposits which are unrestricted as to withdrawal. Cash equivalents are short-term highly liquid deposits with a maturity of three months or less, that are readily convertible to a known amount of cash and subject to an insignificant risk of changes in value

Cash is valued at face value. Cash in foreign currency is valued at the current exchange rate. If a bank holding the funds of the Company is in bankruptcy or financial difficulty, cash is written-down to estimated realizable value if the amount recoverable is estimated to be lower than the face amount.

- Trade and other receivables

Trade and other receivables are amounts due from customers for services performed in the ordinary course of business.

Trade and other receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest rate (EIR) method, less provision for impairment.

- Refundable deposits

Refundable deposits represent rental deposits made by the Company for the lease of its office space and parking space. This is refundable at the end of the lease term. Deposits are recorded as assets and measured at amortized cost, less provision for impairment.

ii. Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)

The Company measures debt instruments at fair value through OCI if both of the following conditions are met:

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

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognized in the statement of profit or loss and computed in the same manner as for financial assets measured at amortized cost. The remaining fair value changes are recognized in OCI. Upon derecognition, the cumulative fair value change recognized in OCI is recycled to profit or loss.

As of December 31, 2019 and 2018, the Company has no debt instruments at fair value through OCI.

iii. Financial assets designated at fair value through OCI (equity instruments)

Upon initial recognition, the Company can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI 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 the statements of profit or loss 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 instruments designated at fair value through OCI are not subject to impairment assessment.

As of December 31, 2019 and 2018, the Company has no debt instruments at fair value through OCI.

iv. Financial assets at fair value through profit or loss.

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortized cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statements of financial position at fair value with net changes in fair value recognized in the statements of profit or loss.

This category includes derivative instruments and listed equity investments which the Company had not irrevocably elected to classify at fair value through OCI. Dividends on listed equity investments are also recognized as other income in the statement of profit or loss when the right of payment has been established.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if: the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognized in profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.

c. Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a company of similar financial assets) is primarily derecognized (i.e., removed from the Company's statements of financial position) when:

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

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Company also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

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

d. Impairment

The Company recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. 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. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

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

For trade receivables and contract assets, 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 the debtors and the economic environment.

For debt instruments at fair value through OCI, the Company applies the low credit risk simplification. At every reporting date, the Company evaluates whether the debt instrument is considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Company reassesses the internal credit rating of the debt instrument. In addition, the Company considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

The Company considers a financial asset in default when contractual payments are 30 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 amounts 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.

4.1.2 Financial Liabilities

a. 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 recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Company's financial liabilities include trade and other payables, advances from shareholders and deposit for future stock subscriptions.

b. Subsequent Measurement

The measurement of financial liabilities depends on their classification, as described below:

i. Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships as defined by PFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognized in the statements of profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in PFRS 9 are satisfied. The Company has not designated any financial liability as at fair value through profit or loss.

ii. Financial liabilities at amortized cost (loans and borrowings)

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR 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 finance costs in the statements of profit or loss.

This category generally applies to trade and other payables, advances from related parties and borrowings.

c. Derecognition

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. 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 the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the statements of profit or loss.

4.1.3 Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statements of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously.

4.2 Inventories

Inventories are stated at the lower of cost and net realizable value.

The Company include in the cost of inventories all cost of purchase, cost of conversion and other costs incurred in bringing the inventories to their present location and condition. The costs of purchase of inventories comprise the purchase price, import duties and other taxes (other than those subsequently recoverable by the entity from the taxing authorities), and transport, handling and other costs directly attributable to the acquisition of finished goods, materials and services. Trade discounts, rebates and other similar items are deducted in determining the costs of purchase.

In some cases, the Company purchases inventories on deferred settlement terms and the arrangement may contain an unstated financing element, for example, there is a difference between the purchase price for normal credit terms and the deferred settlement amount. In these cases, the difference is recognized as interest expense over the period of the financing and is not added to the cost of the inventories.

The costs of conversion of inventories include costs directly related to the units of production, such as direct labor. They also include a systematic allocation of fixed and variable production overheads that are incurred in converting materials into finished goods. Fixed production overheads are those indirect costs of production that remain relatively constant regardless of the volume of production, such as depreciation and maintenance of factory buildings and equipment, and the cost of factory management and administration. Variable production overheads are those indirect costs of production that vary directly, or nearly directly, with the volume of production, such as indirect materials and indirect labor.

Cost is determined using first-in-first-out (FIFO) method.

When inventories are sold, the carrying amount of those inventories is recognized as an expense in the period in which the related revenue is recognized.

The Company assesses at each reporting date whether any inventories are impaired. The Company makes the assessment by comparing the carrying amount of each item of inventory (or group of similar items) with its net realizable value. If an item of inventory (or group of similar items) is impaired, the Company reduces the carrying amount of the inventory (or the group) to its net realizable value. That reduction is an impairment loss and it is recognized immediately in profit or loss.

If the Company, after making every reasonable effort to do so, is unable to determine the net realizable for inventories item by item, the Company groups items of inventory relating to the same product line that have similar purposes or end uses and are produced and marketed in the same geographical area for the purpose of assessing impairment.

The Company makes a new assessment of net realizable value at each subsequent reporting date. When the circumstances that previously caused inventories to be impaired no longer exist, or when there is clear evidence of an increase in market value because of changed economic circumstances, the Company reverses the amount of the impairment (i.e., the reversal is limited to the amount of the original impairment loss) so that the new carrying amount is the lower of the cost and the revised selling price less costs to complete and sell.

4.3 Prepayments and Other Current Assets

Prepayments represent expenses not yet incurred but already paid in cash. Prepayments are initially recorded as assets and measured at the amount of cash paid. Subsequently, these are expensed to profit or loss as they are consumed in the operations or expire with the passage of time.

Prepayments are classified in the statements of financial position as current asset when they are expected to be expensed within one year or the entity's normal operating cycle, whichever is longer. Otherwise, these are classified as non-current.

4.4 Property and Equipment

The Company measures an item of property and equipment at initial recognition at its cost. The cost of an item of property, plant and equipment comprises its purchase price, including legal and brokerage fees, import duties and non-refundable purchase taxes, after deducting trade discounts and rebates and any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. These can include the costs of site preparation, initial delivery and handling, installation and assembly, testing of functionality and borrowing costs for long-term construction projects if the recognition criteria are met. Cost also includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an entity incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

If payment is deferred beyond normal credit terms, the cost is the present value of all future payments.

Items such as spare parts, stand-by equipment and servicing equipment are property and equipment if the Company expects to use them during more than one period or if they can be used only in connection with an item of property and equipment. Otherwise, such items are classified as inventories.

The Company adds to the carrying amount of an item of property and equipment the cost of replacing parts of such an item when that cost is incurred if the replacement part is expected to provide incremental future benefits to the Company. The carrying amount of the replaced part is derecognized.

The Company recognizes the costs of day-to-day servicing (repairs and maintenance) of an item of property and equipment in profit or loss in the period in which the costs are incurred.

At reporting date, the Company measures an item of property and equipment after initial recognition at cost less any accumulated depreciation and accumulated impairment loss.

If a reliable measure of fair value is no longer available without undue cost or effort for an item of investment property measured using the fair value model, the Company thereafter accounts for that item in accordance with the cost model under property and equipment until a reliable measure of fair value becomes available.

Land is not depreciated. Depreciation on other class of property and equipment is provided on a straight-line method to allocate the cost of assets less their residual values over their estimated useful lives. The estimated useful lives are as follows:

Power plant	-	20 Years
Service vehicles	-	5 Years
Office furniture and equipment	-	3-5 Years

Leasehold improvements are depreciated over the shorter between the improvements' useful life of 15 years or the lease term.

If the major components of an item of property and equipment have significantly different patterns of consumption of economic benefits, the Company allocates the initial cost of the asset to its major components and depreciates each such component separately over its useful life. Other assets are depreciated over their useful lives as a single asset.

The assets' useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, and if there is an indication of a significant change since the last reporting date.

Fully-depreciated assets still in use are retained in financial statements.

An item of property and equipment is derecognized on disposal or when no future economic benefits are expected from its use or disposal. When assets are retired or otherwise disposed of, the cost and the related accumulated depreciation and any impairment in value are removed from the financial statements. Gains and losses on disposals are determined by comparing the net disposal proceeds with the carrying amount and are recognized in profit or loss.

An asset's carrying amount is written down immediately to its recoverable amount if its carrying amount is greater than its estimated recoverable amount.

4.5 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.

4.5.1 Right-of-Use Assets

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, and lease payments made at or before the commencement date less any lease incentives received. 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 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 following the accounting policy on Impairment of Non-financial Assets.

4.5.2 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.

4.5.3 Short-term Leases and Leases of Low-value Assets

The Company applies the short-term lease recognition exemption to its short-term leases of office and staff house spaces. It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. 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.

The Company as a Lessor

Leases in which the Company does not transfer substantially all the risks and rewards incidental to 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.

4.6 Investment Properties

Investment property is a property (land or a building, or part of a building, or both) held by the Company or by the Company as a lessee under a finance lease to earn rentals or for capital appreciation or both, rather than for use in the production or supply of goods or services or for administrative purposes, or sale in the ordinary course of business.

Transfers are made to (or from) investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the Company accounts for such property in accordance with the policy stated under property and equipment up to the date of change in use.

The Company measures its investment property at its cost at initial recognition. The cost of investment property comprises its purchase price and any directly attributable expenditure such as legal and brokerage fees, property transfer taxes and other transaction costs. If payment is deferred beyond normal credit terms, the cost is the present value of all future payments.

At each reporting date, the Company accounts its investment property at cost less accumulated depreciation and any impairment in value.

Land classified as investment property is not depreciated. Depreciation on building classified as investment property measured is provided on a straight-line method to allocate the cost of assets less their residual values over their estimated useful lives.

The useful lives and depreciation methods of investment properties are reviewed, and adjusted prospectively if appropriate, and if there is an indication of a significant change since the last reporting date. Fully-depreciated investment properties still in use are retained in financial statements.

The carrying amount of investment property at cost model is written down immediately to its recoverable amount if its carrying amount is greater than its estimated recoverable amount. An impairment loss is recognized for the amount by which the property's carrying amount exceeds its recoverable amount, which is the higher between the property's fair value less cost to sell and value in use.

When investment properties are retired or otherwise disposed of, the cost and the related accumulated depreciation and any impairment in value are removed from the financial statements. Gains and losses on disposals are determined by comparing the net disposal proceeds with the carrying amount and are recognized in profit or loss.

4.7 Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses.

Internally generated intangibles, excluding capitalized development costs, are not capitalized and the related expenditure is reflected in profit or loss in the period in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the statement of profit or loss in the expense category that is consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

An intangible asset is derecognized upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising upon derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss.

4.7.1 Research and Development Costs

Research costs are expensed as incurred. Development expenditures on an individual project are recognized as an intangible asset when the Company can demonstrate:

- The technical feasibility of completing the intangible asset so that the asset will be available for use or sale
- Its intention to complete and its ability and intention to use or sell the asset
- How the asset will generate future economic benefits
- The availability of resources to complete the asset
- The ability to measure reliably the expenditure during development

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is complete and the asset is available for use. It is amortized over the period of expected future benefit. Amortization is recorded in cost of sales. During the period of development, the asset is tested for impairment annually.

4.8 Investment in Associates

Associates are entities over which the Company has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence, generally accompanying a shareholding of 20% or more of the voting power of the associate, is the power to participate in the financial and operating policy decisions of the associate but is not control or joint control over those policies.

The cost of the investment is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value.

Any excess of the cost of acquisition over the Company's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognized at the date of acquisition is recognized as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of that investment. Any excess of the Company's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognized immediately in profit or loss.

The Company accounts for all of its investments in associates using equity method. Under the equity method of accounting, investment in associates is initially recognized at the transaction price (including transaction costs) and is subsequently adjusted to reflect the Company's share of the profit or loss of the associate. Distributions received from the associate reduce the carrying amount of the investment. Unrealized profits and losses resulting from upstream (associate to the Company) and downstream (the Company to associate) transactions to the extent of the Company's interest in the associate are eliminated.

If the Company's share of losses of an associate equals or exceeds the carrying amount of its investment in the associate, the Company discontinues recognizing its share of further losses. If the associate subsequently reports profits, the Company resumes recognizing its share of those profits only after its share of the profits equals the share of losses not recognized.

The requirements of PAS 36 are applied to determine whether it is necessary to recognize any impairment loss with respect to the Company's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with PAS 36: "Impairment of Assets" as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognized forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized in accordance with PAS 36 to the extent that the recoverable amount of the investment subsequently increases.

The Company ceases using the equity method from the date that significant influence ceases. Upon loss of significant influence over the associate, the Company 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 profit or loss.

When the investment is classified as held for sale, it is accounted for in accordance with PFRS 5: "Non-current Assets Held for Sale and Discontinued Operations".

4.9 Impairment of Non-financial Assets other than Inventories

At each reporting date, the Company assesses whether there is any indication that any of its non-financial assets may have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. 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 for which the estimates of future cash flows have not been adjusted. Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties less the costs of disposal.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognized as an expense.

Non-financial assets that suffered impairment are reviewed for possible reversal of the impairment at each reporting date. When an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized as income.

4.10 Provisions and Contingencies

4.10.1 Provisions

Provisions are recognized when the Company has a present obligation, whether legal or constructive, as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. When the Company expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of profit or loss 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, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

The Company charges against a provision only those expenditures for which the provision was originally recognized. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

4.10.2 Contingent Liabilities and Assets

Contingent liabilities and assets are not recognized because their 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 Company.

Contingent liabilities are disclosed, unless the possibility of an outflow of resources embodying economic benefits is remote.

Contingent assets are disclosed only when an inflow of economic benefits is probable.

4.11 Equity

Equity is the residual interest in the assets of the Company after deducting all its liabilities. A liability is a present obligation of the Company arising from past events, the settlement of which is expected to result in an outflow from the entity of cash or other resources. Equity includes investments by the owners of the Company, plus additions to those investments earned through profitable operations and retained for use in the entity's operations, minus reductions to owners' investments as a result of unprofitable operations and distributions to owners.

4.11.1 Share Capital

The Company recognizes the issue of ordinary shares as equity when it issues those instruments and when another party is obliged to provide cash or other resources to the Company in exchange for the instruments:

a. if the equity instruments are issued before the Company receives the cash or other resources, the Company presents the amount receivable as an offset to equity in its statement of financial position, not as an asset.

b. if the Company receives the cash or other resources before the equity instruments are issued, and the Company cannot be required to repay the cash or other resources received, the Company recognizes the corresponding increase in equity to the extent of consideration received.

c. to the extent that the equity instruments have been subscribed for but not issued, and the Company has not yet received the cash or other resources, the Company does not recognize an increase in equity.

The Company measures the equity instruments at the amount of cash received. If payment is deferred and the time value of money is material, the initial measurement shall be on a present value basis. If the equity instruments are exchanged for resources other than cash, the equity instruments shall be recognized at the fair value of those resources. The Company accounts for the transaction costs (i.e., incremental costs that are directly attributable to the issue) of an equity transaction as a deduction from equity, net of any related income tax benefit.

4.11.2 Retained Earnings

Retained earnings is the sum of all profits generated by a Company since its inception that are not distributed to stockholders as dividends but are either reinvested in the business or kept as a reserve for specific objectives. Retained earnings are reduced by losses. Retained earnings are classified into unappropriated and appropriated.

Unappropriated retained earnings are accumulated earnings of the Company available for dividend distribution. On the other hand, appropriated retained earnings are retained earnings that have been set aside by action of the board of directors for a specific use. An appropriation of retained earnings may be for purposes such as future plant acquisitions or expansion, reserve against expected losses, restriction imposed by a loan covenant and treasury shares.

4.11.3 Dividends

Dividend is a distribution of Company's earnings to the stockholders recognized upon declaration and approval by the stockholders. Amount to be distributed to the stockholders is net of the applicable withholding taxes.

The Company reduces equity for the amount of distributions to its owners (holders of its equity instruments), net of any related income tax benefits.

When it declares distribution of assets other than cash as dividends to its owners, the Company recognizes a liability which is measured at the fair value of the assets to be distributed. At the end of each reporting period and at the date of settlement, the Company reviews and adjusts the carrying amount of the dividend payable to reflect changes in the fair value of the assets to be distributed, with any changes recognized in equity as adjustments to the amount of the distribution. When the Company settles the dividend payable, it shall recognize in profit or loss any difference between the carrying amount of the assets distributed and the carrying amount of the dividend payable.

4.12 Revenue from Contracts with Customers

The Company is in the business of power generation. 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 Company expects to be entitled in exchange for those goods or services. The Company has generally concluded that it is the principal in its revenue arrangements.

Timing of revenue recognition may change depending on when the performance obligation is satisfied, either at a point in time or over time. The Company recognizes revenue from goods or services at a point in time when the goods or services are transferred to the customers and fulfills the performance obligations. In order to determine whether the control over the goods or services is transferred over time, the Company determines whether the customer simultaneously obtains and consumes the benefits provided by the Company's performance and whether the assets controlled by the customer and whether the assets created by the Company have no substitute purpose, and whether the Company has the right to make executable claims for the portion that has been completed so far.

The Company allocates the transaction prices based on the stand-alone selling prices to the various performance obligations identified in a single contract. The Company estimates the amounts of consideration depending on which method the entity expects to better predict the amount of consideration to which it will be entitled - the expected value or the most likely amount. Variable consideration is included in the transaction price only to the extent that it is highly probable that a significant reversal in the cumulative amount of revenue recognized will not occur in the future periods.

If the period between the transfer of the goods or services promised to the customer and the payment of the customer is within one year, a practical simple method that does not adjust the promised price for a significant financing component is used.

4.12.1 Sale of Goods

Revenues from sale of goods are recognized at the point in time when control of the asset is transferred to the customer, generally on delivery of the equipment at the customer's location. The normal credit term is 30 to 90 days upon delivery.

4.12.2 Rendering of Services

Rendering of services is considered a separate performance obligation aside from the sale of goods. Revenues from rendering services are recognized as revenue at a point in time when the services are transferred to the customers and the performance obligations are fulfilled.

4.12.3 Interest Income from Cash in Bank

Interest income is recognized on a time proportion basis using the applicable bank deposit rates. Interest income is subject to final withholding tax and is presented net of tax. The Company does not consider this to be 'revenue' as the earning of interest is not part of the Company's ordinary activities but rather an incidental benefit.

The Company considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated (e.g., warranties, customer loyalty points). In determining the transaction price for the sale of power generation, the Company considers the effects of variable consideration, existence of a significant financing component, noncash consideration, and consideration payable to the customer (if any).

4.12.4 Variable consideration

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

4.12.5 Contract Balances

a. Contract Asset

A contract asset is initially recognized for revenue earned from installation services because the receipt of consideration is conditional on successful completion of the installation. Upon completion of the installation and acceptance by the customer, the amount recognized as contract assets is reclassified to trade receivables.

Contract assets are subject to impairment assessment.

b. Trade receivable

A receivable is recognized if an amount of consideration that is unconditional is due from the customer (i.e., only the passage of time is required before payment of the consideration is due).

c. Contract liabilities

A contract liability is recognized if a payment is received or a payment is due (whichever is earlier) from a customer before the Company transfers the related goods or services. Contract liabilities are recognized as revenue when the Company performs under the contract (i.e., transfers control of the related goods or services to the customer).

4.12.5 Assets and liabilities arising from rights of return

a. Right of return assets

A right-of-return asset is recognized for the right to recover the goods expected to be returned by customers. The asset is measured at the former carrying amount of the inventory, less any expected costs to recover the goods and any potential decreases in value. The Company updates the measurement of the asset for any revisions to the expected level of returns and any additional decreases in the value of the returned products.

b. Refund liabilities

A refund liability is recognized for the obligation to refund some or all of the consideration received (or receivable) from a customer. The Company's refund liabilities arise from customers' right of return and volume rebates. The liability is measured at the amount the Company ultimately expects it will have to return to the customer. The Company updates its estimates of refund liabilities (and the corresponding change in the transaction price) at the end of each reporting period.

4.13 Cost and Expense Recognition

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

- On the basis of a direct association between costs incurred and the earning of specific items of income;
- On the basis of a systematic and rational allocation procedures when economic benefits are expected to arise over several accounting periods and association with income can only be broadly or indirectly determined; or
- Immediately when an expenditure produces no future economic benefits or when, and to the extent that, future economic benefits do not qualify, or cease to qualify, for recognition in the statement of financial position as an asset;
- Expense encompasses losses as well as those expenses that arise in the course of the ordinary activities of the Company.

4.14 Employee Benefits

4.14.1 Short-term Benefits

The Company recognizes a liability net of amounts already paid and an expense for services rendered by employees during the accounting period. Short-term benefits are measured at the undiscounted amount expected to be paid in exchange for services rendered. Short-term benefits given by the Company to its employees include salaries and wages, social security contributions, short-term compensated absences, profit sharing and bonuses, and non-monetary benefits.

For employee leave entitlement, the expected cost of short-term employee benefits in the form of compensated absences is recognized in the case of accumulating compensated absences, when the employees render service that increases their entitlement to future compensated absences; and in the case of non-accumulating compensated absences, when the absences occur. A liability for bonuses is recognized when the entity is contractually obliged or when there is constructive obligation based on past practice.

4.14.2 Retirement Benefits

The Company does not have an established retirement plan and only conforms to the minimum regulatory benefit as required by the provisions of Republic Act (R.A.) No. 7641, otherwise known as the Philippine Retirement Pay Law. Under R.A. 7641, in the absence of a retirement plan or agreement providing for retirement benefits of employees in the private sector upon reaching the age of sixty (60) years or more, but not beyond sixty-five (65) years, an employee who has served at least five years in a private company, may retire and shall be entitled to a retirement pay. The Company provides for a retirement benefit equal to 22.5 days for every year of credited services which is accounted for as a defined benefit plan.

Retirement benefit obligation recognized in the statements of financial position is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of government bonds and that have terms to maturity approximating to the terms of the related retirement benefit obligation.

The Company recognizes immediately the following changes in the retirement benefit obligation in the statements of comprehensive income:

- Service costs comprising current service costs, gains and losses on curtailment and non-routine settlements; and
- Net interest expense or income, which is calculated by applying the discount rate to the net defined benefit liability or asset.

Remeasurements, comprising actuarial gains or losses, the effect of the asset ceiling, excluding net interest and the return on plan assets, excluding net interest, are recognized immediately in the statements of financial position with a corresponding debit or credit to equity through "other comprehensive income" in the period in which they occur. Remeasurements are not reclassified to profit or loss in subsequent periods.

4.14.3 Termination Benefits

Termination benefits are payable when employment is terminated by the Company before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Company recognizes termination benefits at the earlier of the following dates: (a) when the Company can no longer withdraw the offer of those benefits; and (b) when the Company recognizes costs for a restructuring that is within the scope of PAS 37: "Provisions, Contingent Liabilities and Contingent Assets" and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

4.15 Borrowing Costs

Borrowing costs are interest and other costs that the Company incurs in connection with the borrowing of funds. Borrowing costs include interest expense calculated using the effective interest method.

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur.

4.16 Foreign Currency Transactions and Translation

Transactions in currencies other than the Philippine peso are recorded at the rate of exchange prevailing on the dates of the transactions. At each reporting date, outstanding monetary assets and liabilities denominated in foreign currencies are restated at the closing exchange rates at the reporting date. Gains or losses arising on retranslation are included in profit or loss. Outstanding non-monetary items carried at historical cost in foreign currencies are retranslated using the exchange rates prevailing on the dates of transactions. Outstanding non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date the fair value was determined.

4.17 Related Parties and Related Party Transactions

4.17.1 Related Party Relationship

Related party relationship exists when one party has the ability to control, directly or indirectly through one or more intermediaries, the other party or exercise significant influence over the other party in making financial and operating decisions. Such relationship also exists between and/or among entities which are under common control with the reporting entity, or between and/or among the reporting entity and its key management personnel, directors and shareholders. In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

4.17.2 Related Party Transactions

A related party transaction is a transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged. Transactions between related parties are accounted for at arm's length prices on terms similarly offered to non-related entities in an economically comparable market.

4.18 Income Taxes

Current tax is determined in accordance with is the amount reported on the Company's income tax return for the period in conformity with tax laws or regulations. Deferred tax is income tax payable (recoverable) in respect of the taxable profit (tax loss) for future reporting periods as a result of past transactions or events. The past transactions or events are those that have not yet been included in the Company's income tax return although they have been included when measuring profit or loss in conformity with PFRSs or have been included in the Company's income tax return although they have been not yet been included when measuring profit or loss in conformity with PFRSs.

The Company recognizes a deferred tax asset or liability for tax recoverable or payable in future periods as a result of past transactions or events. Such tax arises from the difference between the amounts recognized for the Company's assets and liabilities in the statement of financial position and the recognition of those assets and liabilities by the tax authorities, and the carry-forward of currently unused tax losses and tax credits. In most cases, those differences between the amounts in the statement of financial position and the amounts recognized by the tax authorities are accompanied by corresponding differences between profit or loss as measured by PFRSs and taxable profit or loss. If the Company expects to recover the carrying amount of an asset or settle the carrying amount of a liability without affecting taxable profit, no deferred tax arises in respect of the asset or liability.

The Company measures its deferred tax liabilities (assets) using the tax rates and laws that have been enacted or substantively enacted by the reporting date. When different tax rates apply to different levels of taxable profit, the Company measures deferred tax expense (income) and related deferred tax liabilities (assets) using the average enacted or substantively enacted rates that it expects to be applicable to the taxable profit (tax loss) of the periods in which it expects the deferred tax asset to be realized or the deferred tax liability to be settled.

The Company does not discount deferred tax assets and liabilities.

The carrying amount of a deferred tax asset shall be reviewed at the end of each reporting period. An entity shall reduce the carrying amount of a deferred tax asset to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that recognized deferred tax asset to be utilized. Any such reduction shall be reversed to the extent that it becomes probable that sufficient taxable profit will be available.

Carry-forward benefit of unused tax losses (net operating loss carryover or NOLCO) and unused tax credits (excess minimum corporate income tax or MCIT) arising in the current period which can be applied against the entity's future taxable income and future tax liability, respectively, should be recognized as an asset to the extent that it is probable that sufficient taxable profit will allow the unused tax losses or unused tax credits be utilized.

4.19 Value-added Tax

Revenues, expenses and assets are recognized, net of the amount of value-added tax (VAT) except:

- where VAT incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the VAT is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables that are stated with the amount of VAT included.

4.20 Events after the End of the Reporting Period

The Company identifies events after the end of the reporting date but before the date when the financial statements were authorized for issue. Any events that provide additional information about the Company's position at the reporting date, adjusting events, are reflected in the financial statements, while events that do not require adjustments, non-adjusting events, are disclosed in the notes to financial statements when material.

5. INFORMATION ABOUT KEY SOURCES OF ESTIMATION UNCERTAINTY AND JUDGMENTS

The preparation of the financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts in the financial statements and related disclosures. The estimates and assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from such estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis to ensure they incorporate all relevant information available at the reporting date. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

5.1 Critical Judgments in Applying Accounting Policies

The following are the critical judgments, apart from those involving estimations, that Management has made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognized in financial statements:

5.1.1 Determination of Functional Currency

Based on the economic substance of the underlying circumstances relevant to the Company, the functional currency has been determined to be the Philippine peso, which is the currency of the primary economic environment in which the Company operates.

5.1.2 Determining the Lease Term of Contracts with Renewal and Terminal Options – The Company as a Lessee

The Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Company has several lease contracts that include extension and termination options. The Company applies judgment in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Company reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customization to the leased asset).

5.1.3 Classification of Leases – The Company as a Lessor

The Company classifies leases as finance or operating lease in accordance with the substance of the contractual agreement and the transfer of the risks and rewards incidental to the ownership of the leased item. Leases where management has determined that the risks and rewards related to the leased items are transferred to the lessees are classified as finance lease. Otherwise, these are accounted for as operating lease.

5.1.4 Classification of Costs and Expenses

The Company determines the classification of costs and expenses as either direct costs or operating expenses. Classification of costs and expenses to direct costs are determined on the basis of direct association with the revenues of the Company. All other costs and expenses are classified as operating expenses and allocated to either distribution costs or administrative expenses.

5.1.5 Distinction between Provisions and Contingencies

Judgment is exercised by management to distinguish between provisions and contingencies. In evaluating provision and contingencies, the Company takes into consideration its present, legal or constructive obligations, if any, in accordance with its policy management's assumptions, assessments and its legal counsel. At each reporting date, the Company has determined that no contingencies are probable and/nor the amount of obligation can be estimated reliably; hence, no provisions are recognized.

5.1.6 Revenue from Contracts with Customers

The Company applied the following judgments that significantly affect the determination of the amount and timing of revenue from contracts with customers:

a. Identifying performance obligations in a power supply agreement

The Company provides power generation services that are sold to the customer. The services are a promise to transfer services in the future and are part of the negotiated exchange between the Company and the customer under a power supply agreement.

b. Determining the timing of satisfaction of power generation services

The Company concluded that revenue for power generation services is to be recognized over time because the customer simultaneously receives and consumes the benefits provided by the Company.

The Company determined that the output method is the best method in measuring progress of the power supply services because there is a direct relationship between the Company's effort (i.e., KW hours generated) and the transfer of service to the customer. The Company recognizes revenue based on the KW hours generated.

5.2 Key Sources of Estimation Uncertainty

The following are the key assumptions concerning the future and other key sources of estimation uncertainty at the 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.

5.2.1 Provision for Expected Credit Losses of Trade Receivables and Contract Assets

The Company 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 (i.e., by geography, product type, customer type and rating, and coverage by letters of credit and other forms of credit insurance).

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. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

The assessment of the correlation between historical 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 Company's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

5.2.2 Impairment of Inventories

At each reporting date, inventories are assessed for excess inventory, obsolescence and declines in net realizable value below cost and an allowance is recorded against the inventory balance for any such declines. These reviews require management to consider the future demand for the products. The usual considerations for determining the amount of allowance for obsolescence or stock loss include aging analysis, technical assessment and subsequent events. In general, such an evaluation process requires significant judgment that may materially affects the carrying amount of inventories at the end of the reporting period. Possible changes in these estimates could result in revisions to the stated value of the inventories.

As at December 31, 2019 and 2018, there are no allowance for impairment of inventories.

5.2.3 Useful Lives of Property and Equipment, Intangible Assets and Investment Properties

The useful lives of the Company's property and equipment, intangible assets and investment properties are estimated based on the period over which the assets are expected to be available for use. The estimated useful lives of the assets are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the Company's assets. In addition, the estimation of the useful lives is based on the Company's collective assessment of industry practice, internal technical evaluation and experience with similar assets.

There was no change in the estimated useful lives of depreciable property and equipment, intangible assets and investment properties in 2019 and 2018.

5.2.4 Impairment of Non-Financial Assets except Inventories

An assessment is made at reporting date to determine whether there is any indication of impairment of any non-financial assets except inventories or whether there is any indication that an impairment loss previously recognized for an asset in prior years may no longer exist or may have decreased. If any such indication exists, the asset's recoverable amount is estimated. An asset's recoverable amount is calculated as the higher of the asset's value in use or its net selling price.

The net selling price is the amount obtainable from the sale of an asset in an arm's length transaction while value in use is the present value of the estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. Recoverable amounts are estimated for individual assets, or, if it is not possible, for the cash-generating unit to which the asset belongs.

Management has made significant estimates on the recoverability of the Company's property and equipment, intangible assets and investment properties, and concluded that as of December 31, 2019 and 2018, no indications of impairment are present that would necessitate the recognition of impairment loss of the Company's assets.

5.2.5 Deferred Taxes

The Company reviews the carrying amounts of deferred taxes at each balance sheet date and reduces deferred taxes to the extent that it is no longer probable that sufficient future taxable profits will be available to allow all or part of the deferred tax assets to be utilized. Management believes that the Company will have sufficient future taxable profits against which the deferred tax assets can be used.

The Company has no deferred tax assets as of December 31, 2019 and 2018.

5.2.6 Retirement Benefit Obligation

In the absence of a formal retirement plan, the Company recognized its retirement benefit obligation required under R.A. 7641 for its qualified employees. In determining the said obligation, management must make an estimate of salary increases, the discount rate to be used in the present value calculation and the number of employees expected to leave before they receive the benefits. However, because of the undue cost or effort to obtain relevant data, the Company availed of the simplifications permitted under Section 28 of the PFRS for SMEs.

Retirement benefit obligation amounted to P3,876,745 and P2,548,356 in 2019 and 2018, respectively as disclosed in Notes. No actuarial gain or loss has been incurred during the year.

5.2.7 Leases - Estimating the incremental borrowing rate

The Company cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Company 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Company estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

In Philippine Peso

6. RELATED PARTY AND RELATED PARTY TRANSACTIONS

a. Related party relationships
In 2019 and 2018, the related parties of the Company include its shareholders and key management personnel.

b. Related party transactions
As of December 31, 2019 and 2018, related party transactions and balances are as follows:

	2019		2018		
	Amount of Transaction	**Outstanding Balance**	Amount of Transaction	Outstanding Balance	Terms and Conditions
Shareholders:					
Advances to related parties	-	-	-	-	
Advances from related parties	2,137,469,946	2,137,469,946	-	-	For increase in capital

These balances are unsecured, payable upon demand, non-interest bearing and will be settled in cash, unless stated otherwise. No guaranty has been given or received. No provisions have been made for doubtful debts in respect to the amounts owed by the related parties. Advances were extended by the shareholders for capital requirements of the Company.

c. Key Management Personnel Compensation
Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly. For the years ended December 31, 2019 and 2018, compensation paid to key management personnel and presented as part of personnel costs is P11,432,827 and P10,655,910, respectively.

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7. FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's principal financial liabilities comprise loans and borrowings, and trade and other payables. The main purpose of these financial liabilities is to finance the Company's operations. The Company's principal financial assets include trade receivables, and cash and short-term deposits that derive directly from its operations. The Company also holds investments in debt and equity instruments.

The Company is exposed to market risk, credit risk and liquidity risk. The Company's management oversees the management of these risks. The management ensures that the Company's financial risk activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with the Company's policies and risk objectives. The Board of Directors reviews and agrees policies for managing each of these risks, which are summarized below.

The Company's financial instruments consist of:

	Note	2019	2018
Financial Assets:			
Financial assets at fair value through profit or loss			
Listed equity investment		-	-
Equity instruments at fair value through OCI			
Non-listed equity investment		-	-
Debt instruments at fair value through OCI			
Quoted debt instruments		-	-
Debt instrument at amortized cost			
Cash		**126,233,749**	59,823,184
Trade and other receivables		**523,178,641**	220,784,124
Advances to related parties		-	-
		649,412,390	280,607,308
Total Financial Assets		**649,412,390**	280,607,308
Financial Liabilities:			
Measured at fair value through profit or loss		-	-
Measured at cost/amortized cost			
Trade and other payables		**720,427,231**	2,637,628,080
Advances from related parties		**2,137,469,946**	-
Borrowings		**1,522,083,333**	1,772,083,333
		4,379,980,510	4,409,711,413
Total Financial Liabilities		**4,379,980,510**	4,409,711,413

7.1 Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, currency risk and other price risk, such as equity price risk. Financial instruments affected by market risk include loans and borrowings, deposits, debt and equity investments.

The sensitivity analyses in the following sections relate to the position as at December 31, 2019 and 2018.

The sensitivity analyses have been prepared on the basis that the amount of net debt, the ratio of fixed to floating interest rates of debt and the proportion of financial instruments in foreign currencies are all constant at December 31, 2019.

The analyses exclude the impact of movements in market variables on the carrying values of pension and other post-retirement obligations and provisions.

The following assumptions have been made in calculating the sensitivity analyses:

- The sensitivity of the relevant statement of profit or loss item is the effect of the assumed changes in respective market risks. This is based on the financial assets and financial liabilities held at December 31, 2019 and 2018.
- The sensitivity of equity is calculated by considering the effect of any associated cash flow hedges at December 31, 2019 for the effects of the assumed changes of the underlying risk.

7.1.1 Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's long-term debt obligations with floating interest rates.

The Company manages its interest rate risk by having a balanced portfolio of fixed and variable rate loans and borrowings. The Company's policy is to maintain borrowings at fixed rates of interest, excluding borrowings that relate to discontinued operations. To manage this, the Company enters interest rate swaps, in which it agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed-upon notional principal amount. At December 31, 2019, after taking into account the effect of interest rate swaps, approximately 100% of the Company's borrowings are at a fixed rate of interest (2018: 100%).

7.1.2 Foreign Currency Risk

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Company's operating activities (when revenue or expense is denominated in a foreign currency).

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The Company closely monitors the movements in the exchange rate and makes a regular assessment of future foreign exchange movements. The Company then manages the balance of its foreign currency-denominated assets and liabilities based on this assessment.

The Company's foreign currency-denominated financial assets and liabilities as of December 31, 2019 and 2018, and their Peso equivalents follow:

	Foreign Currency	PhP Equivalent
2019		
Financial Assets:		
Cash in bank	**8,110**	**411,510**
Trade receivables	**-**	**-**
	8,110	**411,510**
Financial Liability:		
Trade payables	**-**	**-**
Exposure	**8,110**	**411,510**
2018		
Financial Assets:		
Cash in bank	7,407	390,503
Trade receivables	-	-
	7,407	390,503
Financial Liability:		
Trade payables	-	-
Exposure	7,407	390,503

7.1.3 Equity Price Risk

The Company's listed equity investments are susceptible to market price risk arising from uncertainties about future values of the investment securities. The Company manages the equity price risk through diversification and by placing limits on individual and total equity instruments. Reports on the equity portfolio are submitted to the Company's management on a regular basis. The Company's Board of Directors reviews and approves all equity investment decisions.

At the reporting date, there are no listed equity investments held by the Company.

7.2 Credit Risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

7.2.1 Trade Receivables and Contract Assets

Customer credit risk is managed by each business unit subject to the Company's established policy, procedures and control relating to customer credit risk management. Credit quality of a customer is assessed based on an extensive credit rating scorecard and individual credit limits are defined in accordance with this assessment. Outstanding customer receivables and contract assets are regularly monitored. At December 31, 2019, the Company had 9 customers (2018: 9) that accounts for all the trade receivables.

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 for groupings of various customer segments with similar loss patterns (i.e., by geographical region, product type, customer type and rating, and coverage by letters of credit or other forms of credit insurance). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written-off if past due for more than one year and are not subject to enforcement activity. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed. The Company does not hold collateral as security. The Company evaluates the concentration of risk with respect to trade receivables and contract assets as low, as its customers are located in several jurisdictions and industries and operate in largely independent markets.

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7.3 Liquidity Risk

The Company monitors its risk of a shortage of funds using a liquidity planning tool.

Ultimate responsibility for liquidity risk management rests with the board of directors, which has established an appropriate liquidity risk management framework for the management of the Company's short-, medium- and long-term funding and liquidity management requirements. The Company manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.

The Company's objective is to maintain a balance between continuity of funding and flexibility using bank loans, and advances from shareholders. The Company's policy is that not more than 25% of borrowings should mature in the next 12-month period. 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 sources of funding and debt maturing within 12 months can be rolled over with existing lenders.

a. Collateral

The Company has pledged its power plants in order to fulfill the collateral requirements for its borrowings. There are no other significant terms and conditions associated with the use of collateral.

8. CAPITAL MANAGEMENT

To the Company's capital management, capital includes issued capital, convertible preference shares, share premium and all other equity reserves. The primary objective of the Company's capital management is to maximize the shareholder value.

The Company manages its capital structure and adjusts in light of changes in economic conditions and the requirements of the financial covenants. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Company monitors capital using a gearing ratio, which is 'net debt' divided by total capital plus net debt.

At December 31, the gearing ratio is as follows:

	2019	2018
Loans and borrowings	**3,659,553,279**	1,772,083,333
Trade and other payables	**720,427,231**	2,637,628,080
Less: Cash and cash in bank	**(126,233,749)**	(59,823,184)
Net debt	**4,253,746,761**	4,349,888,229
Preference share – liability	**-**	-
Total Equity	**843,760,634**	763,756,047
Total Capital	**843,760,634**	763,756,047

Total Capital and Net Debt	**5,097,507,395**	5,113,644,276
Gearing Ratio	**5.04**	5.70

In order to achieve this overall objective, the Company's capital management, among other things, aims to ensure that it meets financial covenants attached to the interest-bearing loans and borrowings that define capital structure requirements. Breaches in meeting the financial covenants would permit the bank to immediately call loans and borrowings. There have been no breaches of the financial covenants of any interest-bearing loans and borrowing in the current period.

No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2019 and 2018.

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9. CASH

Cash at the end of the reporting period as shown in the statements of cash flows can be reconciled to the related items in the statements of financial position as follows:

	Note	2019	2018
Cash in banks		**126,233,749**	59,823,184
		126,233,749	59,823,184

Cash in banks earns interest at the applicable bank deposit rates.

10. TRADE AND OTHER RECEIVABLES

The Company's trade and other receivables consist of:

	Note	2019	2018
Trade receivables:			
Outside parties		**231,360,616**	192,596,493
Allowance for expected credit losses		**-**	-
		231,360,616	192,596,493
Other receivables:			
Advances to contractors		**177,135,453**	25,459,629
Others		**114,682,571**	2,728,002
		291,818,025	28,187,631
		523,178,641	220,784,124

Trade receivables are amounts due from customers for services performed in the ordinary course of business. The average credit period on the service is 30 days. No interest is charged on trade receivables. The Company does not hold any collateral or other credit enhancements over these balances nor does it have a legal right of offset against any amounts owed by the Company to the counterparty.

Advances to contractors consist of non-interest advances which are subject to liquidation.

Others pertain to advances to employees.

10.1 Allowance for Expected Credit Losses

The movements in the allowance for expected credit losses are as follows:

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	Note	2019	2018
Balance, January 1		-	-
Provisions during the year		-	-
Recovery		-	-
Accounts written-off		-	-
Balance, December 31		-	-

11. PREPAYMENTS AND OTHER CURRENT ASSETS

The account at December 31 consists of

	Note	2019	2018
Spare Parts		**57,042,528**	50,750,206
Fuel		**45,600,850**	51,856,510
Prepayments		**33,980,643**	36,162,081
Deferred Input tax		**19,936,653**	29,000,664
		156,560,674	167,769,460

Prepayments refer to advance payments made by the Company for its taxes and licenses on its building and vehicles.

Deferred input VAT pertains to value-added tax credits on purchases of capital goods incurred by the Company.

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12. PROPERTY AND EQUIPMENT

The account at December 31 consists of

	Land	Land improvements	Generation plant	Buildings	Tools and Machinery	Service vehicles	Leasehold improvement, furniture and office equipment	Total
Cost:								
January 1, 2018	92,597,582	174,073,355	4,792,653,732	94,511,956	19,579,870	29,467,705	17,498,979	5,220,383,179
Additions	6,064,830	3,436,566	352,000	-	2,594,224	4,209,719	2,073,454	18,730,793
Disposals	-	-	-	-	-	-	-	-
Other changes	-	-	(187,366)	-	(7,543,782)	(3,837,200)	(294,558)	(11,862,906)
December, 31, 2018	98,662,412	177,509,921	4,792,818,366	94,511,956	14,630,312	29,840,225	19,277,875	5,227,251,067
Additions	-	-	594,771,135	-	250,550	1,330,000	1,367,867	597,719,552
Disposals	-	-	-	-	-	-	-	-
Other changes	-	-	-	-	(304)	(3,509,160)	(699,273)	(4,208,735)
December 31, 2019	**98,662,412**	**177,509,921**	**5,387,589,501**	**94,511,956**	**14,880,558**	**27,661,065**	**19,946,468**	**5,820,761,883**
Accumulated depreciation and impairment:								
January 1, 2018	-	34,418,648	761,645,963	14,817,421	12,000,305	17,396,160	9,402,930	849,681,427
Depreciation	-	12,707,716	253,033,231	5,159,904	2,290,219	5,482,928	3,289,022	281,963,020
Impairment	-	-	-	-	-	-	-	-
Other changes	-	-	-	-	(4,919,010)	(1,279,067)	(149,532)	(6,347,609)
December 31, 2018	-	47,126,364	1,014,679,194	19,977,325	9,371,514	21,600,021	12,542,420	1,125,296,838
Depreciation		12,616,076	320,105,576	5,154,878	2,200,177	4,109,227	2,915,012	347,100,946
Impairment	-	-	-	-	-	-	-	-
Other changes	-	-	-	-	(304)	-	(626,102)	(626,406)
December 31, 2019	-	**59,742,441**	**1,334,784,769**	**25,132,204**	**11,571,388**	**25,709,248**	**14,831,329**	**1,471,771,379**
Carrying amount:								
At December 31, 2018	98,662,412	130,383,557	3,778,139,172	74,534,631	5,258,798	8,240,204	6,735,455	4,101,954,229
At December 31, 2019	**98,662,412**	**117,767,480**	**4,052,804,732**	**69,379,752**	**3,309,170**	**1,951,817**	**5,115,140**	**4,348,990,504**

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All additions to property and equipment in 2019 and 2018 were paid in cash.

As of December 31, 2019, and 2018, the Company has no outstanding contractual commitments to acquire certain property and equipment and there are no other assets pledged as security for a liability.

The Company has determined that there is no indication that an impairment loss has occurred on its property and equipment.

13. CONSTRUCTION IN PROGRESS

This account represents the amount of capitalized cost of power plant, office building and transmission line constructions. As of December 31, 2019, a total of P594,771,135 power plant is completed and transferred as part of property, plant and equipment.

As of December 31, 2018, this account represents the amount of capitalized cost of power plant, office building and transmission line constructions.

14. TRADE AND OTHER PAYABLES

The account at December 31 consists of

	Note	2019	2018
Trade payables:			
Outside parties		**700,736,201**	2,613,928,377
Retention payable		**10,944,660**	11,008,688
Accrued expenses		**8,746,370**	12,691,015
		720,427,231	2,637,628,080
Other payables:			
Deferred Output VAT		**24,066,312**	18,022,874
Income tax payable		**3,576,718**	2,914,922
VAT payable		**4,116,025**	-
SSS, PHIC and HDMF contributions		**294,849**	277,252
Withholding tax payable		**243,177**	230,639
Unearned income		-	5,021,552
		32,297,081	26,467,239

Trade payables to outside parties pertain to purchase of goods and services on account. The normal credit term to settle trade payables is about 15 - 30 days.

Accrued expenses pertain to unpaid salaries, transportation and utilities.

Output VAT pertains to VAT charged on sale of Company's goods and services.

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15. RETIREMENT BENEFIT OBLIGATION

The Company has not yet established a formal retirement policy for its employees. In the absence of a policy, the Company is covered by the provisions of Republic Act No. 7641 otherwise known as the Retirement Pay Law. RA 7641 provides that in the absence of a retirement plan, an employee upon reaching the age of 60 years or more, but not beyond 65 years which is designated as the compulsory retirement age and who has served at least five (5) years in the Company, shall be entitled to retirement pay equivalent to at least one-half month salary for every year of service, a fraction of at least six months being considered as one whole year. The term half-month shall mean 15 days plus one-twelfth (1/12) of the 13th month pay and five (5) days of service incentive leave.

The present value of the retirement benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

The amount recognized in the statements of financial position are determined as follows:

	Note	2019	2018
Defined benefit obligation		**3,876,745**	2,548,356
Fair value of plan assets		-	-
Retirement benefit obligation		**3,876,745**	2,548,356

a. Defined Benefit Obligation

The movement in the defined benefit obligation (DBO) over the year is as follows:

	Note	2019	2018
At January 1		**2,548,356**	1,355,536
Current service cost		**1,328,389**	1,192,820
Interest expense		-	-
Benefits paid		-	-
Actuarial loss (gains)		-	-
At December 31		**3,876,745**	2,548,356

b. Fair Value of Plan Assets (if applicable)

The movement in the fair value of plan assets (FVPA) during the year is as follows:

	Note	2019	2018
At January 1		-	-
Contributions		-	-
At December 31		-	-

c. Retirement Benefit Expense

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The components of retirement benefit expense for the year are as follows:

	Note	2019	2018
Recognized in Profit or Loss:			
Current service cost		**1,328,389**	1,192,820
Interest expense – DBO		**-**	-
Interest income – FVPA		**-**	-
		1,328,389	1,192,820

No amount of retirement benefit expense is included in the cost of an asset.

16. BORROWINGS

The account at December 31 consists of

	Note	2019	2018
Balance, January 1		**1,772,083,333**	1,197,083,333
Additional borrowings		**-**	1,000,000,000
Payment on borrowings		**(250,000,000)**	(425,000,000)
Balance, December 31		**1,522,083,333**	1,772,083,333

The Company makes regular repayments on the bank borrowings. The Company is subject to externally imposed restrictions and must seek approval from the lending bank for any capital transactions that the Company wishes to enter.

Bank borrowings are secured with generation plants and properties as collateral.

Interest expense incurred, amounted to P145,601,551 in 2019 and P99,079,903 in 2018, respectively.

17. SHARE CAPITAL

a. Share Capital

	Note	No. of Shares	Amount
Common shares authorized at P100 par		7,500,000	750,000,000
Issued and fully paid		**7,500,000**	**750,000,000**

There were no movements in the share capital of the Company in 2019 and 2018. The Company has one class of ordinary shares which carries no right to fixed income.

18. REVENUES FROM CONTRACT WITH CUSTOMERS

18.1 Revenue Information

The Company has only one product of power generation and has a few and similar customers within the geographical area of Mindanao, Philippines. Revenue is recognized at the point in time when power generated is transferred to the customer and is measured using the preapproved rates based on the respective Power Supply Agreement (PSA).

18.2 Power Supply Agreement

On July 01, 2016, the Company entered a PSA with SUKELCO to supply 6MW power at any given time during the duration of the contract. The contract is valid for ten (10) years from the date when the Company commences delivery of contracted capacity.

On October 08, 2015, the Company and SUKELCO entered a PSA for 2.65KW power at any given time during the duration of the contract. The contract is valid for ten (10) years from the date when the Company commences delivery of contracted capacity.

On July 29, 2015, the Company has a PSA with ZAMSURECO for the supply of 2MW power at any given time during the duration of the contract. The contract is valid for ten (10) years from the date when the Company commences delivery of contracted capacity.

On December 03, 2014, the Company and LANECO has an approved PSA for the Company to supply 3MW power at any given time during the duration of the contract. The contract is valid for ten (10) years from the date when the Company commences delivery of contracted capacity.

On June 08, 2013, the Company entered a PSA with FIBECO to supply 6MW power at any given time during the duration of the contract. The contract is valid for ten (10) years from the date when the Company commences delivery of contracted capacity.

On April 10, 2013, the Company entered into a PSA with Surigao del Sur II Electric Cooperative, Inc. (SURSECO II) wherein the Company agreed to supply the power needs of SURSECO II. The Company agrees to supply electricity generated by the power station to FIBECO at a maximum of 5.4 MW power at any given time during the cooperation period. The contract will run a term of ten (10) years from the date when the Company commences delivery of contracted capacity.

On March 25, 2013, the Company and Camiguin Electric Cooperative, Inc. (CAMELCO) entered a PSA wherein the Company will supply electricity at a maximum of 4.0 MW power. The contract will run a term of ten (10) years from the date when the Company commences delivery of contracted capacity.

The Company and Misamis Occidental II Electric Cooperative, Inc. (MOELCI II) and Misamis Occidental I Electric Cooperative, Inc. (MOELCI I) agreed on the PSA issued on July 31, 2012 and August 02, 2012, respectively. The Company will provide a total of 15.6 MW of power to the electric cooperatives. The agreement has term of ten

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(10) years from the date when the Company commences delivery of contracted capacity.

The Company and FIBECO and MORESCO II agreed on the PSA issued on January 20, 2011 and February 08, 2011, respectively. The Company will provide a total of 12.4 MW of power to the electric cooperatives. The agreement has term of ten (10) years from the date when the Company commences delivery of contracted capacity.

18.3 Fuel Supply and Management Agreement

Pursuant to the Power Supply Agreement, the Company also entered into a FSMA with Resago, Inc. to ensure the continued and timely supply of fuel and lube oil to the power plant in the needed quantities and qualities and to put in place a transparent process in order to ensure at all times the lowest cost thereof. The Company shall own the storage tanks and dispensing pumps that will be installed at the power plant and all the structures, fixtures and equipment used in connection with the supply of fuel and lube oil.

18.4 Power Plant Operating and Maintenance Agreement

The Company has entered into a fixed and variable agreement with Wartsila and Galaxy Power Solutions, Inc. for monthly maintenance of power plant. The fixed contract relates to manpower services while the variable contract refers to additional cost for the plant to operate effectively and efficiently.

18.5 Contract Balances

	Note	**2019**	2018
Contract Assets		-	-
Contract Liabilities		-	-

Contract assets are initially recognized for revenue earned from services as receipt of consideration is conditional on successful completion of service. Upon completion and acceptance by the customer, the amounts recognized as contract assets are reclassified to trade receivables.

Contract liabilities include long-term advances received to deliver power supply and short-term advances received to render services. The outstanding balances of these accounts increased in 2019 and 2018 due to the continuous increase in the Company's customer base.

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19. COST OF SERVICES

The details of the account for the years ended December 31 are as follows:

	Note	2019	2018
Depreciation		**322,129,816**	255,280,525
Operating and maintenance cost		**207,388,958**	323,167,630
Fuel cost		**68,720,554**	58,879,192
Taxes and licenses		**38,906,119**	32,249,641
Light & water		**12,780,940**	15,892,463
Insurance		**11,331,516**	12,625,343
Personnel		**9,064,238**	9,614,437
NGCP domestic leased line		**7,220,488**	6,980,175
Transmission cost		**4,006,599**	2,377,554
Others		**218,404**	308,009
		681,767,630	717,374,969

20. ADMINISTRATIVE EXPENSES

The details of the account for the years ended December 31 are as follows:

	Note	2019	2018
Depreciation		**23,452,749**	26,682,495
Personnel		**20,406,406**	18,465,204
Security services		**8,574,155**	7,917,208
Trainings and seminars		**7,716,594**	5,413,764
Representation		**3,881,913**	7,969,901
Repairs and maintenance		**3,668,641**	3,505,529
Solicitations		**3,033,772**	569,088
Regulatory taxes and licenses		**2,078,736**	13,465,170
Transportation and travel		**1,654,429**	3,197,351
Gas, oil, and lubricants		**1,356,116**	1,463,754
Office supplies		**808,273**	509,461
Rentals		**582,523**	423,214
Postage and communication		**581,969**	680,631
Light, power, and water		**519,599**	289,014
Insurance		**427,044**	469,608
Publications and advertisements		**396,540**	-
Professional fees		**252,503**	331,999
Research and development		**75,000**	340,000
Loss on disposal		**74,087**	41,903
Others		**65,981**	169,718
		79,607,030	91,905,014

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21. PERSONNEL COSTS

The details of the account for the years ended December 31 are as follows:

	Note	2019	2018
Cost of service		**9,064,238**	9,614,437
Administrative expenses		**20,406,406**	18,465,204
		29,470,644	28,079,642

22. FINANCE COST

The details of the account for the years ended December 31 are as follows:

	Note	2019	2018
Interest on borrowings		**145,601,551**	99,079,903
Other bank fess and charges		**15,132**	334,745
		145,616,683	99,414,647

23. OTHER INCOME

The details of the account for the years ended December 31 are as follows:

	Note	2019	2018
Interest income on bank deposits		**162,920**	145,429
Others		**35,599**	6,994
		198,519	152,423

24. INCOME TAX

a. Income Tax Expense
The component of income tax expense for the years ended December 31 are as follows:

	Note	2019	2018
Financial income		**114,251,246**	74,361,112
Less: Permanent difference		**(95,715)**	(145,429)
Taxable income		**114,155,531**	74,215,683
Current:			
Regular Corporate Income Tax at 30%		**34,246,659**	22,264,705
MCIT at 2%		**6,785,529**	5,310,567

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Income tax expense – Current	**34,246,659**	22,264,705
Deferred:		
Origination of temporary difference	-	-
Reversal of temporary difference	-	-
	34,246,659	22,264,705
Income taxes already paid	**30,669,941**	19,349,783
Income tax payable	**3,576,718**	2,914,922

b. Net Operating Loss Carry-Over

Under Section 34(D)(3) of the NIRC of 1997, the net operating loss of the business or enterprise for any taxable year immediately preceding the current taxable year which had not been previously offset as deduction from gross income shall be carried over as a deduction from gross income for the next three (3) consecutive taxable years immediately following the year of such loss.

c. Minimum Corporate Income Tax
Section 27(E) of the National Internal Revenue Code of 1997 provides that an MCIT of 2% of the gross income as of the end of the taxable year is imposed on a taxable corporation beginning on the fourth taxable year immediately following the year in which such corporation commenced its business operation, when the MCIT is greater than RCIT for the taxable year.

25. LEASES

a. The Company as Lessee

The Company has lease contracts for various office and staff premises. The Company's obligations under its leases are secured by the lessor's title to the leased assets.

The following are the amounts recognized in profit or loss:

	Note	2019	2018
Depreciation expense of right-of-use asset		-	-
Interest expense on lease liabilities		-	-
Expense relating to short-term leases		**582,523**	423,214
Expense relating to leases of low-value assets		-	-
Total amount recognized in profit or loss		**582,523**	423,214

The Company had total cash outflows for leases of P582,523 in 2019 and P423,214 in 2018.

In Philippine Peso

26. PROVISIONS AND CONTINGENCIES

The Company is not aware of any pending or threatened litigation, claims or assessments or unasserted claims of assessments that are required by PFRS to be accrued or disclosed in the financial statements. The Company has complied with all aspects of contractual agreements that could have a material effect on the accounts in the event of non-compliance.

27. EVENTS AFTER THE END OF THE REPORTING DATE

No events after the end of the reporting date were identified in these financial statements that provide evidence of conditions that existed at the reporting date, and that are indicative of conditions that arose after the reporting date.

28. SUPPLEMENTARY INFORMATION UNDER RR NO. 15-2010

In compliance with the requirements set forth by RR 15-2010 hereunder are the information on taxes, duties and license fees paid or accrued during the year.

a. Value Added Tax (VAT). The Company is a VAT registered taxpayer with VAT output declaration of P116,481,850 regular VAT for the year 2019 from the amount collected from the Energy generation.

   The amount of VAT input taxes claimed during the year 2019 amounts to P66,846,029 on input taxes. The Company also has a total of P19,870,019 of deferred input tax on capital goods.

b. Documentary stamp tax. The Company paid no substantial amount for documentary stamp tax, although the Company paid documentary stamp tax on regulatory documents and certifications.

c. Other taxes and licenses. The Company incurred the following taxes and licenses to the following government agencies

	Note	2019
Local		**35,853,633**
National		**5,131,22**
		40,984,855

d. Withholding taxes. The Company as a withholding tax agent withheld a total of P1,081,407 on compensation and P3,691,898 on expanded withholding.

29. APPROVAL OF THE FINANCIAL STATEMENTS

These financial statements were approved and authorized for issue by the Board of Directors on April 12, 2020.

DISTRIBUTION

For a detailed discussion of the KEGI's distribution methods, please refer to the section on "Plan of Distribution".

COMPETITION

KEGI is part of the Mindanao power grid that makes up various Generation Power Plant from coal, oil-based, geothermal, hydroelectric, solar, biomass and coal. Below are the list of existing competition of KEGI, to wit:

No	Name	Address	Source	Capacity (MW)
1	FDC Misamis U1 – Filinvest Development Corporation	Villanueva, Misamis Oriental, Region 10	Coal	135.0
2	FDC Misamis U2 - Filinvest Development Corporation	Villanueva, Misamis Oriental, Region 10	Coal	135.0
3	FDC Misamis U3 - Filinvest Development Corporation	Villanueva, Misamis Oriental, Region 10	Coal	135.0
4	Mindanao Coal U1 – Steag State Power Inc.	Villanueva, Misamis Oriental, Region 10	Coal	116.0
5	Mindanao Coal U2 – Steag State Power Inc.	Villanueva, Misamis Oriental, Region 10	Coal	116.0
6	SMC Malita U1 – San Miguel	Malita, Davao Occidental	Coal	150.0

	Consolidated Power Corporation			
7	SMC Malita U1 – San Miguel Consolidated Power Corporation	Malita, Davao Occidental	Coal	150.0
8	Therma South U1 – Therma South Incorporated	Sta. Cruz, Davao Del Sur	Coal	150.0
9	Therma South U1 – Therma South Incorporated	Sta. Cruz, Davao Del Sur	Coal	150.0
10	GnPower Kauswagan U1 – GnPower Kauswagan Ltd. Co	Kauswagan, Lanao Del Norte	Coal	150.0
11	GnPower Kauswagan U2 – GnPower Kauswagan Ltd. Co	Kauswagan, Lanao Del Norte	Coal	150.0
12	GnPower Kauswagan U3 – GnPower Kauswagan Ltd. Co	Kauswagan, Lanao Del Norte	Coal	150.0
13	GnPower Kauswagan U4 – GnPower Kauswagan Ltd. Co	Kauswagan, Lanao Del Norte	Coal	150.0
14	MPC Iligan DPP – Mapalad Power Corporation	Iligan City, Lanao Del Norte	Diesel	114.4

15	SPPC – Southern Philippines Power Corporation	Alabel, Saranggani	Diesel	59.0
16	TMI 1 – Therma Marine Inc.	Maco, Davao Del Norte	Diesel	100.0
17	TMI 2 – Therma Marine Inc.	Nasipit, Agusan Del Norte	Diesel	100.0
18	WMPC – Western Mindanao Power Corporation	Sangali, Zamboanga City	Diesel	112.0
19	MT APO EDC GPP – Energy Development Corporation	Kidapawan, North Cotabato	Geothermal	108.5
20	AGUS 1 – National Power Corporation Mindanao Generation	Marawi City, Lanao Del Sur	Hydroelectric	80.0
21	AGUS 2 – National Power Corporation Mindanao Generation	Sagularan, Lanao Del Sur	Hydroelectric	180.0
22	AGUS 4 – National Power Corporation Mindanao Generation	Balol, Lanao Del Norte	Hydroelectric	158.1
23	AGUS 5 – National Power Corporation Mindanao Generation	Buru-un, Iligan City	Hydroelectric	55.0
24	AGUS 6 – National Power Corporation	Buru-un, Iligan City	Hydroelectric	219.0

	Mindanao Generation			
25	AGUS 7 – National Power Corporation Mindanao Generation	Buru-un, Iligan City	Hydroelectric	54.0
26	PULANGI 4 - National Power Corporation Mindanao Generation	Maramag, Bukidnon	Hydroelectric	255.0
27	MANOLO FORTICH U1 – Hydro Electric Development Corporation	Santiago, Manolo Fortich, Bukidnon	Hydroelectric	45.9
28	MANOLO FORTICH U2 – Hydro Electric Development Corporation	Santiago, Manolo Fortich, Bukidnon	Hydroelectric	27.4
29	TUDAYA 2 - Hydro Electric Development Corporation	Sta. Cruz, Davao Del Sur	Hydroelectric	8.1
30	DIGOS – Alterpower Digos Solar, Inc.	Digos City, Davao Del Sur	Solar	28.6
31	KIBAWE – Asian Greenergy Corporation	Kibawe, Bukidnon	Solar	10.5
32	Lamsan Power Corporation	Sultan Kudarat, Maguindanao	Biomass	15.00
33	MPC BALINGASAG POWER STATION	Balingasag, Misamis Oriental	Coal	55.0

	U1 – Minergy Power Corporation			
34	MPC BALINGASAG POWER STATION U2 – Minergy Power Corporation	Balingasag, Misamis Oriental	Coal	55.0
35	MPC BALINGASAG POWER STATION U3 – Minergy Power Corporation	Balingasag, Misamis Oriental	Coal	55.0
36	SEC U1 – Sarangani Energy Corporation	Maasim, Sarangani	Coal	118.5
37	SEC U2 – Sarangani Energy Corporation	Maasim, Sarangani	Coal	118.5
38	PSPE – Powersource Philippine Energy Inc.	Iligan City, Lanao Del Norte	Coal	25.0
39	BPC DPP – Bukidnon Power Corporation	Barandias, Pangantucan, Bukidnon	Diesel	7.3
40	COTABATO LIGHT – Cotabato Light and Power Corporation	Cotabato	Diesel	9.9
41	EEI POWER – EEI Power Corporation	Davao del Norte	Diesel	15.0
42	MEGC TANDAG – Mapalad Energy Generation Corporation	Iligan City, Lanao Del Norte	Diesel	15.0
43	MINERGY DPP 1 – Mindanao Energy Systems Inc.	Cagayan de Oro City, Misamis Oriental	Diesel	18.9

44	MINERGY DPP 1 – Mindanao Energy Systems Inc.	Cagayan de Oro City, Misamis Oriental	Diesel	27.4
45	MPI DIGOS – Mapalad Partners Inc.	Digos, Davao de Sur	Diesel	15.0
46	NAC DPP – Nickel Asia Corporation	Surigao City, Surigao Del Norte	Diesel	10.9
47	NBPC DPP – North Bukidnon Power Corporation	Lantapan, Bukidnon	Diesel	6.2
48	PACERM-1 – PACERM-1 Energy Corporation	El Salvador City, Misamis Oriental	Diesel	10.5
49	PBI – Peak Power Bukidnon Inc.	Bukidnon	Diesel	10.4
50	PSC – Philippine Sinter Corporation	Villanueva, Misamis Oriental	Diesel	37.1
51	PSFI – Peak Power San Francisco	San Francisco, Agusan de Sur	Diesel	5.2
52	PSFI 2 – Peak Power San Francisco	San Francisco, Agusan de Sur	Diesel	5.2
53	PSI – Peak Power Socsargen Inc.	General Santos City, South Cotabato	Diesel	20.9
54	PSI 2 – Peak Power Socsargen Inc.	General Santos City, South Cotabato	Diesel	13.9
55	SPC KORONADAL – Supreme Power Corporation	Koronadal, South Cotabato	Diesel	11.9

56	TPI DPP – Total Power Incorporated	Tubod, Lanao Del Norte	Diesel	4.4
57	ZAMCELCO DPP – Zamboanga City Electric Cooperative, Inc.	Zamboanga City	Diesel	16.0
58	IGACOS MODULAR DPP – Mindoro Grid Corporation	City of Samal, Davao Del Norte	Diesel	7.6
59	SIBULAN A – Hydro Electric Development Corporation	Santa Cruz, Davao Del Sur	Hydroelectric	16.5
60	SIBULAN B – Hydro Electric Development Corporation	Santa Cruz, Davao Del Sur	Hydroelectric	26.0
61	BUBUNAWAN – Bubunawan Power Company Inc.	Baungon, Bukidnon	Hydroelectric	6.6
62	CABULIG HEP – Mindanao Energy Systems Inc.	Claveria, Misamis Oriental	Hydroelectric	9.2
63	TUDAYA 1 – Hydro Electric Development Corporation	Sta. Cruz, Davao Del Sur	Hydroelectric	6.6
64	ASIGA – Asiga Green Energy Corporation	Santiago, Agusan Del Norte	Hydroelectric	8.0
65	AGUSAN – First Gen Bukidnon Power Corporation	Manolo Fortich, Bukidnon	Hydroelectric	1.6

66	TALOMO 1 – Hydro Electric Development Corporation	Davao City, Davao Del Sur	Hydroelectric	1.0
67	TALOMO 2 – Hydro Electric Development Corporation	Davao City, Davao Del Sur	Hydroelectric	0.6
68	TALOMO 2A – Hydro Electric Development Corporation	Davao City, Davao Del Sur	Hydroelectric	0.7
69	TALOMO 2A – Hydro Electric Development Corporation	Davao City, Davao Del Sur	Hydroelectric	0.3
70	TALOMO 3 – Hydro Electric Development Corporation	Davao City, Davao Del Sur	Hydroelectric	1.9
71	PANOON – Gerphil Renewable Energy Corporation	Impasugong, Bukidnon	Hydroelectric	0.2
72	GEEC – Green Earth Enersource Corporation	Buluan, Maguindanao	Biomass	3.5
73	BFI – Biotech Farms Inc.	Tantangan, South Cotabato	Biomass	5.96
74	BFI – Biotech Farms Inc.	Banga, South Cotabato	Biomass	12.39
75	CENTRALLA – MV Vogt Philippines	Suralla, South Cotabato	Solar	6.2

	Solar Energy One Inc.			
76	CEPALCO – Cagayan Electric Power and Light Corporation	Cagayan de Oro City, Misamis Oriental	Solar	1.0
77	KIRAHON – Kirahon Solar Energy Corporation	Villanueva, Misamis Oriental	Solar	12.5
78	ADGI – Astroenergy Development Gensan, Inc.	Bawing Siguel, General Santos City	Solar	25.0

Transactions with and/or Dependence on Related Parties

For a fuller discussion, please see "Summary of Principal Agreements" and "Certain Relationships and Related Transactions."

Investment Objectives And Legal Restrictions

KEGI is governed by the following fundamental investment policies:

1. KEGI shall not issue senior securities.

2. KEGI shall not incur any further debt or borrowing unless at the time of its incurrence or immediately thereafter there is an asset coverage of at least three hundred percent (300%) for all its borrowings. In the event that such asset coverage shall at any time fall below three hundred percent (300%), KEGI shall within three (3) days thereafter, reduce the amount of its borrowings to an extent that the asset coverage of such borrowings shall be at least three hundred percent (300%).

3. KEGI shall not participate in any underwriting or selling group in connection with the public distribution of securities, except its own capital stock.

4. KEGI shall not invest more than twenty percent (20%) of its net assets in real estate properties and developments, subject to investment restrictions and/or limitations under applicable law, if any.

5. KEGI shall not purchase or sell commodity futures contracts.

6. KEGI shall not make any loan to other persons, or to other interested persons such as the members of the Board of Directors, officers of the KEGI and any affiliates, or affiliated corporations of the KEGI. However, it shall engage in legally permissible lending operations considered by its Board of Directors to be financially solid and sound.

7. Subscribers are required to settle their subscriptions in full upon submission of their application for subscriptions.

8. KEGI will not change its investment objectives without the prior approval of a majority of its shareholders and prior notice to the SEC.

Policies With Respect To Security Investments

1. Type of securities, which the registrants may invest in, and the proportion of the assets which may be invested in each such type of security.

i. Treasury notes or bills, certificates of indebtedness issued by the BSP which are short-term, and other government securities or bonds and such other evidence of indebtedness or obligations, the servicing and repayment of which are fully guaranteed by the Republic of the
Philippines; and

ii. Savings or time deposits with government-owned banks or commercial banks, provided that in no case shall any such savings or time deposit accounts be accepted or allowed under a “bearer” or “numbered” account or other similar arrangements.

Provided that the open-end company KEGI shall submit a liquidity contingency plan to the commission before it implements a decreased investment of less than ten percent (10%) in liquid or semi-liquid assets.

2. Percentage of assets, which KEGI may invest in the securities of any one issuer.

The maximum investment of KEGI in any single enterprise shall not exceed the amount equivalent to fifteen percent (15%) of KEGI's net asset value except obligations of the Philippine Government or its instrumentalities.

3. Percentage of voting securities of any one issuer, which KEGI may acquire.

The total investment of KEGI shall not exceed ten percent (10%) of the outstanding voting securities of any investee company.

4. Investment in other companies for the purpose of exercising control or management.

The KEGI has no intention of exercising control or management over other companies.

5. KEGI shall not purchase from or sell to any of its officers or directors or the officers or directors of its Investment Adviser, Manager or Distributor or firms of which any of them are members, any security other than the KEGI's own capital stock.

6. Until the SEC provides otherwise, KEGI shall not short sell securities or invest in any of the following:

i. Margin purchases of securities (investment in partly paid shares are excluded),

ii. Commodity futures contracts,

iii. Precious metals, and

iv. Unlimited liability investments such as a general partnership.

Prevention of Money-Laundering and Terrorist Financing

As part of the KEGI's responsibility for the prevention of money-laundering under the Anti-Money Laundering Act of 2001 (R. A. 9160), as amended, the Terrorism Financing prevention and Suppression Act of 2012 (R.A. 10168) and other relevant rules and regulations, KEGI or an entity acting on its behalf may require evidence verifying the identity of a prospective purchaser of shares and the source of the relevant KEGIs. Whether or not such evidence will be required and, if so, the nature and extent of such evidence will depend on the particular circumstances. KEGI and any entity acting on its behalf reserve the right to request such information as considered necessary to verify the identity of a proposed purchaser of shares in each case, and KEGI has absolute discretion to refuse to accept a subscription for shares in the event of delay or failure in the provision of any such information required. KEGI and /or relevant government agencies shall immediately preserve the subject property or KEGIs upon receipt of the notice of a freeze order, in accordance with the order of the court of competent jurisdiction or the AMLC. The owner or holder of the property or KEGIs shall be given a copy of the notice of the freeze order.

Compliance with Data Privacy Act of 2012 (Republic Act No. 10173)

To enable KEGI to comply with the requirements of the Data Privacy Act of 2012 (Republic Act No. 10173), KEGI requires all investors to expressly authorize KEGI to collect, process, use, destroy his/her personal and sensitive personal information and any information related to him/her and his/her account as well as its sharing, transfer and/or disclosure to any of the KEGI's branches, subsidiaries, affiliates, agents and representatives, industry associations and third parties such as but not limited to outsourced service providers, external auditors, and local and foreign regulatory authorities in relation to any matter including but not limited to those involving anti-money laundering and tax monitoring, review and reporting, statistical and risk analysis, provision of any products, service, or offers made through mail/email/fax/sms/telephone, customer satisfaction surveys; compliance with court and other lawful orders and requirements.

MAJOR RISKS INVOLVED IN THE BUSINESS OF THE KEGI

For a detailed discussion on the major risks involved in the business of KEGI, including procedures undertaking to identify, assess and manage such risks, please see "Risk Factors."

EMPLOYEES

KEGI does employ personnel. As of March 31, 2022, KEGI employs around two thousand (2,000) employees, including contractual and job order personnel.

KEGI, as part of its morale booster and loyalty programs, will be offering the shares to deserving employees who will meet certain criteria as promulgated by the Board of Directors. Shares will be offered at NAVPS.

However, personnel of the STOCK - PUBLIC OFFERING DIVISION – KEGI (SPODKEGI), will never be sold any shares, in order to maintain credibility and independence of the SPODKEGI.

SHAREHOLDER'S PRIVILEGES

Certain privileges granting reduced sales charge and waivers may be extended by SPODKEGI to qualified investors who will apply for them.

The investor must notify SPODKEGI at the time of transaction about his qualification and intention to avail and apply for specific privileges. Failure to notify SPODKEGI ahead of time about his eligibility and intention to avail will allow SPODKEGI to process the transaction subject to normal sales load charges.

SPODKEGI reserves the right to approve or deny a shareholder's application for certain privileges according to the criteria it has set. These privileges may be revised or discontinued by SPODKEGI at any time.

This privilege is not automatic and should be exercised by the investor. Investors should provide all necessary information AT THE TIME OF PURCHASE regarding accounts eligible to be combined under this plan. Otherwise, SLAMCI will not retroact the privilege. SLAMCIreserves the right to revise or discontinue this privilege at any time.

DESCRIPTION OF PROPERTY

KEGI has financial assets in the form of cash, fixed income securities, and equity securities. As prescribed by SEC rules, all of the KEGI's assets must be held by the custodian bank as disclosed on the inside back cover of this Prospectus.

LEGAL PROCEEDINGS

There is no material pending legal proceeding to which KEGI or any of its affiliates is a party or in which any of its properties are the subject of the proceeding.

MARKET PRICE FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

Market Information

The shares of KEGI are traded over-the-counter, hence, there is no public trading for the registrant's shares.

KEGI's common stocks are available through the SPODKEGI office.

Security Ownership of Certain Records and Beneficial Stockholders

The following are the stockholders of the Company as of June 30, 2022

Title of Class of Shares	Name, Address of Record Owner, and Relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	Amount of Shares Held	Percent
common	EDGARDO L. SALVAME, Casian, Taytay, Palawan	n/a	Filipino	743,200,000.00	29.15%
common	ROSALIE A. SALVAME Casian, Taytay, Palawan	n/a	Filipino	637,500,000.00	25.00%
common	ZHUANG FEI LONG, 3315 Hoi lam HSE Hoi Fu CRT Mongkok, Kowloon, Hongkong	n/a	Chinese	382,500,000.00	15.00%
common	CHONG MAN PING, 3315 Hoi lam HSE Hoi Fu CRT Mongkok, Kowloon, Hongkong	n/a	Chinese	382,500,000.00	15.00%
common	RAYMOND B. ANG, 16 Tepolo St. Baloy Tablon, Cagayan De Oro City	n/a	Filipino	255,000,000.00	15.00%
common	SALLY O. ANG, 16 Tepolo St. Baloy Tablon, Cagayan De Oro City	n/a	Filipino	127,500,000.00	5.00%
common	ROSALINDA A. VERGARA, 30 Frost Street, Filinvest 2, Batasan Hills, Quezon City, 2nd District, NCR, 1126	n/a	Filipino	3,000,000.00	0.12%

common	EDWIN T. VERGARA, 30 Frost Street, Filinvest 2, Batasan Hills, Quezon City, 2nd District, NCR, 1126	n/a	Filipino	3,000,000.00	0.12%
common	JOHN H. BANTOG, Brgy. Tulay na Patpat, Ibaan, Batangas	n/a	Filipino	2,000,000.00	0.08%
common	FELIX E. SANTINOR, Brgy. Lapu-lapu, Ibaan, Batangas	n/a	Filipino	2,000,000.00	0.08%
common	MA. ASUNCION S. MAGPANTAY, San Andres, Alaminos, Laguna	n/a	Filipino	2,000,000.00	0.08%
common	LILIA T. CHAN, Brgy. Tulay na Patpat, Ibaan, Batangas	n/a	Filipino	1,000,000.00	0.04%
common	TERESITA G. CENIZA, Brgy. Lapu-Lapu, Ibaan, Batangas	n/a	Filipino	1,000,000.00	0.04%
common	REMEFLOR D. CENIZA, Brgy. Tulay na Patpat, Ibaan, Batangas	n/a	Filipino	1,000,000.00	0.04%
common	JOHN MICHAEL A. YAP, Brgy. Tulay na Patpat, Ibaan, Batangas	n/a	Filipino	1,000,000.00	0.04%
common	ANTONIO P. DALUCAPAS, Brgy. Tulay Na Patpat, Ibaan, Batangas	n/a	Filipino	1,000,000.00	0.04%
common	PAULINO A. AGBU, Blk 17	n/a	Filipino	600,000.00	0.02%

	Lot 22 Phase 1-B Villa Trinitas Subd. Bugo Cagayan de Oro City				
common	ESRA Prime Corp., Metro Rei Business Park, San Jose Batangas Rd. Ibaan, Palindan, Batangas	n/a	Domestic Corporation	2,000,000.00	0.08%
common	EDELYN JANE A. SALVAME, Tulay na Patpat, Ibaan, Batangas	n/a	Filipino	100,000.00	0.004%
common	ERIKA JEAN A. SALVAME, Tulay na Patpat, Ibaan, Batangas	n/a	Filipino	100,000.00	0.004%
common	Others	n/a	Filipino	2,000,000.00	0.08%
TOTAL				2,550,000,000.00	100%

Dividends

The Board of Directors of KEGI has the power to fix and determine the amount to be reserved or provided for declaration and payment of dividends from KEGI's unrestricted retained earnings. The amount of such dividends (either in cash, stock, property or a combination of the foregoing) will depend on KEGI's profits, cash flows, capital expenditure, financial condition, and other factors and will follow SEC's guidelines on determining retained earnings available for dividend declaration. The existence of surplus profit is a condition precedent before a dividend can be declared. The surplus profits or income must be a bona fide income founded upon actual earnings or profits. Actual earnings or profits shall be the net income for the year based on the audited financial statements, adjusted for unrealized items, which are considered not available for dividend declaration. Taking into account KEGI's cash flows, capital expenditure, investment objective and financial condition, at least 10% of the actual earnings or profits may be declared by the Board of Directors as dividends.

Dividends so declared will be automatically reinvested in additional shares on behalf of the shareholders, without sales charges, at the NAVPS on the payment date established for such dividends. As such, shareholders realize their gains when shares are redeemed. Shareholders may elect not to have dividends reinvested and receive payment in cash, net of tax.

MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

KEGI is in the process of completing its requirements for the registration of the approved Initial Public Offering of capital stock. Pre-operating expenses that will be incurred amounted to PhP3,350,682.85 which represents filing fees for the registration of shares and accrued professional fees.

KEGI has already been in operation for the last 11 years. Below is the comparative statements for years 2019, 2020 and 2021, including interim statements as of March 31, 2022.

Statement of Financial Position

	As of March 2022	As of December 31, 2021	As of December 31, 2020	As of December 31, 2019

Non-Current Assets	3,817,346,003	3,890,590,063	4,188,411,335	4,453,941,906
Current Assets	819,954,684	850,374,956	758,696,573	805,973,064
Total Assets	4,637,300,687	4,740,965,019	4,947,107,908	5,259,914,970
Equity	3,121,433,653	3,135,598,316	3,050,827,547	843,760,634
Noncurrent Liabilities	938,435,949	938,673,001	1,231,803,879	3,663,430,025
Current Liabilities	1,515,867,034	666,693,702	664,476,482	752,724,312
Total Liabilities and Equity	4,637,300,687	4,740,965,019	4,947,107,908	5,259,914,970

Statement of Income

	For the Quarter Ended March 2022	For the Year Ended December 31, 2021	For the Year Ended December 31, 2020	For the Year Ended December 31, 2019
Sale of Power	258,623,460	1,078,296,268	1,013,735,821	1,021,044,070
Cost of Service	(198,762,605)	(771,023,757)	(665,701,620)	(681,767,630)
Gross Income	59,860,855	307,272,693	348,034,201	339,276,440
Operating Expenses	(38,129,462)	(132,894,248)	(107,342,035)	(79,607,030)
Finance Cost net of Finance Income	(14,096,056)	(78,901,330)	(141,968,054)	(145,616,683)
Income Tax Expense	(0)	(22,828,762)	(27,149,131)	(34,246,659)
Net Income	7,635,337	65,209,201	69,596,967	80,004,587

Other Comprehensive Income (Loss)	(0)	(38,432)	(0)	(0)
Total Comprehensive Income	7,635,337	65,170,767	69,596,967	80,004,587
Earnings Per Share	0.30	4.10	9.28	10.67

Statement of Equity

	For the Quarter Ended March 2022	For the Year Ended December 31, 2021	For the Year Ended December 31, 2020	For the Year Ended December 31, 2019
Capital Stock	2,569,600,000	2,569,600,000	750,000,000	750,000,000
Treasury Shares	(21,800,000)	(0)	(0)	(0)
Share Premium	337,469,946	337,469,946	(0)	(0)
Deposit for Future Subscription	0.00	0.00	2,137,469,946	2,137,469,946
Retained Earnings	236,202,139	228,566,802	163,357,601	160,889,499
Cumulative Measurement Loss on Retirement Liability	(38,432)	(38,432)	(0)	(0)
Total Equity	3,121,433,653	3,135,598,316	3,050,827,547	3,048,359,446

Statement of Cash Flows

	For the Quarter Ended March 2022	For the Year Ended December 31, 2021	For the Year Ended December 31, 2020	For the Year Ended December 31, 2019
Cash Flows From (Used) in Operating Activities	(15,150,855)	246,189,743	253,665,165	362,519,966
Cash Flows From (Used) in Investing Activities	(5,678,084)	(27,823,987)	(37,092,202)	(46,109,401)
Cash Flows From (Used) in Financing Activities	(50,869,691)	(187,127,391)	(218,750,000)	(250,000,000)
Net Increase (Decrease) in Cash	(71,698,630)	31,238,365	(2,177,037)	66,410,566
Cash, Beginning	155,295,077	124,056,712	126,233,749	59,823,184
Cash, Ending	83,596,447	155,295,077	124,056,712	126,233,749

Income is recognized to the extent that it is probable that the economic benefits will flow to the company and the revenue can be measured reliably. Income is measured at the fair value of the consideration received or receivable and represents amounts receivable for services provided in the normal course of business.

KEGI manages its capital to ensure that KEGI will be able to continue as a going concern while maximizing returns to stakeholders through the optimization of the mix of high-quality debt and equity securities from domestic issuers.

KEGI is guided by its investment policies and legal limitations. All the proceeds from the sale of shares, including the original subscription payments at the time of incorporation constituting the paid in capital, is held by the pertinent custodian banks.

This Management's Discussion and Analysis of King Energy Generation Inc. should be read in conjunction with the Audited Financial Statements including the notes thereto for the years ended December 31, 2021 and 2020.

King Energy Generation, Inc. (KEGI) has been operating as a power generation company through its seven (7) diesel power plants for twelve (12) years. The ongoing COVID 19 pandemic has brought about undeniable adverse impacts to all sectors of the Philippine economy and that includes the power industry. During the pandemic, KEGI manages to still continue its operation, avoid layoff and secured additional contractual agreements with customers. In 2021, as a diesel-sourced generation company, the significant increase in the global crude oil price and the continuous weakening of Philippine peso versus other currencies, greatly affects the company's operation. The management has implemented various cost-cutting strategies to counteract the effect of rising prices.

Most of KEGI's power supply agreements are on a 10-year term, and being on business operations for 12 years, some of the company's PSA have ended its term. The management is continuously working on the renewal of the said agreements and started venturing into new contracts most specifically its gear towards renewable energy to address the concern of expiring contracts. In 2021, KEGI has been awarded 12 Hydropower Service Contracts (HSC) by the Department of Energy (DOE) as a RE Developer having the right to conduct hydropower operations on specific areas.

FINANCIAL RESULTS

Illustration 1: Income Statement Comparative Report

	2022 - 1st Q	2021	2020
GROSS REVENUE	258,638,805.00	1,078,384,506.00	1,013,901,606.00
COST OF SERVICES	198,762,605.00	771,023,575.00	665,701,620.00
GROSS INCOME	**59,876,200.00**	**307,360,931.00**	**348,199,986.00**
TOTAL OPERATING EXPENSES	52,240,863.00	219,322,968.00	251,453,888.00
NET INCOME (LOSS), BEFORE TAX	**7,635,337.00**	**88,037,963.00**	**96,746,098.00**
INCOME TAX	-	22,828,762.00	27,149,131.00
NET INCOME (LOSS), AFTER TAX	**7,635,337.00**	**65,209,201.00**	**69,596,967.00**

KEGI's gross revenue in 2021 increases to P1.078 billion from 1.013 billion gross revenue in 2020. The increase of 65M arose due to the demand for reactive power support and dispatchable energy reserve. An Ancillary Services Procurement Agreement (ASPA) with National Grid Corporation of the Philippines (NGCP) for two of the company's power plant has taken effect in the mid of the 2020. In the 1st quarter of 2022, KEGI has around P258 million gross revenue, and if the same sales will continue for the whole year, it is expected that the company will still hit the billion marks in terms of revenue for 2022.

Cost of services' percentage to revenue are 76.85%, 71.5% and 65% in years 2022-1st Q, 2021 and 2020, respectively. The continuing increase of cost of services is due to the increasing price of commodities most specifically fuel cost which is the company's source for power generation.

Total operating expenses for 2022 1st Q and 2021 is 20 % of total revenue while 2020 is 25% of total revenue. The operating expenses for 2021 and 2022 1st Quarter are slightly lower than 2020 due to company's effort to minimize its general and administrative expenses. Also, financing cost decreases continuously from year 2020 to 1st quarter of 2022 since principal loan amount as basis for interest expense also decreases due to repayment, no additional loan was acquired.

Illustration 2: Balance Sheet Comparative Report

	2022 - 1st Q	2021	2020
CURRENT ASSETS	819,954,684.00	850,374,956.00	758,696,573.00
NON-CURRENT ASSETS	3,817,346,003.00	3,890,590,063.00	4,188,411,335.00
TOTAL ASSETS	**4,637,300,687.00**	**4,740,965,019.00**	**4,947,107,908.00**
CURRENT LIABILITIES	577,431,085.00	666,693,702.00	664,476,482.00
NON-CURRENT LIABILITIES	938,435,949.00	938,673,001.00	1,231,803,879.00
TOTAL LIABILITIES	**1,515,867,034.00**	**1,605,366,703.00**	**1,896,280,361.00**
SHAREHOLDER'S EQUITY	3,121,433,653.00	3,135,598,316.00	3,050,827,547.00
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY	**4,637,300,687.00**	**4,740,965,019.00**	**4,947,107,908.00**

Current assets increase from P758 million in 2020 to P850 million in 2021, is a result of an increase in the company's trade and other receivables as well as increase in fuel and spare parts inventory. As an effect of the pandemic hit, in 2021, some of the customers requested for deferral on their payments and several payment schemes were arranged that causes trade receivables to increase materially. While in the 1st quarter of 2022, a decrease of P30.4 million in the company's current assets due to decrease in cash used for payment of payables. Decrease in non-current assets is due to the depreciation of the company's property, plant and equipment.

On the other hand, the substantial decrease of around P89 million in current liabilities for the 1st quarter of 2022 is a result of the payment of accounts payable to contractors and suppliers and repayment of current portion of loan. Noncurrent liabilities represent the noncurrent portion of loan and retirement payable.

Lastly, increase in the shareholders' equity is due to the annual net earnings of the company which is P69.5 million in 2020 and P65 million in 2021.

CASH FLOW POSITION

Cash Flow Statement shows the change in cash flow from operating activities, investing activities and financing activities at the end of the accounting period, and indicates the ending balance of the cash. As of December 31, 2021, the ending balance of cash is P155 million which is P31.238 million higher from 2020 cash ending balance.

Illustration 3: Cash Flow Comparative Report

		2021	2020
CASH, Beginning		124,056,712.00	126,233,749.00
NET CASH FLOW FROM OPERATING ACTIVITIES		246,189,743.00	253,665,165.00
NET CASH FLOW USED IN INVESTING ACTIVITIES		-27,823,987.00	-37,092,202.00
NET CASH FLOW USED IN FINANCING ACTIVITIES		-187,127,391.00	-218,750,000.00
NET CHANGES IN CASH		31,238,365.00	-2,177,037.00
CASH, Ending		**155,295,077.00**	**124,056,712.00**

Net cash from operating activities totaled P246 million in 2021 and P253 million in 2020. There is an increase of trade and other receivables of P28 million and a decrease of P81 million for payables in year 2021. Finance cost paid in 2021 is P63 million lower than the amount paid in 2020.

Net cash payment for investing activities is P27.8 million in 2021 and P37 million in 2020. Such are used for acquisition of additional property, plant and equipment, and investment to associate.

Net cash payment for financing activities is P219 million in 2021 and P 218.75 million in 2020. Cash was mainly used for payment of loans and borrowings, however in 2021, cash was received from additional issuance of shares amounting to P19.6 million.

FINANCIAL RATIOS

The management of KEGI uses financial ratio analysis in order to assess the financial health of the company. Line-item data in the financial statements are compared to reveal insights regarding the company's profitability, liquidity, solvency and debt coverage.

Illustration 4: KEGI's Financial Ratios for year ended December 2020 and 2021

	2021			2020		
Liquidity Ratio						
Current Ratio	850,374,956 / 666,693,702	=	1.28	758,696,573 / 664,476,482	=	1.14
Profitability Ratio:						
Gross Margin	1,078,296,268-771,023,575 / 1,078,296,268	=	0.28	1,013,735,821-665,701,620 / 1,013,735,821	=	0.34
Operating Margin	174,378,445 / 1,078,296,268	=	0.16	240,692,168 / 1,013,735,821	=	0.24
Solvency Ratio:						
Solvency	65,209,201+314,052,398 / 1,605,366,703	=	0.24	69,596,967+328,221,838 / 1,896,280,361	=	0.21
Leverage Ratio:						
Debt Service Coverage (DSCR)	174,378,445+314,052,398 / 78,901,330+219,223,755	=	1.64	240,692,168+328,221,838 / 141,968,054+218,750,000	=	1.58
Net Financial Contracting Capacity	(850,374,956-666,693,702)*20	=	3,673,625,080.00	(758,696,573-664,476,482)*20	=	1,884,401,820.00

LIQUIDITY RATIO

In order to measure the company's ability to repay its short-term obligations, the management regularly check its current or working capital ratio which is current assets divided by current liabilities. For the two (2) calendar years, 2021 and 2020, the company's current ratio is above 1 which signifies that the company is liquid enough to pay off its short – term debts.

PROFITABILITY RATIO

The company's profitability or its ability to generate income relative to its revenue and operating costs are evaluated through the computation of its annual gross and operating margin. For years 2021 and 2020, the company has 24% and 16% operating margin, and 34% and 28% gross margin, respectively. This indicates that the company's business operation is earning enough to pay for all the associated costs involved in maintaining the business.

SOLVENCY RATIO

Solvency ratio is one of the many metrics the management uses to determine whether the company can stay solvent in the long term. The company computes solvency by comparing its net income added with depreciation and other non-cash expenses to its total liabilities to assess the company's capacity to stay afloat. In the above illustration, the company has 24% and 19% solvency for 2021 and 2020, respectively. Such figures are believed to be acceptable since as a general rule of thumb, a solvency ratio of 20% to 30% is considered financially healthy.

DEBT SERVICE COVERAGE RATIO (DSCR)

For an industry that is highly levered, evaluation of the company's debt service coverage ratio is very important. The ratio compares its total debt obligations (principal repayments and interest) to its operating income. The Energy Regulatory Commission (ERC) in accordance with the EPIRA law requires 1.25x annual DSCR for every power generation and distribution companies. For the last two years, 2021 and 2020, the company has DSCR of 1.64x and 1.29x which is in compliance of the financial benchmark set by the Energy Regulatory Commission (ERC) and indicates that the company has enough operating cash flow to repay its outstanding debts.

NET FINANCIAL CONTRACTING CAPACITY (NFCC)

The management also regularly assess the company's financial contracting capacity to determine the capability to venture into new projects or enter new contracts with customers. In 2020, the company has a net financial contracting capacity of P1,884,401,820 and it materially increases in 2021 to a net financial contracting capacity of P3,673,625,080.00. With the presented figures, the company is financially efficient in pursuing its goal to venture into Renewable Energy projects.

ACCOUNTING POLICIES and ESTIMATES

KEGI prepares its financial statements in accordance with Philippine Financial Reporting Standards (PFRS). All estimates and assumptions made that affects the reported balances for assets, liabilities, income and expenses are based on management's evaluation of relevant facts and circumstances as of date of the financial statements. The management ensures that best judgments and estimates are results of giving due consideration of materiality. With the established company accounting policies, management has made judgments that has most significant effects on amounts in the financial statements.

Revenue Recognition

As a power generation company, revenue is recognized over time since customers simultaneously receive and consume the benefits as the company supplies power. Revenue recognition is based on:

1. Capacity Fee – fixed capacity payments computed based on the total investment cost and allocated over the term of the contract is billed monthly to customers.
2. Variable Fee – monthly billing to customers computed as actual kilowatt hours dispatched multiplied by the variable rate.

Income Taxes

The company estimates its income tax expense on a specific period based on the guidelines set forth by the Bureau of Internal Revenue (BIR). In March 26, 2021, Republic Act (RA) 11534 or the CREATE Act has been signed into law which introduces reforms to the corporate income tax and incentives systems. Tax expense for every period comprises current and deferred tax and is recognized in profit or loss.

Subsequent Event

KEGI has evaluated subsequent events after December 31 of a specific year through April 15 of the following year, the date the financial statements are available for issuance. As a result of this evaluation, the effectivity of the CREATE Act was considered a subsequent event that requires recognition in the financial statements ending December 31, 2020. While in December 31, 2021, there are no subsequent event that require recognition or disclosure in KEGI's financial statements.

INVESTMENT POLICIES

KEGI is also governed by the following fundamental investment policies:

1. It does not issue senior securities.

2. It does not intend to incur any debt or borrowing. In the event that borrowing is necessary, it can do so only if, at the time of its incurrence or immediately thereafter, there is asset coverage of at least 300% for all its borrowings.

3. It does not participate in any underwriting or selling group in connection with the public distribution of securities, except for its own share capital.

4. It generally maintains a diversified portfolio. Industry concentrations may vary at any time depending on the investment manager's view on the prospects.

5. It does not purchase or sell commodity futures contracts.

6. It does not engage in lending operations to related parties such as the members of the board of directors, officers of KEGI and any affiliates, or affiliated corporations of the company.

7. The asset mix in each type of security is determined from time to time, as warranted by economic and investment conditions.

8. It does not change its investment objectives without the prior approval of a majority of its shareholders.

CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURES

Audit and Audit-Related Fees

There are other assurance and related services rendered by the external auditor that are reasonably related to the performance of the audit of the KEGI's financial statements. The details of said information is provided below, as follows:

YEAR	AUDITOR	AUDIT FEE
2021	Baconga, Patriana and Co.	1,040,351
2021	Cuenca, Ponferrada, Alag and Co.	202,000
2020	Cuenca, Ponferrada, Alag and Co.	202,000
2019	Cuenca, Ponferrada, Alag and Co.	202,000

Tax Fees

There are no professional services rendered by the external auditor for tax accounting, compliance, advice, planning and any other form of tax services.

TAXES	2021	2020	2019	TOTAL
Real Property Taxes	29,927,096	29,943,857	31,658,617	91,529,571
Local Business Tax	5,372,390	5,529,513	5,689,119	16,591,022
BIR Income Tax	24,944,003	29,617,234	34,246,659	88,807,896
BIR Value Added Tax	48,786,684	48,406,781	49,635,822	146,829,286
Total	109,030,173	113,497,385	121,230,217	343,757,775

All Other Fees

There are no other fees billed by the external auditor for any other products and services.

KEGI's audit and compliance committee reviews the client service plan and service fee proposal presented by the external auditor and recommends such for the approval of the Board of Directors, if found acceptable.

DIRECTORS, EXECUTIVE OFFICERS, PROMOTERS AND CONTROL PERSONS

Directors and Executive Officers

The Board of Directors is responsible for conducting all the businesses of KEGI.

The following are the Board of Directors and Officers of the company:

NAME	CITIZENSHIP	POSITION
Engr. Edelyn Jane A. Salvame	Filipino	President/Chief Executive Officer and Chairman of the Board
Dr. Erika Jean A. Salvame	Filipino	Chief Financial Officer /Treasurer/Director
Sally O. Ang	Filipino	Director/Corporate Secretary
Raymond B. Ang	Filipino	Director
Zhliang Fei Long	Chinese	Director
Chong Man Ping	Chinese	Director
Lilia T. Chan	Filipino	Director
Jaime R. Hila	Filipino	Director
Milagros S. Castro	Filipino	Director
Engr. Gilbert J. Rodriguez	Filipino	General Manager

BOARD OF DIRECTORS AND OFFICERS

1. Engr. Edelyn Jane Ang Salvame, President/CEO and Chairman of the Board

She has been designated as the President and Chief Executive Officer of the company. She is backed by seven (7) solid years of remarkable experience as the COO of the company before her current post.

She is also the COO of another company that is in power distribution, Ibaan Electric Corp (IEC) from 2018 – June 30, 2022, and its incumbent President/CEO and Chairman of the Board effective July 01, 2022. Adding a feather to her cap is Maramag Mini-Hydro Power Corporation wherein she is also the President.
Her vast work experience is not only in the power industry. She is also the current President of Meter King Inc. (MKI), a general construction company with a triple-A category, and the President of ESRA Prime Corp., a holding company.

She is highly driven and passionate in all her endeavors and in spearheading the corporation to propel to greater heights.

She is equipped with technical skills that she has acquired from her education and experience in the field of business, information technology, and civil and electrical engineering. She has also honed her skills in personnel management and public relations. She proactively leads the core team in attaining the company's mission and vision while ensuring that the best interest of every stakeholder of the corporation is well taken care of.

Engr. Salvame acquired her bachelor's degree from the College of St. Benilde in 2008, her Civil Engineering degree from Mapua Institute of Technology in 2013, and her Expanded Tertiary Education Equivalency and Accreditation Program from the University of Cebu in 2016.

Positions and offices held or currently holding with the registrant	President/CEO and Chairman of the Board
Term of office as Director /	

Officer and period already serve with the registrant	Nov. 18, 2014 – June 30, 2021, as COO	
Business experience for the past five (5) years	Chief Operating Office	King Energy Generation Inc.
	Chief Operating Office	Ibaan Electric Corp.
	Chief Operating Office	Meter King, Inc.
	Sole Shareholder	Suburban Estate Properties OP
	Sole Shareholder	Eaglewood Heights OPC
	Chief Financial Office	ESRA Prime Corp.
If a director/officer of a public publicly listed company or company with a secondary license issued by SEC, pleas identify the company and th position held, and the period served.	Not applicable	

2. Dr. Erika Jean Ang Salvame, Vice-President/Chief Financial Officer/Treasurer

An ophthalmologist by profession since 2014. She ranked 5th place in the 2019 Philippine Board of Ophthalmology Diplomate Examination. She was awarded as Most Outstanding Resident in 2018, Department of Ophthalmology by Manila Doctors Hospital and was conferred with the title of Chief Resident in the same year.

Her most noteworthy academic achievements and awards include the following: 1st Place, Surgical Video Presentation, Fellows Surgical Video Contest Unravelling the Retinal Origami: Tips & Tricks in Tackling Giant Retinal Tear” at the 2021 Philippine Academy of Ophthalmology Congress done through online platform last November 18-20, 2021, Finalist, Surgical Video Presentation “Reverse Rolling Pin Delamination in Chronic Retinal Detachment with Proliferative Vitreoretinopathy” at the 2021 Philippine Academy of Ophthalmology Congress done through an online platform last November 18-20, 2021, Finalist, Oral Presentation of Surgical Video, 7th Virtual

Egyptian Vitreo-Retina Society Training School 2020 “Retina Maze Runner” via Online Platform: December 4, 2020. Host: Cairo, Egypt, Finalist, Surgical Video Presentation, Fellows Surgical Video Contest “Retina Mazer Runner: Bimanual Vitrectomy for Severe Combined Diabetic Retinal Detachment” at the 2020 Philippine Academy of Ophthalmology Congress done through online platform last November 27-29, 2020, Finalist, Surgical Video Presentation “M.i: III; Triple Procedure for A Posterior Segment Surgeon, Phacofragmentation, Endoscopic Cyclophotocoagulation and 4-Flange Intrascleral Fixated Rigid IOL” at the 2020 Philippine Academy of Ophthalmology Congress done through online platform last November 27-29, 2020, 2nd Place 3rd Jorge G. Camara Clinico-Pathologic Conference, 2018 Philippine Academy of Ophthalmology Congress, Pasay. She Ranked 3rd in Batch and 4th Place Over-all.

Bagging recognitions, awards, and citations for her dedication and superb skills in the field of ophthalmology while simultaneously sharpening her skills as the CFO of King Energy Generation Inc (KEGI) with the support of financial and technical experts. Concurrent with her appointment as the Vice President/CFO/Treasurer of the company, she is also the Vice President/CFO and Corporate Treasurer of Ibaan Electric Corporation.

Dr. Erika Jean A. Salvame acquired her bachelor’s degree in Public Health from the University of the Philippines – Manila in 2010, her postgraduate degree as Doctor of Medicine from the University of the East Ramon Magsaysay Medical Memorial Center in 2014, her medical internship from the Philippine General Hospital in 2015, her Ophthalmology Residency from the Department of Ophthalmology in Manila Doctors Hospital in 2018, her Ophthalmology Fellowship from 2020 up to present.

Positions and offices held or currently holding with the registrant	Vice President/Chief Financial Officer / Treasurer
Term of office as Director / Officer and period already served	Not applicable

with the registrant		
Business experience for the past five (5) years.	Vice President/CFO/Treasurer Director 2021 – present	Ibaan Electric Corporationp. ESRA Prime Corp.
If a director/officer of a public or publicly listed company or company with a secondary license issued by SEC, please identify the company and the position held, and the period served.	Not applicable	

3. Congressman Edgardo L. Salvame, former President/CEO and Chairman of the Board

It was a decade ago when the former President of KEGI, in collaboration with his dynamic, energetic, and aggressive technical team and consultants from multinational companies started the corporation with the objective of heeding the call of electrical cooperatives to be part of the solution in addressing the power crisis in Mindanao. With prior in-depth corporate experience gained from his business affiliations, the challenge of coming up with business formulations, strategic directions, sound executive judgments, and decisive action steps for the incorporation of the organization became easier. All of these have resulted in the subsequent opening of other power generation plants, diversification, and expansion of KEGI in various areas of Mindanao.

Having won as the Congressman for the 1st District of Palawan in the recently concluded national elections, he has tendered his resignation as the President/CEO and Chairman of the Board of KEGI and has decided to devote himself fully as a public servant.

Being a Director / Board Member gives him the opportunity to be still part of the governing authority within the management structure.

4. Sally O. Ang, Corporate Secretary /Board Member/Finance Manager

She is a seasoned Finance Manager who plays a vital role in the KEGI management of the company. From 2010 to the present, she is able to effectively oversee the finance team, focus on the management of trade accounts, and report directly to the CFO. She has a keen eye for details and is highly organized and efficient. She is one of the incorporators and a valuable member of the core team who is responsible for propelling the company to its present stature in the power generation industry and the preferred trade partner of electric cooperatives in Mindanao.

As a board member since 2010, she has actively participated and supported the Board of Directors in all major decisions such as supporting and reviewing the CEO's platform and analyzing and approving major policies and decisions. She is an inspiring leader. One who possesses great interpersonal communication, and negotiation skills not only for the company's internal circle but for its external environment as well. She is a great asset to the organization.

She is also a Board Member of Meter King, Inc. and a Director / Board Member of Ibaan Electric Corporation.

Mrs. Sally O. Ang acquired units of education in Office Management from Northern Mindanao Polytechnic School in 1994.

5. Raymond B. Ang, Director / Board Member

He has actively participated in all major decisions of the Board of Directors that helped propel the company to its present stature as one of the most dependable and trustworthy power generation companies in Mindanao. Also served as the Chief Operating Officer of the company during its early years of operation. His significant and valuable contributions as part of the core team had greatly helped the company in minimizing the birth pangs of a newly established player in the power industry.

As a Board Member of the company from 2010 up to the present, his role includes supporting and reviewing the CEO's platform and analyzing and approving major policies and decisions. He also served as the Branch Manager of Meter King, Inc. from 1995 – 2001 and thereafter continuously being elected as Board Member. He is also a Director / Board Member of Ibaan Electric Corporation.

Mr. Raymond B. Ang acquired units of education in Bachelor of Science in Commerce Major in Accounting from Laguna College.

6. Zhuang Fei Long, Director / Board Member

A Hongkong-based Chinese businessman. He has made a significant investment because of his confidence in the technical team composed of experts in their respective fields and in the executive team who would be macro managing the organization.

As a Board Member from the time of its incorporation up to the present, he actively participates and supports all major decisions of the board.

Zhuang Fei Long was able to obtain his bachelor’s degree from the Fuzhou Normal University in Hongkong.

7. Chong Man Ping, Director / Board Member

A Chinese businessman based in Hongkong also made a significant investment by being one of its incorporators when he saw the limitless opportunities the company has in the power generation industry.

He actively participates and supports all major decisions of the board.

8. Lilia T. Chan, Director / Board Member

She is one of the Directors / Board Members of the company. Being a member of the board, she is part of the governing body that is responsible for protecting shareholders' interests, establishing policies for management, overseeing the company, and making decisions about important issues the company faces

She is equipped with the corporate skills and technical knowledge of a Director for she is also the incumbent President of High Power Construction Inc., a general construction company. She plays a proactive role in ensuring that the best interest of all stakeholders is well-managed by working hand in hand with the Board of Directors in the realization of the company's mission and vision.

Ms. Chan obtained her computer course from the Marian Computer Institute in 1996 and has two (2) decades of vast corporate experience.

9. Jaime R. Hila, Director / Board Member

One of the Directors of the company. He has brought with him two (2) decades of corporate experience gained from various industries that he is associated with: real estate, general construction, lending/finance, and a holding company.

Being a member of the board, he is part of the governing body that is responsible for protecting shareholders' interests, establishing policies for management, overseeing the company, and making decisions about important issues the company faces.

He obtained his bachelor's degree in Nursing from San Pablo Colleges in Laguna in 1994.

10. Ms. Milagros S. Castro, Director / Board Member

A Certified Public Accountant by profession. With more than forty (40) years of vast experience in finance and KEGI management from her previous engagements as an employee and as a consultant to various corporations having different structures and dynamics such as banking institutions, pharmaceutical companies, logistics, and island resorts, to name a few.
She has seen the enormous possibilities of the company not only in the power generation industry but in other forms of diversifications in renewable energy.

Being one of the directors and members of the board, her participation will be a great asset to the company. It will enable her to look after the best interest of the company, the welfare of shareholders, and all stakeholders. Her expertise in financial management would be a great asset to the Board and the company in designing dividend policies, creating options policies, selection, and support for the CEO, establishing compensation for executives, maintaining company resources, setting general company goals, making sure that the company is equipped with the tools it needs to be managed well, and is capable of continuously improving and reinventing itself, as the need arises, always in a proactive manner.

She earned her bachelor's degree in Accountancy from the University of the East in Manila in 1982 and is a member of the Philippine Institute of Certified Public Accountants (PICPA) since 1984.

11. Engr. Gilbert J. Rodriguez, General Manager

Engr. Gilbert J. Rodriguez is a Registered Electrical Engineer by profession who has extensive experience in technical, operations, research, sales, and marketing gained from multinational companies. He started as the Head of the Technical Consultants of the company in 2010. He was hired and appointed as the General Manager a year after. He possesses a critical and analytical mind and is in constant collaboration with the company's technical team and technical consultants. He directs the entire operations, maintenance, and repair activities, and ensures the achievement of all operational objectives of the company.

It was his valuable contributions that played a vital role in the success of the first power generation plant of the company which paved the way to putting up additional seven (7) power plants in various areas of Mindanao. He is at the forefront of the research and development of various renewable energy projects of the company.

As the General Manager of the company and an active member of the executive management that is responsible for maintaining and driving operational results within the company, he works closely with the CEO and the CFO as well as other executive management team members. As one of the most critical and essential positions within the company, he is a great communicator, a dynamic leader with an advanced vision, and a highly driven executive who spurs company aggressive growth, constantly innovates on key operational procedures, creates/refines new processes, and ensures day-to-day operational excellence.

He is also instrumental in the successful development, launching, and operations of Maramag Mini Hydro Power Plant as its General Manager/ Board of Director and Corporate Secretary. He is also the President and Chairman of the Board of Diamond Streamworks Inc. which is engaged in the business of bulk water and distribution facilities in Mindanao. In addition to these, he is also General Manager and Board of Director of Metro-Rei Property Ventures, Inc. which is engaged in property development, leasing, and bulk water.

Before his stint with the company, Engr. Rodriguez was the Electrical Engineer and Project Supervisor of Graybar Marketing, in Quezon City from 1989 – 1993 and has worked afterward with Asea Brown Boveri Inc. (ABB) for eighteen (18) years. He started as a Design Engineer and Field Engineer Support and was promoted as Key Accounts Manager in Northern and Southern Mindanao. He was able to obtain an in-depth knowledge of engineering and management; leadership and monitoring; testing and problem solving with a specialization in the electrical system.

He has obtained his degree in Associate Electrical Engineering from Cagayan de Oro College in 1989 and is currently pursuing his Master's degree in Electrical Engineering at one of the most prestigious universities in Mindanao.

The Management Team

The following are the management team of KEGI:

NAME	CITIZENSHIP	POSITION
Atty. Marites F. Sangual	Filipino	Legal and Administrative Division Manager
Engr. Ariel J. Buragay	Filipino	MOPP1 Plant Manager Operations and Maintenance Division Manager
Ramil T. Inzo	Filipino	Safety, Health & Environment Division Manager Compliance Officer
Engr. Amorlito D. Melicor, Jr.	Filipino	Power Trading and Billing Department Manager
Tessa Lonica A. Padel	Filipino	Accounting Head
Rose Jane C. Docto	Filipino	Finance Head
Flordemie P. Basa	Filipino	Human Resource Officer
Rita S. Pabular	Filipino	Procurement Head

The following heads of various departments/divisions are expected by the registrant to significantly contribute to the holistic and optimum success of the company because of their respective technical competencies and professional achievements.

Atty. Marites F. Sangual, *Legal and Administrative Division Manager*

Atty. Sangual held the position of Corporate Counsel of the company from February 01, 2018, up to December 31, 2021. She was promoted as Legal and Administrative Division Manager on January 1, 2022.

As Legal and Administrative Division Manager of the company, her primary responsibility is to ensure the company's compliance with lawful orders, rules, policies, and laws as well as safeguard the company's rights and interests, among others. Being at the forefront of the legal department, she is steadfast in monitoring the compliance of the company to government-mandated laws, ruling, and implementing guidelines that applies to the power generation industry by keeping herself knowledgeable on the most recent updates from all possible sources of information.

She also collaborates and provides legal assistance with all stakeholders, department heads, and the core team to educate them on all requirements for compliance, legal, and data protection requirements whenever necessary.

She concurrently handles the Administrative Department and contributes to the strategic planning and day-to-day running of the company, supports operations, and supervises the Human Resources Section.

She is also a Legal Consultant to various companies engaged in the business of construction, plant operation and maintenance, rentals and bulk water system, private electric distribution utility, and hydroelectric power. She is also a private practitioner since her admission to the Philippine Bar in March 2012 up to the present.

As an overview of her track record before her onboarding with the company: she has been consistent in rising from the ranks in practicing her profession for six (6) solid years. Starting from her first tenure as Legal Assistant in December 2011 up to March 2012 and as Associate Lawyer from March 2021 up to August 2012 at San Jose Tagarda & Yap Law Firm; she has served as a Volunteer Lawyer at Xavier University Center for Legal Assistance from October 2012 to May 2013. She initially taught as a part-time College Instructor at Pilgrim Christian College and Bukidnon State University – CDO Extension, respectively, starting June 2013, then moved to public service when she assumed the role of Attorney III at the Provincial Legal Office of Misamis Oriental from August 16, 2013, to December 8, 2014. On December 9, 2014, she was promoted to Attorney IV at the Provincial Legal Office of Misamis Oriental. Following her appointment as Attorney IV, she was then also concurrently designated as the Legal Counsel of the Province in administrative hearings. Thereafter, on September 1, 2016, Atty. Sangual served as the Officer-In-Charge of the Provincial Legal Office of Misamis Oriental until July 1, 2017. She was later on reassigned to the Provincial Assessor's Office of Misamis Oriental from July 1, 2017, up to January 31, 2018, to handle all legal cases of the Provincial Assessor's Office.

She earned her degree in Bachelor of Science in Psychology from Xavier University – Ateneo de Cagayan in 2006 and her Bachelor of Laws (LL.B.) from the same school (Xavier University – Ateneo de Cagayan) in 2011 and passed the 2011 Philippine Bar Examination. A consistent honor student since her elementary days (when she graduated as Salutatorian) and a Dean's Lister for three (3) semesters during college. She is likewise been conferred a Career Subprofessional Eligibility by the Civil Service Commission.

Her affiliations include membership in the Integrated Bar of the Philippines – Misamis Oriental Chapter from 2012 to date, Ateneo Human Rights Center (AHRC) as an Intern in 2010 which she was assigned with the Non-Governmental Organization Environmental Legal Assistance Center (ELAC) in Puerto Princesa City, Palawan; Xavier University Law Electoral on Commission as Commissioner from 2009-2011; Xavier University Center for Legal Assistance (XUCLA) as a member from 2008 to date; Balay Alternative Legal Advocates for Development in Mindanaw (BALAOD) as an Intern in 2008; Epsilon Beta Kappa Society (EBK) as a member from 2008 to date; Xavier University Moot & Debate Society as a member in 2008; Association of Law Students (ALS) as member/volunteer from 2006 – 2011, and Xavier University Ateneo de Cagayan Softball Varsity Team as a member from 2003-2006.

She has attended various seminars and training about continuing legal education, management, strategic planning, and Executive-Legislative Agenda/Capacity Development, among others.

Engr. Ariel J. Buragay, REE, RME, *Plant Manager of Misamis Oriental Power Plant 1 (MOPP1) and concurrent Operations and Maintenance Division Manager*

He is a Registered Electrical Engineer (PRC No. 15291) and a Registered Master Electrician (PRC No. 14235) by profession. He joined the company as Plant Manager of MOPP1 in February 2016. He has brought along with him his nearly three (3) decades of technical experience gained from various industries: engineering services, beverage industry, seafarer manpower services, electro-mechanical construction, steel mill industry, timber, and wood products.

He is responsible for ensuring that all daily operations of the plant run smoothly and effectively. He develops and drives continuous improvement initiatives through collaboration with the General Manager and the technical team. His effective skills in implementing strategies and allocation of resources in alignment with strategic initiatives and in providing a clear sense of direction and focus are imperative to enable the plant to run optimum in its day-to-day operations. His dedication and effectiveness since he joined the company paved the way for his concurrent appointment as Operations and Maintenance Division Manager on January 1, 2022. His main responsibility in his new position is to organize, coordinate and manage all activities related to the development and implementation of monitoring the policies, procedures, and practices of properties and assets management, and maintenance services.

He obtained his Bachelor of Science degree major in Electrical Engineering in 1989 from Cagayan de Oro College. Being in constant search for self-improvement and professional upgrading, he has attended training and seminars over the years such as Power Monitoring conducted by Schneider Electric Phils. in 2000, Variable Speed Drives conducted by Schneider Electric Phils. in 2000, Technical Seminar conducted by the Institute of Integrated Electrical Engineers of the Phils. Inc. in 1999, Reconstructive Maintenance Welding conducted by Cro-Magnon Corporation in 1999, ISTIV conducted by the Department of Labor and Employment in 1998, Preventive Maintenance of AC/DC Motors conducted by the Institute of Integrated Electrical Engineers of the Phils. Inc. in 1991, Value Creation Workshop conducted by Cagayan de Oro Chamber of Industries in 2002, Software/Hardware diagnostics and repair conducted by Shinko Electric Company of Japan in 2001, Shaft Alignment as conducted by Alps Maintaineering Services, Electrical Maintenance (Supervisory

Program) as conducted by the National Industrial Manpower Training Council Construction Manpower Dev. Foundation in 1990.

Ramil T. Inzo, *Safety, Health and Environment Division Manager and Compliance Officer*

He started as the Safety and Environment Head of the company (main office) in September 2012. Concurrent to this designation is his appointment as Bukidnon Power Plant 1's (BPP1) Head Safety Officer and Officer-In-Charge. He was able to effectively plan and execute the safety programs of the plant and four (4) power plants undergoing construction then. His tenure with BPP1 ended in May 2013 since he was designated as the Compliance Officer of the company concurrent with his function as Safety, Health, and Environment Head.

His exemplary performance paved the way for his promotion as the company's Safety, Health and Environment Division Manager effective July 1, 2022, up to the present. He is now at the forefront of the development, planning, and implementation of all safety and environmental policies and initiatives including the proper management of hazardous wastes generated by various plants to ensure compliance with local occupational safety, health, and environmental standards using global standards as the benchmark.

He sees to it that all legal documents and permits of the regulating agencies such as the Department of Environment and Natural Resources-Environmental Management Bureau (DENR-EMB), Department of Agrarian Reform (DAR), Department of Agriculture (DAR), Department of Labor and Employment (DOLE), National Water Resources Board (NWRB), applicable Local Government Unit (LGU) and national requirements are complied with in a timely and cost-efficient manner.

He studied Electrical Technology under a full-time scholarship grant by Del Monte Phils. Inc. at Xavier University-Ateneo de Cagayan-Center for Industrial Technology and graduated in March 1996. He earned his Bachelor of Secondary Education major in Mathematics from Bukidnon State University in March 2004 and is a Licensed Professional Teacher. He has earned nine (9) units of Master of Arts in Educational

Administration from Bukidnon State University and is a candidate for graduation in his postgraduate study in Master in Business Administration (MBA) at Medina College.

He develops resource plans to ensure budgets and project timelines for safety and environmental programs are achieved. He continuously attends training and seminars to keep himself abreast with the most recent best practices in the industry. The most relevant training and seminars that he has attended are: **Safety Program Audit** (SPA) held from July 15-19, 2019 conducted by HSEIC International Consultancy in Cagayan de Oro City, **Work Environmental Measurement Training Workshop** held from July 31- August 2, 2018 by DOLE-Occupational Safety and Health Center in Cagayan de Oro City, **Training of Trainers** held on November 27-30, 2017 conducted by HSE International at Cagayan de Oro City, **Basic Occupational Safety and Health** held on May 2-5, 2017 conducted by J3 Safety Solutions Company at Cagayan de Oro City; **Environmental Professional Summit** held from November 27-28, 2014 conducted by DENR-EMB at Limketkai, Cagayan de Oro, **Basic Training Course for Pollution Control Officers Part I** held from November 20-21, 2014 conducted by Guardians of the Earth Association, at Cagayan de Oro City, **Oil Spill Management Training** held from October 29-30, 2014 conducted by Petron Corporation at Cebu City, **Basic Training Course for Pollution Control Officers Part 2** held from June 25-27, 2014 conducted by Guardians of the Earth in Cagayan de Oro City, **Loss Control Management Seminar** held from April 22-23, 2014 conducted by Occupational Safety and Health Network (OSHNET) and Polymedic Hospital Kauswagan in Cagayan de Oro City.

His competencies include his special skills in environmental assessment/preparer, land conversion preparer from agriculture to industrial/residential/commercial, resident 3rd party safety facilitator/lecturer, safety and environmental management and planning, electrical installation/troubleshooting/preventive maintenance.

Engr. Amorlito D. Melicor Jr., REE, *Power Trading and Billing Department Manager*

Engr. Amorlito D. Melicor Jr. started his career as Project Planning Assistant and Documentation Staff in one of the leading companies in the country, Nestle Philippines

Inc. supervising two (2) 3rd party workers during project implementation from April 2012 to July 2013. He joined the company as Electrical Engineer from October 1, 2013, to January 1, 2015, he then became a Senior Engineer from February 1, 2015, to March 31, 2016, and Dispatch Officer from April 1, 2016, to December 31, 2017. He was appointed as the Regulatory and Compliance Officer in January 2018 and then became the Power Trading and Billing Department Manager on July 1, 2018, until the present.

He earned his degree in Bachelor of Science in Electrical Engineering from Xavier University - Ateneo de Cagayan University in March 2013. He was a scholar of Cagayan Electric Power and Light Company Inc. (CEPALCO) for two (2) years. He was then a student assistant in the school's department for another two (2) years. He participated in an in-house seminar in **Getting an Edge towards Managing Performance for Clients Sustainability** on October 19, 2017.

His affiliations include membership as a finance officer in the Institute of Integrated Electrical Engineers – Council of Student Chapters in the year 2011 – 2012, also a member of the Association of College of Engineering Students, 2010 to 2012, and Christ Youth in action in 2007 – 2009.

Tessa Lonica A. Padel, CPA, *Accounting Head*

Tessa Lonica A. Padel started her professional career from November 2014 – September 2016 as an Accounting Associate under the Business Process Solution Outsourcing Division of Punongbayan and Araullo (P & A Grant Thorton). She joined the company as a General Accountant from January 2017 – July 2019 and was promoted to Accounting Supervisor in July 2019. After two (2) years of rendering a highly commendable performance and having shown a remarkable leadership style, she was promoted to Accounting Head. To date, she has nearly (8) years of extensive knowledge in the field of Accounting.

Her swift promotions from one level to a higher level are attributable to her passion and commitment to achieving and cost-effectively delivering her key performance indicators. She is highly determined to excel and is constantly honing her skills as a

Certified Public Accountant. She can strategically lead, manage and monitor accounting functions. She develops, generates, and manages timely accounting reports and financial reports that are crucial for the company to arrive at sound executive judgments in all its business decisions and project developments.

She is also particular in ensuring compliance with mandatory and statutory requirements of various government agencies wherein her department's participation is involved and sees to it all tax reportorial requirements are submitted and paid in a timely manner. She is also able to design and implement an effective internal audit system to safeguard the interest of the company and all stakeholders.

She earned her Bachelor of Science degree major in Accountancy from Xavier University – Ateneo de Cagayan in 2014 and is a Certified Public Accountant.

Part of the training and seminars that she has availed are **Empowering Business Leaders; Control Measures in the Midst of Corporate Environment Mutations and Technological Innovations** (webinar) conducted at the 75th PICPA Annual National Convention on Nov. 27, 2020; **Updates on Procurement Laws, Rules and Regulations under the Bayanihan to Heal as One and Recover as One** (webinar) conducted at the 75th PICPA Annual National Convention on Nov. 27, 2020, **Empowering Digital Entrepreneurs Build a New Economy** (webinar) conducted at the 75th PICPA Annual National Convention on Nov. 27, 2020; **Commerce and Industry: Empowering Digital Entrepreneurs Build a New Economy** (webinar) conducted at the 76th PICPA Annual National Convention on November 24, 2021; **Regulator's Forum: Plans of BIR, PR-BOA, COA and SEC** (webinar) at the 76th PICPA Annual National Convention on November 24, 2021; **Strategic Investment Priority Plan (SIPP) Roadshow** conducted by the Board of Investments on July 26, 2022.

Rose Jane C. Docto, *Finance Head*

Rose Jane C. Docto rose from the ranks. She started her career with the company as Secretary from May 2014 to December 2014. She was promoted as Administrative

Assistant III in January 2015, moved up as Accounting Assistant III in April 2016, and became an Accounting Assistant IV in January 2018, and was eventually appointed as the Finance Head of the company from January 2022 up to the present. Her exemplary dedication, efficiency, prudence, and honesty in every task that has been delegated to her paved the way for the recognition of her efforts and the confidence bestowed upon her by the top management.

Her seven (7) years in Accounting Department and her close coordination with the company's financial consultants have equipped her for her significant role in the company. She is more than capable of effectively managing cash, implementing financial control, proper utilization of KEGIs, doing an estimate of the amount of capital required, and determining capital structure with the technical knowledge being imparted to her by the company's financial consultants and her quest for continuous learnings through training and development.

She obtained her degree in Bachelor of Elementary Education from Palawan State University in April 2012. To further hone her skills and knowledge, she has attended trainings and seminars (in-house) such as Leadership Training cum Strategic Planning Workshop, Information Education Campaign cum Workshop on Energy Regulations No. 194 (Benefits to Host Communities), Basic Occupational Safety and Health – 'An act Strengthening Compliance with Occupational Safety and Health Standards and Providing Penalties for Violations Thereof', Step- Up Performance Quality Through Effective Coaching, Mentoring, Monitoring and Conflict Management Enhancement Seminar, Getting an Edge towards Managing Performance for Clients Sustainability and other Electrification Programs, Tax Update Seminar on Renewal of Business Registration, Invoicing, and Bookkeeping requirements, Maximizing Tax Incentives and Tax Differentials (8.0hrs) and New Rules in Tax Assessment, eBIR Forms, and eFPS Accounting for Non-Accountants, Basic Accounting for Non-Accountants, BDO and other bank orientations.

Rita S. Pabular, *Procurement Head*

She leads a team of procurement specialists, ensures implementation of standard procurement policies, and supervises and monitors the performance of the Procurement Section. She is an ex-officio member of the bid and evaluation committee.

She rose from the ranks and was promoted thrice in her five (5) year tenure with the company. She started as an Administrative Assistant during her entry in January 2017. After a year, she was promoted to Procurement Specialist, and barely six (6) months after her first promotion, she was promoted to Procurement Supervisor. Three (3) years after, she was promoted to Procurement Head.

Her fast movement as the head of the Procurement Department would speak of her effectiveness and her credibility in the effective management of her role which is crucial to the entire operations.She demonstrates innovative ways to maintain and improve the procurement process, cycle times, acquisition costs, and end-user service levels. She has a strong drive for process improvements, thus, negotiations for the best prices, credit terms, and lock prices with vendors-partners are some of her noteworthy trademarks, and these best practices are continuously observed within the department with her at the forefront.

She earned her degree in Bachelor of Science in Information Technology from Mindanao University of Science and Technology (now University of Science and Technology of Southern Philippines) in 2013. Her latest seminar attended namely: ***The New Bidding Documents for Procurement of Goods"*** was conducted by Center for Global Best Practices.

Flordemie P. Basa, *Human Resource Officer*

She started as Human Resource Assistant of the company on October 2, 2017, and in August 2019, barely less than two (2) years into her tenure, she was promoted to Human Resource Officer. Her ability to surpass target deliverables and perform in a strategic and cost-efficient manner proved to be beneficial to the company and the employees.

Her professional achievements before her stint with the company would prove that she is already a seasoned Human Resource Officer. All in all, she has gained nine (9) solid years of exposure in her profession as an HR practitioner from various industries such as manpower services, liquified petroleum gas, and the power generation industry to which the company belongs.

She is mainly responsible for supporting the company through her efficient management of the five (5) core of human resource which includes recruitment and staffing, compensation & benefits administration, training and development, talent management, safety, and compliance. Her contribution to ensuring timely recruitment of additional competitive personnel whenever needed and in seeing to it that the company's best asset (human resource) is strategically managed in a holistic approach is imperative in keeping the company highly competitive in the industry.

She earned her degree in Bachelor of Science in Psychology from Liceo de Cagayan University in March 2004. She is a grantee of Cagayan de Oro City Barangay College Scholarship Program. She has enriched her craft by attending relevant training and seminars such as: **What's Behind the Box: The Functions and Goals of Human Resource** (webinar) conducted by HR Primo Management Services in September 25, 2021 , **Employees' Compensation Program** (webinar) conducted by DOLE – Employees' Compensation Commission in July 23, 2021, **Restoration of Business Confidence through Labor-Management Cooperation, Workplace Safety and Health and Sustainable Livelihood Programs,** conducted by the Regional Conciliation and Mediation Branch 10 in June 25, 2021, **Leadership Resiliency: Turning Challenges into Success** conducted by People Management Association of the Philippines – CDO Chapter in August 28, 2020, **Redefining your HR in the Pandemic Era** (webinar) conducted by Philippine Society of HR and Admin in July 9, 2020, **Occupational First Aid and Basic Life Support Cardiopulmonary Resuscitation for Adult Lay Rescuer Training** conducted by Philippine Red Cross in November 25 – 27, 2019, **Basic**

Occupational Safety and Health Training – Safety Officer 1 conducted by HSE International Consultancy Health Safety and Environment in April 29, 2019, **Step Up Performance Quality Through Effective Coaching, Mentoring, Monitoring and Conflict Management Enhancement Seminar** (in-house), **Getting an Edge towards Managing Performance for Clients Sustainability** (in-house), **Quality Management Systems** conducted by Pryce Gases, Inc. in November 27, 2013, **3 day Seminar for Job Description Writeshop** conducted by Pryce Gases, Inc. in November 8-10, 2013.

Technical Experts

The following are the technical experts of **KEGI**:

Dr. Joselyn L. Chavez, *Licensed Professional Electrical Engineer, Doctor in Philosophy*

Dr. Chavez is one of the brilliant consultants of the company. He is on board since January 2022 and has brought along with him decades of technical expertise in the field of hydropower, hydroelectricity, electro-mechanical, plant control, construction, and safety practice.

He is also the Project Consultant/Project Management Director of Maramag Mini Hydro Power Corporation in Bukidnon from February 2020 up to the present.

He was appointed as VP Project Management Director of Clean n Green Energy Solution Inc from April 2019 to January 2020. He was connected with Clean n Green Energy Solution Inc. from April 2013 to April 2019 as AVP/Project Director/PEE, Electro-Mechanical works. He has been appointed by Phesco Incorporated as the Assistant Vice President for electro-mechanical works from 2012 – 2013.

He was hired as a Consultant by Clean n Green Solution Inc. from 2011 – 2012, and National Power Corporation – Talomo Hydro Electric Plant (Complex) from 2003-2005, respectively. From 1992-2003, he was the Plant Maintenance Superintendent of National Power Corporation in Bukidnon. He was hired as Plant Control/Principal Engineer by National Power Corporation for their Pulangi Hydro Electric Plant in

Maramag, Bukidnon from 1985- 1992. He has other prior engagements with various companies before this period.

He earned his bachelor's degree in Electrical Engineering from the Cebu Institute of Technology in 1978. It was on April 24, 2000, when he was conferred with the title of Doctor in Philosophy by Mindanao State University (affiliated with Al-Manaf International Islamic University of Luisiana through a Memorandum of Agreement). He obtained units in his master's study in Management from Liceo de Cagayan University in 1999.

These are some of the awards and citations that he has received: **Pag-asa Award**, the highest award given by former President Gloria M. Arroyo, on 2002 for having an innovation that resulted in significant financial savings, awarding of Pulangi IV Hydroelectric Plant as the **best Hydroelectric Plant** for `1993 – 1995, **Most Outstanding Safety Practitioner** in the whole country as awarded by SOPI in 1996, **Golden Hope Award** conferred by the Asian Experimental Fellowship of the Philippines on Oct. 12, 1989, **Golden Scroll of Honor National Award** in 1990, among other awards and citations.

Engr. Glenn C. Avila, *Licensed Civil Engineer*

He is a seasoned Civil Engineer and consultant by profession. He has almost two (2) decades of vast technical experience gained from his engagement as a Project Manager / Consultant here and abroad.

He was initially connected with the company as its Project Manager from January 2010 up to January 2020. From 2008- 2010, he was under the employ of Tandag Water District as Project Engineer while from May 2007 – August 2007, he was outside the country and worked as a Site Engineer in Doha Qatar.

He earned his bachelor's degree in Civil Engineering from the University of Cebu in October 2003. He's had prior relevant work experience in line with his field of specialization.

Engr. Avila as the company's Project Consultant is an asset because of his technical expertise and his effective way of communicating and leading the technical team across all levels while observing cost-efficiency, agreed-upon timelines, and project deliverables.

Eng. Fibor J. Tan, *Licensed Civil Engineer, Master of Science in Environmental Engineering,*

(on-going) Doctor of Philosophy in Civil Engineering (Major in Water Resources)

One of the technical consultants of the company with multiple areas of specialization. Other than being a licensed Civil Engineer, he pursued post-graduate and doctorate studies to further hone his craft as an expert in Environmental Engineering and Water Resources.

Along with his chosen career and professional path, he is very much inclined to research and some of his research interests are hydrology, hydraulics, hydrometeorology, landslides, slope stability, soil-water interaction, and water supply, and wastewater treatment, flood control, coastal engineering, and renewable energy.

From 2019 to the present, he is teaching as Professor 6 at the School of Civil, Environmental, and Geological Engineering at Mapua University in Intramuros, Manila. From 2019 up to the present, he is also a Project Leader in the **SCaRP Project (Simulating Cascading Rainfall** triggered landslide hazards in the Philippines – a Philippine DOST and UK NERC **KEGI**ed Project of Mapua University in Manila. From March 2018 up to the present, he is also the Project Leader in the **Automated Real-time Monitoring System (**ARMS for Magat and Pantabangan Dams – a DOST and NWRD **KEGI**ed Project of the Mapua University in Manila. From June 2018 up to the present, he is the Hydrologist and GIS Expert on the **Vulnerability Assessment and Prompt Emergency Response System** for LGU's Disaster Risk Reduction in the Philippines (VAPERS) which is a CHED and DOST-**KEGI**ed project for Mapua University.

From June 2014 – May 2017, he is the Chief Science Research Specialist and Hydrologist of Mapua-Phil LIDAR 1 DOST Project (Flood Hazard Modeling and Mapping). From September 2016 to the present, he is the Lead Researcher (Hydrologist and Hydraulics Engineer) for **Automated Real-time Monitoring System (ARMS)** for Ambuklao, Binga, & San Roque Dams Cascade -a DOST & NWRD **KEGI**ed Project.

He obtained his bachelor's degree in Civil Engineering from the University of the Philippines - Diliman, Quezon City in 2001, his Master of Science in Environmental Engineering from the University of the Philippines, Diliman, Quezon City in 2008, and his (ongoing) Doctor of Philosophy in Civil Engineering (Major in Water Resources) from the University of the Philippines in Diliman, Quezon City.

He is a member of the Philippine Institute of Civil Engineers (PICE) – Quezon Province Chapter and the Water Environment Association of the Philippines (WEAP).

Jodette P. Ello, *Certified Public Accountant, Accounting Consultant*

She started as the General Accountant of the company. Her tenure in her initial post was from December 2012 – 2013. In recognition of her effectiveness as a General Accountant, in 2013 she was promoted to Accounting/Administrative Manager. For eight (8) years, she was able to effectively implement accounting workflow, policies, and procedures; analyze the financial position and performance of the company to assure viability and continuity of the operation. She was able to deliver accurate, reliable, and feasible recommendations to the General Manager and the Chief Operating Officer. She was able to proactively contribute to the strategic planning, financial management, and day-to-day operations of the company.

It was in February 2022 when she opted to be retained as an Accounting Consultant rather than work full time as part of her professional growth and advancement. This is to enable her to concurrently handle other engagements: as an Accounting/Administrative Consultant of other companies

All in all, she has fourteen (14) years of corporate exposure in finance and accounting gained from various industries such as banking institutions, general construction, and consultancy firm involved in managing energy or power plants that also engages themselves in contracting, maintaining, and repairing electro-mechanical devices.

As the Accounting Consultant of the company from Ferbuary 2022 up to the present, she is very meticulous in reviewing accounting policies and process flows. She conducts thorough audits and analysis of accounting transactions, reviews ledger and financial statements reviews tax returns of the company, and provides assistance and advice to Accounting Head. She oversees the overall financials and accounting status of the company. Her participation adds value to all future investments, diversifications, expansions, corporate directions, and executive judgment of the Board of Directors and all stakeholders which includes would-be investors for the Initial Public Offering of the company.

She obtained her degree in Bachelor of Science in Management Accounting from Xavier University- Ateneo de Cagayan in 2006, and her degree in Bachelor of Science in Accountancy from the same university in 2007.

She is a member of the International Institute of Management Accountants (IIMA) and a member of the Philippine Institute of Certified Public Accountants (PICPA).

Significant Employees

There is no “significant employee” as defined in Part IV(A) (2) of SRC Rule 12 (i.e., any person who is not an executive officer of the corporation but who is expected to make a significant contribution to the business).

Involvement In Certain Legal Proceedings

None of the directors or executive officers of KEGI has been involved during the past five (5) years in any legal proceeding which is material to an evaluation of their ability or integrity to serve as such, including, bankruptcy petition, conviction by final judgment, domestic or foreign criminal proceeding, being subject to any order, judgment or decree, or violation of a securities, banking or commodities law.

COMPLIANCE WITH LEADING PRACTICES ON CORPORATE GOVERNANCE

All of the directors and officers of KEGI have attended seminars on corporate governance given by an sec-accredited provider. The Board reviews and updates its Manual on Corporate Governance ("Manual") at least annually to ensure that it is kept abreast of global leading practices and principles on good corporate governance. At least annually, the directors accomplish a Board Effectiveness Questionnaire to determine their level of compliance, as well as top management's. There have been no deviations from the manual.

Changes in Control

There has been no change in control of KEGI since the beginning of the last calendar year. There is no arrangement which may result in a change in control of the registrant.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Management and members of the Board of Directors of KEGI are not involved in any companies that the KEGI deals with.

SUMMARY OF PRINCIPAL AGREEMENTS

The following is a summary of the material terms of the principal agreements related to the business of KEGI and should not be considered to be a full statement of the terms and provisions of such agreements.

1. Power Supply Agreement with First Bukidnon Electric Cooperative, Inc. (FIBECO), wherein **KEGI** shall provide 3MW power for ten years.

2. Power Supply Agreement with First Bukidnon Electric Cooperative, Inc. (FIBECO) wherein **KEGI** shall provide 6MW power for ten years.

3. Power Supply Agreement with Misamis Oriental II Electric Service Cooperative, Inc. (MORESCO-II) wherein **KEGI** shall provide 9.4MW power for ten years,

4. Power Supply Agreement with Surigao del Sur II Electric Cooperative, Inc. (SURSECOII) which **KEGI** will provide 5.46 MW power supply for ten years.

5. Power Supply Agreement with Misamis Occidental I Electric Cooperative, Inc. (MOELCI I) which **KEGI** will provide 3.76 MW Power Supply for ten years.

6. Power Supply Agreement with Misamis Occidental II Electric Cooperative, Inc. (MOELCI II) which **KEGI** will provide 10MW Power Supply for ten years.

7. Power Supply Agreement with Camiguin Electric Cooperative, Inc. (CAMELCO) which **KEGI** will provide 4MW Power Supply for ten years.

8. Power Supply Agreement with Zamboanga Del Sur II Electric Cooperative, Inc. (ZAMSURECO II) which **KEGI** will provide 3MW/2MW Power Supply for five years.

9. Power Supply Agreement with Sultan Kudarat Electric Cooperative, Inc. which **KEGI** will provide 6MW Power Supply for five years.

10. Power Supply Agreement with Sultan Kudarat Electric Cooperative, Inc. which **KEGI** will provide 2.65MW Power Supply for five years.

11. Power Supply Agreement with Lanao del Norte Electric Cooperative, Inc. which **KEGI** will provide 3MW Power Supply for five years.

12. Anxiliary Service Procurement Agreement with National Grid Corporation of the Philippines (Misamis Occidental Power Plant – 3) for a Non Firm 15.5 MW dispatch able reserve and reactive power support for five years.

13. Anxiliary Service Procurement Agreement with National Grid Corporation of the Philippines (Misamis Occidental Power Plant –2) for a Non Firm 15.6 MW dispatch able reserve and reactive power support for five years.

INSTRUMENTS OR STATEMENTS DEFINING THE RIGHTS OF SECURITY HOLDERS

There are no instruments defining the rights of security holders, including indentures as well as any documents or statements to security holders. There are likewise no published reports regarding matters submitted to the vote of security holders.

TAXATION

Investors are advised to consult their own professional advisers as to the tax implications of subscribing for, purchasing, holding, and redeeming shares of KEGI.

Below is the Summary of Taxes Paid by KEGI, as follows:

Real Property Taxes (Local Government)

Year 2019	PhP	31,658,617.22
Year 2020	PhP	29,943,857.45
Year 2021	PhP	29,927,096.24
TOTAL	PhP	91,529,570.91

Business Permit (Local Government)

Year 2019	PhP	5,689,119.40
Year 2020	PhP	5,529,512.52
Year 2021	PhP	5,372,390.19

TOTAL	PhP	16,591,022.11

Income Tax (Bureau of Internal Revenue)

Year 2019	PhP	34,246,659.00
Year 2020	PhP	29,617,234.00
Year 2021	PhP	24,944,003.00
TOTAL	PhP	_ 88,807,896.00

Value Added Tax (Bureau of Internal Revenue)

Year 2019	PhP	49,635,821.85
Year 2020	PhP	48,406,780.67
Year 2021	PhP	48,786,683.69
TOTAL	PhP	146,829,286.22

Real Property Taxes

Year 2019	PhP	121,230,217.48
Year 2020	PhP	113,497,384.64
Year 2021	PhP	109,030,173.12
TOTAL	PhP	343,757,775.24

Tax related laws, rules and regulations are factors that are subject to rapid change and which could detrimentally affect the performance of the KEGI.

LIST OF EXHIBITS

Exhibit 1 - Affidavits of Publication

Exhibit 2 - Anti-Money Laundering Operating Guidelines

Exhibit 3 – General Information Sheets

Exhibit 4 – Newspaper Publication

Exhibit 5 – Secretary Certificate on Board Resolution No. 51, Series of 2022

Exhibit 6 – Certification on the Concurrent Board of Directors of KEGI as of November 15, 2022

Exhibit 7 – Certification that KEGI has no pending criminal, civil or administrative cases pending against any of its stockholders as of November 15, 2022

Exhibit 8 – Certification that KEGI has no outstanding subscription receivable from its stockholders as of November 15, 2022

Exhibit 9 – KEGI's Schedule of Distribution of Capital Stock of Corporation as of November 15, 2022

Exhibit 10 – KEGI's Schedule of Percentage of Filipino and Foreigner Subscriber as of November 15, 2022

Exhibit 11 – KEGI's Schedule of Total Number of Shares Issued as of November 15, 2022

Exhibit 12 – S KEGI's Schedule of Total Number of Shares Outstanding as of November 15, 2022