COVER SHEET

4620

S.E.C. Registration Number

ANGELES ELECTRIC CORPORATION

(Company's Full Name)

DON JUAN D NEPOMUCENO AVE COR DOÑA TERESA AVE NEPOMART COMPLEX ANGELES CITY

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

FRANZ GERARD C. PULIDO

Contact Person

02 8636 6485

Company Telephone Number

12 31

Month Day

Fiscal Year

AFS

FORM TYPE

06 20

Month Day

Annual Meeting

Secondary License Type, If Applicable

SEC

Dept. Requiring this Doc.

N/A

Amended Articles Number/Section

142

Total No. of Stockholders

Total Amount of Borrowings

Domestic	Foreign
-	-

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

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ANGELES ELECTRIC CORPORATION

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of ANGELES ELECTRIC CORPORATION is responsible for the preparation and fair presentation of the financial statements, including the schedules attached therein, for the years ended December 31, 2023, 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.

Punongbayan and Araullo, the independent auditors appointed by the stockholders, has audited the financial statements of the Company 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.

GEROMIN T. NEPOMUCENO
Chairman of the Board

MARIA RITA JOSEFINA V. CHUA
President

ROBERT GERARD B. NEPOMUCENO
Treasurer

April 4, 2024

Don Juan D. Nepomuceno Ave.,
corner Teresa Ave.,
Nepo Mart Complex, Angeles City 2009

Tel. Nos. : (045) 888.2888/ 888.1805 to 06
Fax : (045) 888.1810
Email : aec_customerservice@comclark.com

ACKNOWLEDGEMENT

Republic of the Philippines)
Angeles City, Pampanga) S.S.

BEFORE ME, a Notary Public for and in Angeles City, Pampanga, personally appeared:

Name	CTC No.	Date/Place Issued	Competent Evidence of Identity (Type of ID and ID No.)	Issued on/at and/or Valid Until
Geromin T. Nepomuceno, Jr.	03945530	01.02.2024 Angeles City	Passport No. 6348755B	DFA Angeles/ February 21, 2031
Maria Rita Josefina V. Chua	03958043	01.17.2024 Angeles City	Passport No. 2394517B	DFA Angeles/ June 30, 2029
Robert Gerard B. Nepomuceno	19916784	02.21.2024/Calibutbut, Bacolor, Pampanga	Passport No. 7194896A	DFA Pampanga/ May 15, 2028

known to me to be the same persons who executed the foregoing document and acknowledged the same.

WITNESS MY HAND AND SEAL this APR 11 2024 at Angeles City.

Doc. No. 676;
Page No. 48;
Book No. 34;
Series of 2024:

KRIS DYAN P. CAYABYAB
Notary Public for Angeles City, Mabalacat City, Magalang & Porac
Commission No. 2022-099
Until December 31, 2024
Attorney's Roll No. 61559
PTR No. AC-2030075/01.03.24/A.C.
IBP No. 331523/12.19.23/Pasig
Cayabyab Law Office, Rm. 201 UNO Bldg., Miranda St., Sto. Rosario, Angeles City

Gmail

Crichel Villanueva <crichvillanueva@gmail.com>

Fwd: Your BIR AFS eSubmission uploads were received

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Cristie <cristiearboleda@gmail.com> Fri, Apr 12, 2024 at 5:41 PM
To: Crichel Villanueva <crichvillanueva@gmail.com>

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Date: Fri, Apr 12, 2024 at 5:34 PM
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To: <CRISTIEARBOLEDA@gmail.com>
Cc: <CRISTIEARBOLEDA@gmail.com>

Hi ANGELES ELECTRIC CORPORATION,

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- EAFS000088802AFSTY122023.pdf
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Submission Date/Time: **Apr 12, 2024 05:34 PM**
Company TIN: **000-088-802**

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- The submission is without prejudice to the right of the BIR to require additional document, if any, for completion and verification purposes;
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FOR SEC FILING

Financial Statements and
Independent Auditors' Report

Angeles Electric Corporation

December 31, 2023, 2022 and 2021

P&A
Grant Thornton

Punongbayan & Araullo
20th Floor, Tower 1
The Enterprise Center
6766 Ayala Avenue
1200 Makati City
Philippines

T +63 2 8988 2288

Report of Independent Auditors

The Board of Directors
Angeles Electric Corporation
Don Juan and Doña Teresa Nepomuceno Avenue
Nepomart Complex
Angeles City, Pampanga

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Angeles Electric Corporation (the Company), which comprise the statements of financial position as at December 31, 2023 and 2022, and the statements of profit or loss, statements of comprehensive income, statements of changes in equity and statements of cash flows for each of the three years in the period ended December 31, 2023, and notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2023 and 2022, and its financial performance and its cash flows for each of the three years in the period ended December 31, 2023, in accordance with Philippine Financial Reporting Standards (PFRS).

Basis for Opinion

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

Key Audit Matters

Key audit matters are matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Revenue Recognition

Description of the Matter

The Company distributes electricity in Angeles City and other parts of Pampanga for customers that are classified as either commercial, industrial or residential. In 2023, the Company reported P7.7 billion in revenue from the sale of electricity.

This matter is significant to our audit because the revenue recognized depends on (a) the electric consumption captured based on the meter readings over the franchise area; (b) the propriety of rates computed and applied across customer classes including the application of adjustments promulgated by the Energy Regulatory Commission (ERC); and (c) the systems involved in the billing process.

The Company's disclosures about its revenue recognition policy and disaggregation of revenues are included in Notes 2 and 15, respectively.

How the Matter was Addressed in the Audit

Our audit procedures to address the risk of material misstatement relating to revenue recognition, which was considered to be a significant risk, included the following:

- evaluating the appropriateness of the Company's revenue recognition policy and application in accordance with PFRS 15, *Revenue from Contracts with Customers*;

- testing the design and operating effectiveness of internal controls related to the Company's revenue generation, recognition and measurement;

- testing the reasonableness of revenues recognized which includes recalculation of revenues using the implemented rates approved by the ERC, and verification of kilowatt hours sold through inspection of power billings on a sampling basis; and,

- performing substantive analytical procedures to determine reasonableness of recorded revenues.

Provisions

Description of the Matter

The Company is involved in certain proceedings, cases, and claims for which it has recognized provision for probable expenses and has disclosed relevant information about such contingencies. In 2023, the Company recognized additional provisions amounting to P40.1 million. As of December 31, 2023, provisions set up by the Company amounted to P426.6 million.

This matter is significant to our audit due to: (a) the uncertainty involved arising from potential differences in the interpretation and implementation of the applicable relevant laws and regulations; and (b) the significant judgment applied by management in assessing potential outcomes.

The Company's disclosures about provisions and contingencies are included in Notes 3 and 24.

How the Matter was Addressed in the Audit

Our audit procedures to address the risk of material misstatement relating to provisions, which was considered to be a significant risk, included the following:

- inquiring about management's assessment of the possible outcomes and bases of estimates made in the financial statements;
- assessing the reasonableness of the assumptions used in the estimates;
- obtaining direct correspondences from the Company's legal counsels about the statuses of the related proceedings, cases, and claims;
- performing recomputation on management's calculations supporting the estimates; and,
- reviewing the disclosures on provisions and contingencies in the Company's financial statements.

Other Information

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

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

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

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with PFRS, 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 PSA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the 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.

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

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

Report on Other Legal and Regulatory Requirements

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information for the year ended December 31, 2023 required by the Bureau of Internal Revenue as disclosed in Note 25 to the financial statements is presented for purposes of additional analysis and is not a required part of the basic financial statements prepared in accordance with PFRS. Such supplementary information is the responsibility of 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.

The engagement partner on the audits resulting in this independent auditors' report is Renan A. Piamonte.

PUNONGBAYAN & ARAULLO

By: **Renan A. Piamonte**
Partner

CPA Reg. No. 0107805
TIN 221-843-037
PTR No. 10076150, January 3, 2024, Makati City
SEC Group A Accreditation
Partner - No. 107805-SEC (until financial period 2023)
Firm - No. 0002 (until financial period 2024)
BIR AN 08-002511-037-2022 (until Oct. 13, 2025)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Aug. 27, 2024)

April 4, 2024

ANGELES ELECTRIC CORPORATION
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2023 AND 2022
(Amounts in Philippine Pesos)

	Notes	2023	2022
A S S E T S			
NON-CURRENT ASSETS			
Property, plant and equipment - net	6	**P 1,704,923,422**	P 1,669,076,101
Right-of-use assets - net	7	**30,262,619**	37,041,810
Deferred tax assets - net	21	**139,422,669**	129,675,371
Retirement benefit asset - net	19	**10,039,336**	2,647,837
Other non-current assets	8	**9,444,627**	8,310,421
Total Non-current Assets		**1,894,092,673**	1,846,751,540
CURRENT ASSETS			
Cash and cash equivalents	9	**2,420,148,001**	1,704,845,900
Trade and other receivables - net	10	**764,155,737**	1,049,041,221
Prepayments and other current assets	8	**264,558,979**	253,686,946
Total Current Assets		**3,448,862,717**	3,007,574,067
TOTAL ASSETS		**P 5,342,955,390**	P 4,854,325,607
LIABILITIES AND EQUITY			
NON-CURRENT LIABILITIES			
Refundable deposits	11	**P 942,030,060**	P 884,664,496
Lease liabilities	7	**36,343,388**	43,457,640
Total Non-current Liabilities		**978,373,448**	928,122,136
CURRENT LIABILITIES			
Trade and other payables	12	**779,892,414**	934,748,257
Provisions	24	**426,620,026**	387,931,132
Lease liabilities	7	**7,715,659**	7,295,397
Income and other tax liabilities	13	**99,738,381**	109,170,824
Total Current Liabilities		**1,313,966,480**	1,439,145,610
Total Liabilities		**2,292,339,928**	2,367,267,746
EQUITY			
Capital stock	14	**1,408,700,432**	999,999,800
Additional paid-in capital	14	**497,343,200**	-
Treasury shares	14	**(62,857,080)**	(62,857,080)
Revaluation reserves	21	**(15,017,980)**	(15,108,008)
Retained earnings	14	**1,222,446,890**	1,565,023,149
Total Equity		**3,050,615,462**	2,487,057,861
TOTAL LIABILITIES AND EQUITY		**P 5,342,955,390**	P 4,854,325,607

See Notes to Financial Statements.

ANGELES ELECTRIC CORPORATION
STATEMENTS OF PROFIT OR LOSS
FOR THE YEARS ENDED DECEMBER 31, 2023, 2022 AND 2021
(Amounts in Philippine Pesos)

	Notes	2023	2022	2021
SALE OF ELECTRICITY	15	**P 7,671,858,309**	P 8,184,930,772	P 5,591,657,347
COST OF POWER DISTRIBUTED	16, 17	**6,328,954,659**	7,020,219,665	4,704,208,715
GROSS PROFIT		**1,342,903,650**	1,164,711,107	887,448,632
GENERAL AND ADMINISTRATIVE EXPENSES	17	**(686,503,029)**	(578,280,087)	(559,729,124)
IMPAIRMENT LOSSES	10, 17	**(8,807,968)**	(4,256,980)	(13,142,706)
OTHER OPERATING INCOME	18	**36,832,039**	32,015,726	30,354,034
OPERATING PROFIT		**684,424,692**	614,189,766	344,930,836
OTHER INCOME (CHARGES) – Net				
Provisions	24	**(40,139,446)**	(108,590,357)	-
Finance income	9, 10, 19	**23,897,799**	10,783,585	12,417,516
Finance costs	7, 12, 19	**(3,842,801)**	(6,934,249)	(12,694,387)
Fair value gain (loss) on financial assets at fair value through profit or loss	8	**2,392,870**	(1,521,456)	1,078,079
Gain (loss) on sale of assets	6	**1,528,618**	1,117,541	(3,073,238)
		(16,162,960)	(105,144,936)	(2,272,030)
PROFIT BEFORE TAX		**668,261,732**	509,044,830	342,658,806
TAX EXPENSE	21	**(165,285,162)**	(127,261,314)	(95,757,307)
NET PROFIT		**P 502,976,570**	P 381,783,516	P 246,901,499
Earnings Per Share – Basic and Diluted	22	**P 0.51**	P 0.39	P 0.25

See Notes to Financial Statements.

ANGELES ELECTRIC CORPORATION
STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2023, 2022 AND 2021
(Amounts in Philippine Pesos)

	Notes	2023	2022	2021
NET PROFIT		**P 502,976,570**	P 381,783,516	P 246,901,499
OTHER COMPREHENSIVE INCOME (LOSS)				
Item that will not be reclassified subsequently to profit or loss				
Remeasurement gains (losses) on post-employment defined benefit plan	19	**120,038**	(10,493,937)	6,580,932
Tax effect on retirement benefit asset/obligation	21	**(30,010)**	2,623,484	(3,106,026)
Tax effect on revaluation reserves on property, plant and equipment	21	**-**	-	649,243
		90,028	(7,870,453)	4,124,149
TOTAL COMPREHENSIVE INCOME		**P 503,066,598**	P 373,913,063	P 251,025,648

See Notes to Financial Statements.

ANGELES ELECTRIC CORPORATION
STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2023, 2022 AND 2021
(Amounts in Philippine Pesos)

	Capital Stock (Note 14)	Additional Paid-in Capital Stock (Note 14)	Treasury Shares (Note 14)	Revaluation Reserves (see Notes 19 and 21)	Retained Earnings (Note 14) Appropriated	Retained Earnings Unappropriated	Retained Earnings Total	Total Equity
Balance at January 1, 2023	P 999,999,800	P -	(P 62,857,080)	(P 15,108,008)	P 631,856,077	P 933,167,072	P 1,565,023,149	P 2,487,057,861
Issuance of shares	408,700,632	497,343,200	-	-	-	-	-	906,043,832
Cash dividends during the year	-	-	-	-	-	(845,552,829)	(845,552,829)	(845,552,829)
Appropriations during the year	-	-	-	-	174,564,841	(174,564,841)	-	-
Reversal of appropriations during the year	-	-	-	-	(24,200,280)	24,200,280	-	-
Total comprehensive income for the year	-	-	-	90,028	-	502,976,570	502,976,570	503,066,598
Balance at December 31, 2023	**P 1,408,700,432**	**P 497,343,200**	**(P 62,857,080)**	**(P 15,017,980)**	**P 782,220,638**	**P 440,226,252**	**P 1,222,446,890**	**P 3,050,615,462**
Balance at January 1, 2022	P 999,999,800	P -	(P 62,857,080)	(P 7,237,555)	P 626,474,710	P 604,559,200	P 1,231,033,910	P 2,160,939,075
Acquisition of treasury shares	-	-	-	-	-	-	-	-
Cash dividends during the year	-	-	-	-	-	(47,794,277)	(47,794,277)	(47,794,277)
Appropriations during the year	-	-	-	-	124,597,504	(124,597,504)	-	-
Reversal of appropriations during the year	-	-	-	-	(119,216,137)	119,216,137	-	-
Total comprehensive income for the year	-	-	-	(7,870,453)	-	381,783,516	381,783,516	373,913,063
Balance at December 31, 2022	P 999,999,800	P -	(P 62,857,080)	(P 15,108,008)	P 631,856,077	P 933,167,072	P 1,565,023,149	P 2,487,057,861
Balance at January 1, 2021	P 999,999,800	P -	P -	(P 11,361,704)	P 612,433,060	P 419,962,199	P 1,032,395,259	P 2,021,033,355
Acquisition of treasury shares	-	-	(62,857,080)	-	-	-	-	(62,857,080)
Cash dividends during the year	-	-	-	-	-	(48,262,848)	(48,262,848)	(48,262,848)
Appropriations during the year	-	-	-	-	87,202,950	(87,202,950)	-	-
Reversal of appropriations during the year	-	-	-	-	(73,161,300)	73,161,300	-	-
Total comprehensive income for the year	-	-	-	4,124,149	-	246,901,499	246,901,499	251,025,648
Balance at December 31, 2021	P 999,999,800	P -	(P 62,857,080)	(P 7,237,555)	P 626,474,710	P 604,559,200	P 1,231,033,910	P 2,160,939,075

See Notes to Financial Statements.

ANGELES ELECTRIC CORPORATION
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2023, 2022 AND 2021
(Amounts in Philippine Pesos)

	Notes	2023	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax		P 668,261,732	P 509,044,830	P 342,658,806
Adjustments for:				
Depreciation and amortization	6, 7	234,297,000	208,607,042	195,210,989
Provision	24	40,139,446	108,590,357	-
Finance income	9, 10, 19	(23,897,799)	(10,783,585)	(12,417,516)
Impairment losses on trade and other receivables	10	8,807,968	4,256,980	13,142,706
Finance costs	7, 12, 19	3,842,801	6,934,249	12,694,387
Fair value loss (gain) on financial assets at fair value through profit or loss	8	(2,392,870)	1,521,456	(1,078,079)
Loss (gain) on disposal of property and equipment	6	(1,528,618)	(1,117,541)	3,073,238
Operating profit before working capital changes		927,529,660	827,053,788	553,284,531
Increase in retirement benefit asset		(6,763,025)	(6,416,466)	(5,914,374)
Decrease (increase) in other non-current assets		(1,134,206)	75,713,385	(26,548,694)
Decrease (increase) in trade and other receivables		276,077,516	(170,539,849)	88,481,188
Decrease in prepayments and other current assets		(8,479,163)	(6,147,386)	(3,492,885)
Increase in refundable deposits		57,365,564	87,310,397	55,866,170
Increase (decrease) in trade and other payables		(158,501,044)	12,989,010	88,951,473
Decrease in provisions		(1,450,552)	-	-
Increase in income and other tax liabilities		6,092,901	4,833,243	11,272,098
Cash generated from operations		1,090,737,651	824,796,122	761,899,507
Cash paid for income taxes		(190,587,813)	(101,192,635)	(105,558,957)
Net Cash From Operating Activities		900,149,838	723,603,487	656,340,550
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisitions of property and equipment	6	(262,357,684)	(234,093,951)	(232,208,772)
Interest received	9	23,389,363	7,602,903	4,483,740
Proceeds from sale of property and equipment	6	1,528,618	1,117,541	1,518
Redemption of short-term placements	9	-	360,149,619	-
Investment in short-term placements		-	-	(360,149,619)
Net Cash From (Used in) Investing Activities		(237,439,703)	134,776,112	(587,873,133)
CASH FLOWS FROM FINANCING ACTIVITIES				
Cash dividends paid	14	(845,552,829)	(47,794,277)	(114,091,400)
Proceeds from issuance of common shares	14	708,008,400	-	-
Proceeds from issuance of preferred shares	14	201,680,632	-	-
Repayment of lease liabilities	7	(11,544,237)	(12,712,468)	(12,783,032)
Acquisition of treasury shares	14	-	-	(62,857,080)
Net Cash From (Used in) Financing Activities		52,591,966	(60,506,745)	(189,731,512)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		715,302,101	797,872,854	(121,264,095)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		1,704,845,900	906,973,046	1,028,237,141
CASH AND CASH EQUIVALENTS AT END OF YEAR		P 2,420,148,001	P 1,704,845,900	P 906,973,046

Supplemental Information on Non-cash Investing and Financing Activities —

In 2023, 2022, and 2021, the Company recognized right-of-use assets and lease liabilities amounting to P1.0 million, P9.1 million and P1.9 million, respectively (see Note 7).

See Notes to Financial Statements.

ANGELES ELECTRIC CORPORATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023, 2022 AND 2021
(Amounts in Philippine Pesos)

1. CORPORATE INFORMATION

1.1 Incorporation and Operations

Angeles Electric Corporation (the Company) was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on September 6, 1949. The Company has a franchise to install, operate and maintain an electric light, heat and power system in Angeles City, Pampanga by virtue of Republic Act (R.A.) No. 2341, as amended by R.A. No. 4079, for a period of 50 years from its approval on June 18, 1964. On July 24, 2006, by virtue of RA No. 9381, the franchise was extended for another 25 years from its expiration on June 18, 2014. The Company also services portions of Dau, Mabalacat and San Fernando in Pampanga, for which service waivers were obtained from utility companies servicing those areas.

On February 28, 2022 and March 18, 2022, the Company's Board of Directors (BOD) and majority of the stockholders, respectively, approved the one for one hundred (1:100) stock split through amendment of the Company's Articles of Incorporation and By-laws, which was subsequently approved by the SEC on October 21, 2022 (see Note 14.3).

The Company is registered with the Energy Regulatory Commission (ERC) and has been issued a Certificate of Public Convenience and Necessity to operate as a public utility company.

On October 23, 2023, the Company filed an application with the SEC for the registration of its common shares in compliance with Republic Act No. 9136, *the Electric Power Industry Reform Act*, which requires distribution utilities to offer and sell to the public a portion of not less than 15% of their common shares. On December 11, 2023, the SEC approved the Company's registration of its common shares (see Note 14.2).

The registered office address of the Company, which is also its principal place of business, is located at Don Juan and Doña Teresa Nepomuceno Avenue, Nepomart Complex, Angeles City, Pampanga.

1.2 Approval of Financial Statements

The financial statements of the Company as of and for the year ended December 31, 2023 (including the comparative financial statements as of and for the year ended December 31, 2022) were authorized for issue by the Company's BOD on April 4, 2024.

2. MATERIAL ACCOUNTING POLICY INFORMATION

The material accounting policy information that have been used in the preparation of these financial statements are summarized below and in the succeeding pages. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of Preparation of Financial Statements

(a) Statement of Compliance with Philippine Financial Reporting Standards

The financial statements of the Company have been prepared in accordance with Philippine Financial Reporting Standards (PFRS). PFRS are adopted by the Financial and Sustainability Reporting Standards Council (FSRSC) from the pronouncements issued by the International Accounting Standards Board and approved by the Philippine Board of Accountancy.

The financial statements have been prepared using the measurement bases specified by PFRS for each type of asset, liability, income and expense. The measurement bases are more fully described in the accounting policies that follow.

(b) Presentation of Financial Statements

The financial statements are presented in accordance with Philippine Accounting Standard (PAS) 1, *Presentation of Financial Statements.* The Company presents statement of comprehensive income separate from the statement of profit or loss.

The Company presents a third statement of financial position as at the beginning of the preceding period when it applies an accounting policy retrospectively, or makes a retrospective restatement or reclassification of items that has a material effect on the information in the statement of financial position at the beginning of the preceding period. The related notes to the third statement of financial position are not required to be disclosed.

(c) Functional and Presentation Currency

These financial statements are presented in Philippine pesos, the Company's functional and presentation currency, and all values represent absolute amounts except when otherwise indicated.

Items included in the financial statements of the Company are measured using its functional currency. Functional currency is the currency of the primary economic environment in which the Company operates.

2.2 Adoption of Amended PFRS

(a) Effective in 2023 that are Relevant to the Company

The Company adopted for the first time the following amendments to PFRS, which are mandatorily effective for annual periods beginning on or after January 1, 2023:

PAS 1 and PFRS Practice Statement 2 (Amendments)	:	Presentation of Financial Statements – Disclosure of Accounting Policies
PAS 8 (Amendments)	:	Definition of Accounting Estimates
PAS 12 (Amendments)	:	Deferred Tax Related to Assets and Liabilities from a Single Transaction

Discussed below are the relevant information about these pronouncements.

(i) PAS 1 and PFRS Practice Statement 2 (Amendments), *Presentation of Financial Statements – Disclosure of Accounting Policies.* The amendments replaced the requirement for entities to disclose their significant accounting policies with the requirement to disclose their material accounting policy information. The amendments also include guidance to help entities apply the definition of material in making decisions about accounting policy disclosures.

The amendments clarify that accounting policy information may be material because of its nature, even if the related amounts are immaterial, that accounting policy information is material if users of an entity's financial statements would need it to understand other material information in the financial statements and if an entity discloses immaterial accounting policy information, such information shall not obscure material accounting policy information. The application of these amendments is reflected in the Company's financial statements under Notes 2 and 3.

(ii) PAS 8 (Amendments), *Definition of Accounting Estimates.* The amendments introduced a new definition of accounting estimate which is a monetary amount in the financial statements that are subject to measurement uncertainty. It also clarifies that a change in accounting estimate that results from new information or new developments is not a correction of an error. In addition, the effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors. The application of these amendments had no significant impact on the Company's financial statements.

(iii) PAS 12 (Amendments), *Deferred Tax Related to Assets and Liabilities from a Single Transaction.* The amendments narrow the scope of the initial recognition exception under PAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences. The amendments also clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgment (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognized in the financial statements (and interest expense) or to the related asset component (and interest expense).

Management assessed that the application of such amendments had no significant impact on the Company's financial statements.

(b) *Effective in 2023 that are not Relevant to the Company*

Among the amendments to PFRS, which are mandatorily effective for annual periods beginning on or after January 1, 2023, the amendments to PAS 12, *International Tax Reform – Pillar Two Model Rules*, are not relevant to the Company's financial statements.

(c) *Effective Subsequent to 2023 but not Adopted Early*

There are amendments to existing standards effective for annual periods subsequent to 2023, which are adopted by the FSRSC. Management will adopt the following relevant pronouncements in accordance with their transitional provisions; and, none of these are expected to have significant impact on the Company's financial statements:

(i) PAS 1 (Amendments), *Presentation of Financial Statements – Classification of Liabilities as Current or Non-current* (effective from January 1, 2024)

(ii) PAS 1 (Amendments), *Presentation of Financial Statements – Non-current Liabilities with Covenants* (effective from January 1, 2024)

(iii) PAS 7 (Amendments), *Cash Flow Statements* and PFRS 7 (Amendments), *Financial Instruments: Disclosures – Supplier Finance Arrangements* (effective from January 1, 2024)

(iv) PFRS 16 (Amendments), *Leases – Lease Liability in a Sale and Leaseback* (effective from January 1, 2024)

(v) PAS 21 (Amendments), *The Effects of Changes in Foreign Exchange Rates – Lack of Exchangeability* (effective from January 1, 2025)

2.3 Property, Plant and Equipment

Property, plant and equipment, except for land which is not depreciated, are stated at cost less accumulated depreciation and any impairment in value. Land is stated at cost less any impairment in value.

Depreciation is computed on the straight-line basis over the estimated useful lives of the assets as follows:

Subtransmission and distribution line and equipment	15 – 20 years
Substation, plant, meters, poles, and small tools and equipment	3 – 20 years
Buildings, leasehold improvements, and, office and land improvements	3 – 20 years

2.4 Financial Assets

Regular purchases and sales of financial assets are recognized on their trade date (i.e., the date that the Company commits to purchase or sell the assets).

The Company's financial assets include financial assets at amortized cost and at fair value through profit or loss.

(i) Financial Assets at Amortized Cost

The Company's financial assets at amortized cost are presented in the statement of financial position as Cash and Cash Equivalents, Trade and Other Receivables, and Guarantee deposits (presented as part of Other Non-current Assets).

The expected credit losses (ECL) on trade and other receivables are estimated by applying the simplified approach using a provision matrix developed based on the Company's historical credit loss experience and credit information that are specific to the debtors, adjusted for general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate. These assets are assessed for impairment on a collective basis based on shared credit risk characteristics.

(ii) Financial Assets at Fair Value Through Profit or Loss

The Company can only reclassify financial assets if the objective of its business model for managing those financial assets changes. Accordingly, the Company is required to reclassify financial assets: (i) from amortized cost to FVTPL, if the objective of the business model changes so that the amortized cost criteria are no longer met; and, (ii) from FVTPL to amortized cost, if the objective of the business model changes so that the amortized cost criteria start to be met and the characteristic of the instrument's contractual cash flows meet the amortized cost criteria.

A change in the objective of the Company's business model will take effect only at the beginning of the next reporting period following the change in the business model.

2.5 Financial Liabilities

Financial liabilities, which include Refundable Deposits, Lease Liabilities and Trade and Other Payables (excluding Universal charges payable, Advances from a customer, and Others) are measured at amortized cost using the effective interest method.

2.6 Revenue and Expense Recognition

Revenue mainly comprises revenue from sale and distribution of electricity.

The Company often enters into transactions involving sale and distribution of electricity and rendering services, which are satisfied over time. The transaction price allocated to that performance obligation is recognized as revenue as the performance obligation is satisfied. The Company uses the practical expedient of right to invoice in PFRS 15 for the sale and distribution of electricity, which is to recognize the value of services rendered that is acknowledged by the customers.

In addition, the following specific recognition criteria must also be met before revenue is recognized [significant judgments in determining the timing of satisfaction of the following performance obligations are disclosed in Note 3.1(c)]:

(a) *Sale of electricity* – Revenue is recognized over time based on the amount in which the Company has a right to invoice that corresponds directly with the value of services rendered to customers.

(b) *Service fees as other income* – Revenue from installation, reconnection and other services is recognized over time as the Company renders its performance obligations.

Costs and expenses are recognized in profit or loss upon utilization of goods or services or at the date they are incurred.

2.7 Leases

The Company accounts for its leases as follows:

(a) *Company as Lessee*

Subsequent to initial recognition, the Company depreciates the right-of-use asset on a straight-line basis from the lease commencement date to the end of the lease term, which is also the end of its useful life ranging from 3 to 15 years.

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 are recognized as an expense in profit or loss on a straight-line basis over the lease term.

(b) *Company as Lessor*

The Company applies judgment in determining whether a lease contract is a finance or operating lease.

2.8 Impairment of Non-financial Assets

The Company's property, plant and equipment, right-of-use assets, and other non-financial assets are subject to impairment testing.

2.9 Employee Benefits

The Company provides post-employment benefits to employees through a defined benefit plan and defined contribution plans, and other employee benefits.

The Company's defined benefit post-employment plan covers all regular full-time employees. The post-employment plan is tax qualified, non-contributory and administered by a trustee.

The defined benefit obligation is calculated periodically by an independent actuary using the projected unit credit method.

2.10 Segment Reporting

As of the end of the reporting periods, the Company has only one operating segment as disclosed in Note 15.

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of the Company's financial statements in accordance with PFRS requires management to make judgments and estimates that affect the amounts reported in the financial statements and related notes. Judgments and estimates 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. Actual results may ultimately differ from these estimates.

3.1 Critical Management Judgments in Applying Accounting Policies

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

(a) Determination of Lease Term of Contracts with Renewal and Termination Options

In determining the lease term, management considers all relevant factors and circumstances that create an economic incentive to exercise a renewal option or not exercise a termination option. Renewal options and/or periods after termination options are only included in the lease term if the lease is reasonably certain to be extended or not terminated.

For leases of office premises, substations and payment centers, the factors that are normally the most relevant are (a) if there are significant penalties should the Company pre-terminate the contract, and (b) if any leasehold improvements are expected to have a significant remaining value, the Company is reasonably certain to extend and not to terminate the lease contract.

Otherwise, the Company considers other factors including historical lease durations and the costs and business disruption required to replace the leased asset.

(b) Distinction Between Operating and Finance Leases for Contracts as a Lessor

The Company has entered into lease agreements as a lessor. Critical judgment was exercised by management to distinguish the lease agreement as either an operating or finance lease by looking as the transfer of significant risk and rewards of ownership of the property covered by the agreement. Failure to make the right judgment will result in either overstatement or understatement of assets and liabilities.

(c) Determination of Timing of Satisfaction of Performance Obligations

The Company determines that its revenues from sale and distribution of electricity, and service fees are recognized over time. The Company recognizes revenue at the amount to which it has a right to invoice, which corresponds directly to the value of services rendered to date to the customers.

(d) Determination of ECL on Trade and Other Receivables

The Company uses a provision matrix to calculate ECL for trade receivables. The provision rates are based on days past due groupings of various receivables.

The provision matrix is based on the Company's historical observed default rates. The Company's management intends to regularly calibrate (i.e., on an annual basis) the matrix to consider the historical credit loss experience with forward-looking information (i.e., forecast economic conditions). Details about the ECL on the Company's trade and other receivables are disclosed in Notes 4.2 and 10.

(e) Evaluation of Business Model Applied in Managing Financial Instruments

The Company developed business models which reflect how it manages its portfolio of financial instruments. The Company's business models need not be assessed at entity level or as a whole but shall be applied at the level of a portfolio of financial instruments (i.e., group of financial instruments that are managed together by the Company) and not on an instrument-by-instrument basis (i.e., not based on intention or specific characteristics of individual financial instrument).

In determining the classification of a financial instrument, the Company evaluates in which business model a financial instrument or a portfolio of financial instruments belong to taking into consideration the objectives of each business model established by the Company (e.g., held-for-trading, generating accrual income, direct matching to a specific liability) as those relate to the Company's investment and trading strategies.

(f) Recognition of Provisions and Contingencies

Provisions are recognized when present obligations will probably lead to an outflow of economic resources and they can be estimated reliably even if the timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive obligation that has resulted from past events.

Judgment is exercised by management to distinguish between provisions and contingencies. Disclosures on relevant provisions and contingencies are presented in Note 24.

3.2 Key Sources of Estimation Uncertainty

Presented in the succeeding page are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting period.

(a) Determination of Appropriate Discount Rate in Measuring Lease Liabilities

The Company measures its lease liabilities at present value of the lease payments that are not paid at the commencement date of the lease contract. The lease payments were discounted using a reasonable rate deemed by management equal to the Company's incremental borrowing rate. In determining a reasonable discount rate, management considers the term of the leases, the underlying asset and the economic environment. Actual results, however, may vary due to changes in estimates brought about by changes in such factors.

(b) Estimation of Allowance for ECL

The measurement of the allowance for ECL on financial assets at amortized cost is an area that requires the use of significant assumptions about the future economic conditions and credit behavior (e.g., likelihood of customers defaulting and the resulting losses). Explanation of the inputs, assumptions and estimation used in measuring ECL is further detailed in Note 4.2.

(c) Estimating Useful Lives of Property, Plant and Equipment, and Right-of-use Assets

The Company estimates the useful lives of property, plant and equipment, and right-of-use assets based on the period over which the assets are expected to be available for use. The estimated useful lives of property, plant and equipment and right-of-use 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. The carrying amounts of property, plant and equipment, and right-of-use assets are analyzed in Notes 6 and 7, respectively.

Based on management's assessment as at December 31, 2023 and 2022, no changes were noted in the estimated useful lives of property, plant and equipment, and right-of-use assets during those years. Actual results, however, may vary due to changes in estimates brought about by changes in factors mentioned above.

(d) Determining Net Realizable Value of Supplies Inventory

In determining the net realizable value of supplies inventory (presented under the Prepayments and Other Current Assets account), management takes into account the most reliable evidence available at the times the estimates are made. The future realization of the carrying amounts of supplies inventory is affected by price changes in the market segments of the fuel, lubricants and other chemicals. This aspect is considered as a source of estimation uncertainty which may cause possible adjustments to the Company's supplies inventory within the next reporting period.

No loss on write-down of the Company's supplies inventory was recognized in 2023, 2022 and 2021 since the management determined that the carrying value of supplies inventory is lower than the net realizable value (see Note 8.2).

(e) Determining Realizable Amount of Deferred Tax Assets

The Company reviews its deferred tax assets at the end of each reporting period and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. The carrying value of deferred tax assets as of December 31, 2023 and 2022, which management assessed to be recoverable, is disclosed in Note 21.

(f) Impairment of Non-financial Assets

Though management believes that the assumptions used in the estimation of fair values reflected in the financial statements are appropriate and reasonable, significant changes in these assumptions may materially affect the assessment of recoverable values and any resulting impairment loss could have a material adverse effect on the results of operations.

Based on management's evaluation, no impairment loss was recognized on the Company's non-financial assets in 2023, 2022 and 2021.

(g) Valuation of Post-employment Defined Benefit Obligation

The determination of the Company's obligation and cost of post-employment benefit is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions are described in Note 19.2 and include, among others, discount rates and salary rate increase. A significant change in any of these actuarial assumptions may generally affect the recognized expense, other comprehensive income or losses and the carrying amount of the post-employment benefit obligation in the next reporting period.

Details and analysis of post-employment defined benefit are discussed in Note 19.2.

4. RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company is exposed to certain financial and operational risks which result from both its operating and investing activities. The Company's BOD focuses on actively securing the Company's short to medium-term cash flows by minimizing the exposure to financial markets. Long-term financial investments are managed to generate lasting returns.

The Company does not actively engage in the trading of financial assets for speculative purposes, nor does it write options. The most significant financial risks to which the Company is exposed to are described below and in the succeeding pages.

4.1 Liquidity Risk

The ability of the Company to finance its operations and to meet obligations as these become due is extremely crucial to its viability as a business entity. The Company adopts a prudent liquidity risk management where it maintains sufficient cash to meet maturing obligations and trade payables as they fall due. This policy aims to honor all cash requirements on an ongoing basis and to avoid raising funds above market rates or through forced sale of assets.

As of December 31, the Company's financial liabilities (excluding lease liabilities – see Note 7) have contractual maturities which are presented below.

		Current		Non-current	
	Notes	Within 6 Months	6 to 12 Months	1 to 5 Years	Beyond 5 Years
2023:					
Refundable deposits	11	P -	P -	P -	P 942,501,075
Trade and other payables	12	736,035,671	19,096,888	-	-
		P 736,035,671	**P 19,096,888**	**P -**	**P 942,501,075**
2022:					
Refundable deposits	11	P -	P -	P -	P 885,106,828
Trade and other payables	12	834,459,116	60,541,380	-	-
		P 834,459,116	P 60,541,380	P -	P 885,106,828

The above contractual maturities reflect the gross cash flows, which may differ from the carrying values of the liabilities at the end of the reporting period.

4.2 Credit Risk

Credit risk is the risk that a counterparty fails to discharge an obligation to the Company. The Company is exposed to this risk for various financial instruments, for example by granting receivables to customers and placing deposits in banks and service providers.

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

Generally, the maximum credit risk exposure of financial assets is the carrying amount of the financial assets shown in the statement of financial position or in the detailed analysis provided in the notes to financial statements, as summarized on the below.

	Notes	2023	2022
Cash and cash equivalents	9	**P 2,419,905,001**	P 1,704,607,900
Trade and other receivables - net	10	**764,155,737**	1,049,041,221
Guarantee deposits	8.1	**976,316**	2,075,339
		P 3,185,037,054	P 2,755,724,460

As part of Company policy, bank deposits and short-term investments are only maintained with reputable financial institutions. Cash and cash equivalents and short-term investments which are insured by the Philippine Deposit Insurance Corporation (PDIC) up to a maximum insurance coverage of P0.5 million per depositor per banking institution, as provided for under RA No. 9576, *Amendment to Charter of PDIC*, are still subject to credit risk. The Company does not identify significant credit risks on guarantee deposits as the same are made with a related party under common ownership with sound financial condition.

The credit risk for guarantee deposits are also considered negligible as the Company has ongoing agreements with the counterparties and the latter are considered to be with sound financial condition. Management also considered the counterparties' ability to repay the refundable deposit taking into consideration historical defaults.

As of December 31, 2023 and 2022, the Company's trade receivables include certain accounts with top 40 customers which represent 9.3% and 12.4%, respectively, of the total outstanding balance indicating significant concentration of credit risk. The remaining trade receivable accounts consist of a large number and type of customers classified by the Company based on power consumption which are spread in various industries and households in Angeles City, Pampanga and nearby locations. Based on historical information about customer default rates, management considers the credit quality of trade receivables that are not past due or impaired to be good. Moreover, deposits required from customers can be offset against the receivables in cases of default (see Notes 4.1 and 11).

The Company applies the PFRS 9 simplified approach in measuring ECL which uses a lifetime expected loss allowance for all trade and other receivables. To measure the expected credit losses, trade and other receivables have been grouped based on shared credit risk characteristics and the days past due (age buckets).

The expected loss rates are based on the provision matrix as determined by management. The loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

On that basis, the Company has recognized expected credit losses in its financial statements as follows (see Note 10):

	Current	**Past due**		
	Within 1 month	**1 month to 3 months**	**More than 3 months**	**Total**
2023:				
Trade receivables	**P 589,149,621**	**P 213,462,985**	**P 82,918,103**	**P 885,530,709**
Loss allowance	**-**	**42,451,152**	**82,918,103**	**125,369,255**
2022:				
Trade receivables	P 841,950,460	P 244,065,840	P 75,460,135	P1,161,476,435
Loss allowance	-	41,101,152	75,460,135	116,561,287

4.3 Operational Risk

Operational risks refer to the risk of loss of the Company that may incur from unexpected interruptions of operations, inability to deliver services and possible loss of key suppliers and customers. The Company is continually devising strategies to ensure uninterrupted operations to minimize cost and remain competitive in its business.

5. CATEGORIES AND FAIR VALUE MEASUREMENT OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

5.1 Carrying Amounts and Fair Values by Category

For the Company's financial assets and financial liabilities as of December 31, 2023 and 2022, management considers that the carrying amounts of these financial instruments approximate their fair values due to their short-term nature. Effect of discounting is deemed immaterial for those instruments with maturities greater than one year. Hence, a comparison of carrying amounts and fair values is no longer presented.

See Notes 2.4 and 2.5 for the description of the accounting policies for each category of financial instruments including the determination of fair values. A description of the Company's risk management objectives and policies for financial instruments is provided in Note 4.

5.2 Fair Value Hierarchy

In accordance with PFRS 13, *Fair Value Measurement*, the fair value of financial assets and financial liabilities and non-financial assets which are measured at fair value on a recurring or non-recurring basis and those assets and liabilities not measured at fair value but for which fair value is required to be disclosed in accordance with other relevant PFRS, are categorized into three levels based on the significance of inputs used to measure the fair value.

The fair value hierarchy has the following levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that an entity can access at the measurement date;

- Level 2: 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); and,

- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level within which the asset or liability is classified is determined based on the lowest level of significant input to the fair value measurement.

For purposes of determining the market value at Level 1, a market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

5.3 Financial Instruments Measured at Fair Value

The Company's financial instruments measured at fair value pertains to financial assets amounting to P68.0 million and P55.6 million as of December 31, 2023 and 2022, respectively, and presented as Financial Assets at FVTPL under the Prepayments and Other Current Assets account in the statements of financial position (see Note 8.2).

As of December 31, 2023 and 2022, instruments included in Level 2 comprise of equity securities classified as financial assets at FVTPL. The fair value of the Company's financial assets at FVTPL is derived by reference to published net asset value at the end of the reporting period. Management believes that the carrying value of the Company's financial assets at FVTPL approximates its fair value as of December 31, 2023 and 2022.

The Company has no financial liabilities measured at fair value as of December 31, 2023 and 2022.

5.4 Financial Instruments Measured at Amortized Cost for which Fair Value is Disclosed

Management considers that cash and cash equivalents and other short-term placements are classified under Level 1, while guarantee deposits, trade and other receivables as well as the financial liabilities are classified under Level 3.

Except for long-term refundable deposits which has a carrying amount and fair value of P942.0 million and P883.1 million, respectively, as at December 31, 2023, and P884.7 million and P825.3 million, respectively, as at December 31, 2022, the Company's financial assets and financial liabilities with short-term maturity, management considers that the carrying amounts of those short-term financial instruments approximate their fair values.

6. PROPERTY, PLANT AND EQUIPMENT

The gross carrying amounts and accumulated depreciation of property, plant and equipment at the beginning and end of 2023 and 2022 are shown below.

	Substransmission and Distribution Line and Equipment	Substations Plant, Meters, Poles, and Small Tools and Equipment	Buildings, Leasehold Improvements and Office Improvements	Land Improvements	Construction in Progress	Land	Total
December 31, 2023							
Cost	P2,031,261,701	P2,116,923,194	P 315,197,161	P 2,338,104	P 9,264,510	P 188,665,712	P4,663,650,382
Accumulated depreciation	(1,345,558,741)	(1,353,376,783)	(258,022,056)	(1,769,380)	-	-	(2,958,726,960)
Net Carrying Amount	**P 685,702,960**	**P 763,546,411**	**P 57,175,105**	**P 568,724**	**P 9,264,510**	**P 188,665,712**	**P1,704,923,422**
December 31, 2022							
Cost	P1,927,097,828	P2,053,808,910	P 283,700,317	P 1,759,829	P 25,165,795	P 134,790,622	P4,426,323,301
Accumulated depreciation	(1,258,105,956)	(1,263,857,934)	(233,523,481)	(1,759,829)	-	-	(2,757,247,200)
Net Carrying Amount	P 668,991,872	P 789,950,976	P 50,176,836	P -	P 25,165,795	P 134,790,622	P1,669,076,101
January 1, 2022							
Cost	P1,873,701,527	P1,837,110,128	P 270,848,576	P 1,759,829	P 111,778,011	P 134,790,622	P4,229,988,692
Accumulated depreciation	(1,190,129,022)	(1,187,751,857)	(215,762,807)	(1,759,829)	-	-	(2,595,403,515)
Net Carrying Amount	P 683,572,505	P 649,358,271	P 55,085,769	P -	P 111,778,011	P 134,790,622	P1,634,585,177

A reconciliation of the carrying amounts of property, plant and equipment at the beginning and end of 2023, 2022 and 2021 are shown below.

	Substransmission and Distribution Line and Equipment	Substations Plant, Meters, Poles, and Small Tools and Equipment	Buildings, Leasehold Improvements and Office Improvements	Land Improvements	Construction in Progress	Land	Total
Balance at January 1, 2023 net of accumulated depreciation	P 668,991,872	P 789,950,976	P 50,176,836	P -	P 25,165,795	P 134,790,622	P1,669,076,101
Additions	125,800,720	64,222,585	10,341,402	578,275	7,539,612	53,875,090	262,357,684
Reclassifications	-	546,697	22,894,200	-	(23,440,897)	-	-
Depreciation charges for the year	(109,089,632)	(91,173,847)	(26,237,333)	(9,551)	-	-	(226,510,363)
Balance at December 31, 2023, net of accumulated depreciation	**P 685,702,960**	**P 763,546,411**	**P 57,175,105**	**P 568,724**	**P 9,264,510**	**P 188,665,712**	**P1,704,923,422**
Balance at January 1, 2022 net of accumulated depreciation	P 683,572,505	P 649,358,272	P 55,085,769	P -	P 111,778,011	P 134,790,622	P1,634,585,179
Additions	76,024,376	65,381,985	12,034,836	-	80,652,754	-	234,093,951
Reclassifications	10,883,065	155,415,810	966,095	-	(167,264,970)	-	-
Depreciation charges for the year	(101,488,074)	(80,205,091)	(17,909,864)	-	-	-	(199,603,029)
Balance at December 31, 2022, net of accumulated depreciation	P 668,991,872	P 789,950,976	P 50,176,836	P -	P 25,165,795	P 134,790,622	P1,669,076,101
Balance at January 1, 2021 net of accumulated depreciation	P 701,715,771	P 661,116,980	P 59,072,837	P -	P 99,103,588	P 77,143,395	P1,588,152,571
Additions	78,366,784	70,784,499	12,735,839	-	12,674,423	57,647,227	232,208,772
Depreciation charges for the year	(96,510,050)	(72,543,207)	(16,722,907)	-	-	-	(185,776,164)
Balance at December 31, 2021, net of accumulated depreciation	P 683,572,505	P 649,358,272	P 55,085,769	P -	P 111,778,011	P 134,790,622	P1,634,585,179

As at December 31, 2023 and 2022, the gross carrying amount of the Company's fully depreciated property, plant and equipment that are still used in operations is P338.5 million and P325.8 million, respectively.

The Company disposed certain fully depreciated distribution line and equipment, meters, small tools and equipment, and office improvements for P1.5 million and P1.1 million for 2023 and 2022, respectively. The related gain amounting to P1.5 million in 2023 and P1.1 million in 2022 are recorded as Gain (loss) on sale of assets under Other Income (Charges) - net in the 2023 and 2022 statements of profit or loss.

In 2021, the Company also disposed certain assets with a carrying amount of P3.2 million as of date of sale. The assets were disposed for P0.1 million resulting to a loss amounting to P3.1 million recorded as Gain (loss) on sale of assets under Other Income (Charges) - net in the 2021 statement of profit or loss.

Depreciation is presented as part of Depreciation and amortization under General and Administrative Expenses account in the statements of profit or loss (see Note 17).

In 2023, certain office improvements and meter poles were completed. Accordingly, the Company reclassified construction in progress amounting to P22.9 million and P0.5 million to the respective asset classifications under the Property, Plant and Equipment account.

In 2022, the New Milenyo Substation, New Petersville Substation and other projects were completed. Accordingly, the Company reclassified Construction-in-Progress amounting to P167.3 million to the respective asset classifications under the Property, Plant and Equipment account.

In 2008, the Company obtained a revaluation report from independent firm of appraisers on certain property, plant and equipment in connection with certain regulatory requirements. This, however, is not recognized in the financial statements as the Company's property, plant and equipment is carried at cost. Based on the appraisal report, the Company's property, plant and equipment were appraised at a total value of P1.7 billion. The Company then used this value in its application, i.e., to include the results of appraisal, for revision of rates with the ERC. Subsequently, in 2009, the Company was awarded by the ERC with the approval to recognize the results of the appraisal. In the ERC's response, the Company was allowed depreciation in projecting the revenue requirement using the return on rate-based methodology. The amount is net of ERC's adjustments based on the application filed.

7. LEASES

The Company has leases for certain land and equipment. Each lease is reflected on the statements of financial position as a right-of-use asset and a lease liability.

Each lease generally imposes a restriction that, unless there is a contractual right for the Company to sublease the asset to another party, the right-of-use asset can only be used by the Company. Leases are either non-cancellable or may only be cancelled by incurring a substantive termination fee. The Company is prohibited from selling or pledging the underlying leased assets as security.

7.1 Right-of-use Assets

The gross carrying amounts and accumulated amortization of right-of-use assets at the beginning and end of 2023, 2022 and 2021 are shown below.

	Land	Equipment	Total
December 31, 2023			
Cost:			
Balance at beginning of year	P 68,701,558	P 1,935,206	P 70,636,764
Additions	-	1,007,446	1,007,446
Balance at end of year	68,701,558	2,942,652	71,644,210
Accumulated amortization:			
Balance at beginning of year	31,808,610	1,786,344	33,594,954
Amortization for the year	7,218,006	568,631	7,786,637
Balance at end of year	39,026,616	2,354,975	41,381,591
Carrying amount at December 31, 2023	**P 29,674,942**	**P 587,677**	**P 30,262,619**

	Land	Equipment	Total
December 31, 2022			
Cost:			
Balance at beginning of year	P 59,623,932	P 1,935,206	P 61,559,138
Additions	9,077,626	-	9,077,626
Balance at end of year	68,701,558	1,935,206	70,636,764
Accumulated amortization:			
Balance at beginning of year	23,697,769	893,172	24,590,941
Amortization for the year	8,110,841	893,172	9,004,013
Balance at end of year	31,808,610	1,786,344	33,594,954
Carrying amount at December 31, 2022	P 36,892,948	P 148,862	P 37,041,810
December 31, 2021			
Cost:			
Balance at beginning of year	P 59,623,932	P -	P 59,623,932
Additions	-	1,935,206	1,935,206
Balance at end of year	59,623,932	1,935,206	61,559,138
Accumulated amortization:			
Balance at beginning of year	15,156,116	-	15,156,116
Amortization for the year	8,541,653	893,172	9,434,825
Balance at end of year	23,697,769	893,172	24,590,941
Carrying amount at December 31, 2021	P 35,926,163	P 1,042,034	P 36,968,197

The amount of amortization on right-of-use assets is presented as part of Depreciation and amortization under General and Administrative Expenses in the statements of profit or loss (see Note 17).

7.2 Lease Liabilities

Lease liabilities are presented in the statements of financial position are as follows:

	2023	2022
Non-current	**P 36,343,388**	P 43,457,640
Current	**7,715,659**	7,295,397
	P 44,059,047	P 50,753,037

The use of termination options gives the Company added flexibility in the event it has identified more suitable premises in terms of cost and/or location or determined that it is advantageous to remain in a location beyond the original lease term. As at December 31, 2023 and 2022, the Company has no commitment to any lease contract which has not commenced yet.

The undiscounted maturity analysis of lease liabilities at December 31 are as follows:

	2023	2022	2021
Within 1 year	**P 10,987,098**	P 11,099,365	P 11,858,299
1 to 2 years	**10,893,561**	10,453,252	8,964,631
2 to 3 years	**11,035,045**	10,804,587	8,251,154
3 to 4 years	**10,695,410**	11,035,045	8,663,712
4 or more years	**10,029,329**	20,724,740	28,677,968
	P 53,640,443	P 64,116,989	P 66,415,764

The movements in the lease liabilities recognized in the statements of financial position are as follows:

	2023	2022	2021
Balance at beginning of year	**P 50,753,037**	P 50,300,319	P 56,608,522
Additions	**1,007,446**	9,077,626	1,935,206
Interest expense	**3,842,801**	4,087,560	4,539,623
Repayment	**(11,544,237)**	(12,712,468)	(12,783,032)
Balance at end of year	**P 44,059,047**	P 50,753,037	P 50,300,319

Interest expense incurred on the lease liabilities is presented as part of Finance costs in the statements of profit or loss.

7.3 Lease Payments not Recognized as Liabilities

The Company has elected not to recognize lease liabilities for short-term leases. Payments made under such leases are charged expenses on a straight-line basis. The expenses relating to short-term leases amounted to P2.1 million, P2.2 million and P0.5 million in 2023, 2022, and 2021 respectively, and is presented as Rent under General and Administrative Expenses in the statements of profit or loss (see Note 17).

8. OTHER ASSETS

8.1 Other Non-current Assets

This account is composed of the following:

	2023	2022
Advances to suppliers	**P 7,847,662**	P 5,614,432
Guarantee deposits	**976,316**	2,075,339
Others	**620,649**	620,650
	P 9,444,627	P 8,310,421

Advances to suppliers mainly pertain to payments made in advance to contractors in relation to Company's construction of project sites (see Note 6).

The Company's guarantee deposits have been reviewed for indications of impairment. As of December 31, 2023 and 2022, management considers that its guarantee deposits are recoverable and does not expect significant risk of uncollectibility since related parties are of good credit ratings (see Note 4.2).

8.2 Prepayments and Other Current Assets

This account is broken down as follows:

	2023	2022
Supplies inventory	**P 125,474,400**	P 118,975,021
Financial assets at FVTPL	**67,995,423**	55,602,553
Prepaid expenses	**51,220,401**	40,852,304
Deferred input VAT	**19,868,755**	38,257,068
	P 264,558,979	P 253,686,946

Supplies inventory pertain to materials, wires, and parts used in distribution lines and substations and the Company's overall operations. These inventories are carried at cost, which is lower than their net realizable values.

Financial assets at FVTPL pertains to mutual funds and unit investment trust funds. The Company recognized fair value gain amounting to P2.4 million in 2023 and P1.1 million in 2021 and fair value loss amounting to P1.5 million in 2022 which is presented as Fair value gain (loss) on financial assets at FVTPL under Other Income (Charges) - net in the statements of profit or loss.

9. CASH AND CASH EQUIVALENTS

This account consists of the following as of December 31:

	2023	2022
Cash in banks	**P2,241,570,153**	P1,603,622,937
Short-term placements	**178,334,848**	100,984,963
Cash on hand	**243,000**	238,000
	P2,420,148,001	P1,704,845,900

Cash in banks generally earn interest based on daily bank deposit rates. Short-term placements pertain to time deposits that are made for varying period of less than 31 days and earn effective interest ranging from 5.75% to 6.25% in 2023 and 1.1% to 3.5% for 2022 and 2021. Interest earned from Cash and Cash Equivalents amounted to P23.4 million, P7.6 million and P4.5 million in 2023, 2022 and 2021, respectively, and is presented as part of Finance income under Other Income (Charges) – Net section in the statements of profit or loss.

10. TRADE AND OTHER RECEIVABLES – Net

This account is broken down as follows:

	Note	2023	2022
Trade	20.3	**P 885,530,709**	P1,161,476,435
Others		**3,994,283**	4,126,073
		889,524,992	1,165,602,508
Allowance for impairment		**(125,369,255)**	(116,561,287)
		P 764,155,737	P1,049,041,221

All of the Company's trade and other receivables are subject to credit risk. Based on the management's assessment, as the result of the calculated ECL, certain trade and other receivables were found to be impaired using the loss rate approach; as such, adequate amount of allowance for impairment have been recognized.

A reconciliation of the allowance for impairment is shown below.

	Note	2023	2022	2021
Balance at beginning of year		**P116,561,287**	P112,304,307	P109,636,340
Impairment losses	17	**8,807,968**	4,256,980	13,142,706
Write-off		**-**	-	(10,474,739)
Balance at end of year		**P125,369,255**	P116,561,287	P112,304,307

Trade receivables also include pass-through receivables related to output VAT, universal charges, feed-in-tariff charges for renewable energy sources and other receivables from customers which are to be subsequently remitted to the government and to the Company's various suppliers (see Note 12). Pass-through charges pertaining to generation and transmission charges are also billed to customers covering the cost of the purchased power and is similarly included in the trade receivables balance.

Trade receivables as of January 1, 2022 include various recovery schemes approved by the ERC for Power Sector Assets & Liabilities Management Corporation (PSALM) and other suppliers. Since 2017, the Company recorded the financial liability and the related financial asset arising from various recovery schemes imposed by the PSALM, such as the 10th to 17th Generation Rate Adjustment Mechanism (GRAM) and the 15th and 16th Incremental Currency Exchange Rate Adjustment (ICERA) Deferred Accounting Adjustment (DAA), every month based on equal installments over the period of 60 months. The amounts billed to the Company are billed directly to the customers based on approved rates (see Note 23.4). The related obligation is presented as part of the Trade payables under the Trade and Other Payables account in the statements of financial position (see Note 12).

The interest income arising from unwinding of discount amounted to P2.8 million and P7.9 million in 2022 and 2021, respectively, were presented as part of Finance income under Other Income (Charges) – net section in the statements of profit or loss. The transaction matured on December 31, 2022. There was no similar transaction for 2023.

11. REFUNDABLE DEPOSITS

This account consists of:

	2023	2022
Customers' deposits	**P 879,112,059**	P 821,399,631
Accrued interest on refundable deposits	**58,977,409**	59,324,274
Installation deposits	**3,940,592**	3,940,591
	P 942,030,060	P 884,664,496

Customers' deposits are first applied to the unpaid balance of the customer at the time of termination of service before a refund is given. These bear interest equal to the prevailing interest rate for savings deposits as approved by the Bangko Sentral ng Pilipinas. Total interest expense on these deposits amounted to P0.4 million, P0.3 million and P1.0 million in 2023, 2022 and 2021, respectively, and is shown as part of Others under General and Administrative Expenses in the statements of profit or loss (see Note 17). Annual interest earned by customers on deposits are applied to the customer's current bill at the beginning of each year and any unapplied interest, although remote in occurrence, is included in the amount refunded to customers upon termination of their service agreements. Unpaid interest at the end of the reporting period on refundable deposit is presented in the statements of financial position as part of the Refundable Deposits Account.

12. TRADE AND OTHER PAYABLES

This account consists of:

	Notes	2023	2022
Trade payables	20.1, 20.2	**P 686,516,576**	P 871,235,806
Universal charges payable		**42,085,201**	30,563,200
Accrued expenses		**38,816,087**	22,591,745
Others		**12,474,550**	10,357,506
		P 779,892,414	P 934,748,257

Trade payables are usually noninterest-bearing and due within 30 days. These comprise the total obligations that arise from the following contracts that were entered into by the Company for a stable source of electricity:

- The amount includes pass-through VAT payable to suppliers awaiting collection from customers (see Note 10).

- The Company had an Electricity Purchase Agreement (EPA) with Angeles Power, Inc. (API), a related party under common ownership, which expired in 2016 (see Note 20.1). The contract has been renewed and is pending approval from the ERC as at December 31, 2023.

- On June 26, 2006, the Company entered into a Transmission Service Agreement (the Agreement) with the National Grid Corporation of the Philippines (NGCP), formerly, National Transmission Commission (Transco). The Agreement is a support to the contract entered into by the Company with National Power Corporation (NAPOCOR). Based on the Agreement, NGCP shall assume the transmission functions of NAPOCOR and the latter's authority and responsibility for the planning, construction, and centralized operation and maintenance of its high-voltage transmission facilities, including grid interconnection and other ancillary services.

The trade payable balance includes liabilities for feed-in-tariff allowance in the amount of P0.9 million and P2.9 million as of December 31, 2023 and 2022, respectively. This allowance is billed to customers and remitted to TransCo which will be used to encourage investment in renewable power sources.

Trade payables as of January 1, 2022 include various recovery schemes approved by the ERC for the PSALM and other suppliers. The amounts billed to the Company are billed directly to the customers based on approved rates (see Notes 10 and 23.4). The interest expense arising from unwinding of discount amounted to P2.8 million in 2022, and P7.9 million in 2021 and were presented as part of Finance costs under Other Income (Charges) – net section in the statements of profit or loss. The transaction matured on December 31, 2022. There was no similar transaction in 2023.

Universal charges are amounts passed on and collected monthly from customers as imposed by the Electric Power Industry Reform Act of 2001 to support the government's power-related projects and initiatives. The Company remits the collections from universal charges monthly to PSALM which administers the funds and disburses the same in accordance with its intended purposes. Amount presented as Universal charges payable pertains to unremitted collections as at December 31, 2023 and 2022, which is expected to be remitted upon collection in the subsequent month.

Accrued expenses include accruals for professional fees, rentals, utilities and other cost accruals.

13. INCOME AND OTHER TAX LIABILITIES

This account consists of:

	2023	2022
Income tax payable	**P 36,990,209**	P 52,515,552
Local franchise tax payable	**25,887,280**	25,887,280
VAT payable	**19,749,394**	6,276,346
Withholding taxes payable	**17,111,498**	24,491,646
	P 99,738,381	P 109,170,824

14. EQUITY

14.1 Capital Management Objectives, Policies and Procedures

The Company's capital management objectives are to provide adequate return to its stockholders and to ensure the Company's ability to continue as a going concern.

The Company monitors capital on the basis of the carrying amount of equity as presented in the statements of financial position. Capital for the reporting periods under review is summarized below.

	2023	2022	2021
Total liabilities	P 2,292,339,928	P 2,367,267,746	P 2,097,729,781
Total equity	3,050,615,462	2,487,057,861	2,160,939,075
Debt-to-equity ratio	0.75 : 1.00	0.95 : 1.00	0.97 : 1.00

The Company sets the amount of capital in proportion to its overall financing structure, i.e., equity and liabilities. The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders or sell assets to reduce debt.

14.2 Capital Stock, Additional Paid-in Capital and Treasury Shares

Capital stock consists of:

	Shares			Amount		
	2023	2022	2021	2023	2022	2021
Authorized – P1 par value						
Common stock	1,500,000,000	1,500,000,000	2,000,000,000	P 1,500,000,000	P 1,500,000,000	P 2,000,000,000
Preferred stock – cumulative, non-participating	500,000,000	500,000,000	-	500,000,000	500,000,000	-
	2,000,000,000	2,000,000,000	2,000,000,000	P 2,000,000,000	P 2,000,000,000	P 2,000,000,000
Subscribed shares:						
Common stock –						
Balance at beginning of year	999,999,800	999,999,800	999,999,800	P 999,999,800	P 999,999,800	P 999,999,800
Issuance during the year	207,020,000	-	-	207,020,000	-	-
	1,207,019,800	999,999,800	999,999,800	1,207,019,800	999,999,800	999,999,800
Preferred stock –						
Issuance during the year	201,680,632	-	-	201,680,632	-	-
Balance at end of year	1,408,700,432	999,999,800	999,999,800	1,408,700,432	999,999,800	999,999,800
Additional paid-in capital –						
Issuance during the year	497,343,200	-	-	497,343,200	-	-
Treasury shares:						
Balance at beginning of year	28,571,400	28,571,400	-	62,857,080	62,857,080	-
Acquisition during the year	-	-	28,571,400	-	-	62,857,080
Balance at end of year	28,571,400	28,571,400	28,571,400	62,857,080	62,857,080	62,857,080
Issued and outstanding				P 1,843,186,552	P 937,142,720	P 937,142,720

In 2023, the Company issued 201,680,632 preferred shares from its unissued authorized preferred shares at P1 par value. These preferred shares are voting and redeemable at the option of the Company. Holders of the redeemable preferred shares are entitled to receive cumulative dividends at P0.0164 per share out of the unrestricted retained earnings but can no longer participate with the holders of the common shares for any dividends to be further declared.

On December 11, 2023, the Company, by way of a primary offering, sold 207,020,000 common stocks (Offer Share) at an offer price of P3.42 per Offer Share (P708.0 million in total). As a result, the Company recognized additional paid-in capital amounting to P501.0 million, arising from the excess of subscription price over par value related to the issuance of the Offer Share. Transaction costs from the issuance amounting to P3.6 million was charged against the additional paid-in capital relating to this issuance.

14.3 Stock Split

In 2022, the majority of the company's BOD and stockholders approved the execution of one for one hundred (1:100) stock split through amendment of Articles of Incorporation and By-laws, which was subsequently approved by the Philippine Securities Exchange Commission (SEC) on October 21, 2022. Accordingly, every one (1) share held prior to the split have become one hundred (100) shares after the split (subject to adjustment for fractional shares). The individual purchase price per share was decreased by a factor of 100 to maintain the total value invested (see Note 1.1). Furthermore, the shares have been classified into common and preferred shares (see Note 14.2).

14.4 Dividends

The Company's BOD declared the following cash dividends:

Date of Declaration	Record Date		Total Cash Dividends		Dividend Per Share
2023					
Common stock –					
February 28, 2023	February 28, 2023	P	241,691,386	P	0.2488
April 30, 2023	April 30, 2023		173,931,459		0.1790
November 23, 2023	November 23, 2023		19,817,139		0.0204
			435,439,984		
Preferred stock –					
April 30, 2023	April 30, 2023		405,998,560		2.0131
November 23, 2023	November 23, 2023		4,114,285		0.0204
			410,112,845		
		P	**845,552,829**		
2022					
February 28, 2022	February 28, 2022	P	15,931,426	P	0.0164
July 12, 2022	July 31, 2022		15,931,426		0.0164
November 22, 2022	October 31, 2022		15,931,425		0.0164
		P	47,794,277		
2021					
March 4, 2021	March 1, 2021	P	16,399,996	P	0.0164
July 30, 2021	June 30, 2021		15,931,426		0.0164
November 15, 2021	November 15, 2021		15,931,426		0.0164
		P	48,262,848		

Dividends declared in 2023 and 2022 were fully paid on the same year. Retained earnings is restricted in the amount of P62.9 million for 28,571,400 shares held in treasury as of December 31, 2023 and 2022 (see Note 14.2).

14.5 Appropriation of Retained Earnings

In prior years, the Company's BOD approved the annual appropriation of retained earnings for various planned capital expenditures, including but not limited to the construction of switching substations; reconductoring of backbone feeder and distribution lines; improvement of distribution line network; acquisition of distribution transformers and kilowatt-hour meters, construction of offices and warehouses; development of information technology systems and acquisition of office furniture and equipment. The planning for these capital expenditure projects are made annually to request approval from the ERC, as capital asset acquisitions impact the distribution rates being billed to customers. It follows the Company's regulatory period of September 1 of the current year to August 31 of the subsequent year.

In 2023, 2022 and 2021, the Company reversed certain appropriations made in previous years amounting to P24.2 million, P119.2 million and P73.2 million, respectively, for projects that have been acquired or completed. Additional appropriation of retained earnings were approved amounting to P174.6 million, P124.6 million and P87.2 million in 2023, 2022 and 2021, respectively, for various capital expenditures such as relocation and upgrading distribution backbone feeder lines, procurement of distribution transformers, and other network and non-network projects. These are expected to be incurred in 2024, 2023 and 2022, respectively.

15. SALE OF ELECTRICITY

This account consists of:

	Note	**2023**	2022	2021
Metered sales		**P7,606,892,669**	P 8,107,399,056	P 5,536,753,927
Flat rate sales		**64,965,640**	77,531,716	54,903,420
	20.3	**P7,671,858,309**	P 8,184,930,772	P 5,591,657,347

Sales are recognized based on the meter readings on a particular period. These are billed to customers within 31 days after meter reading is conducted and the amount is due within nine days from the date of billing. The rates charged to customers are based on the actual purchase price of energy and recent rates approved by the ERC.

The Company has only one reportable revenues segment which pertains to the sale and distribution of electricity recognized over time. Further, the Company has only one geographical segment as its operations are based in Pampanga Province.

16. COST OF POWER DISTRIBUTED

This consists of:

	Notes	**2023**	2022	2021
Purchased power	20.1	**P5,857,560,299**	P 6,433,955,026	P 4,228,389,712
Prompt payment discount		**(45,201,257)**	(42,622,584)	(31,754,065)
Net purchased power	17	**5,812,359,042**	6,391,332,442	4,196,635,647
Transmission charges	17	**516,595,617**	628,887,223	507,573,068
	17, 20.1	**P6,328,954,659**	P7,020,219,665	P 4,704,208,715

In 2023, 2022 and 2021, GNPower Mariveles Energy Center Ltd. Co. and ANDA Power Corporation provided prompt payment discount based on a set formula agreed by the parties.

17. COSTS AND OPERATING EXPENSES BY NATURE

Costs and operating expenses classified by nature are as follows:

	Notes	**2023**	2022	2021
Net purchased power	16, 20.1	**P5,812,359,042**	P6,391,332,442	P4,196,635,647
Transmission charges	16	**516,595,617**	628,887,223	507,573,068
Depreciation and amortization	6, 7.1	**234,297,005**	208,607,042	195,210,989
Salaries and employee benefits	19.1	**163,195,606**	151,024,883	150,173,888
Taxes and licenses		**94,426,246**	72,261,051	58,529,925
Professional fees		**43,680,647**	15,272,039	14,852,382
Repairs and maintenance	20.2	**39,721,225**	39,253,068	45,109,958
Outside services		**35,300,831**	31,538,585	25,022,345
Supervisory fees		**20,282,920**	11,000,997	13,233,226
Communication, light and water		**10,164,167**	10,854,097	8,156,003
Insurance		**9,576,015**	9,258,637	8,687,765
Impairment losses on trade and other receivables	10	**8,807,968**	4,256,980	13,142,706
Stationery and office supplies		**6,078,846**	3,681,120	3,846,193
Transportation and travel		**3,444,918**	4,516,197	3,288,363
Rent	7.3	**2,087,113**	2,204,781	522,306
Others	11	**24,247,490**	18,807,590	33,095,781
		P7,024,265,656	P 7,602,756,732	P 5,277,080,545

These expenses are classified in the statements of profit or loss as follows:

	Notes	**2023**	2022	2021
Cost of power distributed	16	**P6,328,954,659**	P 7,020,219,665	P 4,704,208,715
General and administrative expenses		**686,503,029**	578,280,087	559,729,124
Impairment losses	10	**8,807,968**	4,256,980	13,142,706
		P7,024,265,656	P 7,602,756,732	P 5,277,080,545

18. OTHER OPERATING INCOME

Other operating income includes the following:

	Notes	2023	2022	2021
Pole rentals		**P 19,801,427**	P 11,011,238	P 9,238,574
Service fees		**1,100,089**	1,433,598	1,161,374
Gain on reversal of provisions	24.1	**-**	-	17,000,000
Miscellaneous	20.1	**15,930,523**	19,570,890	2,954,086
		P 36,832,039	P 32,015,726	P 30,354,034

Pole rentals arise from the recognition of rental income from third parties for the use of the Company's poles in which the rate charged is based on the number of the poles used by the lessees. These are short-term leases and there are no related contractual future minimum lease payments as of December 31, 2023 and 2022.

Service fees arise from new line connections as well as reconnection fees for previously disconnected accounts.

Miscellaneous income pertains to income from penalty of damaged or broken glass meter, unmetered connections, sale of excess purchased power to the electricity market, gain on sale of assets and excess of VAT from sale to government, and gain from pre-termination of guarantee deposit.

19. EMPLOYEE BENEFITS

19.1 Salaries and Employee Benefits

Expenses recognized for employee benefits are presented below.

	Notes	2023	2022	2021
Salaries and wages		**P 116,343,029**	P 108,272,495	P 106,952,916
Post-employment benefits	19.2	**5,236,975**	5,583,534	6,085,626
Bonuses		**8,647,961**	7,195,087	9,238,727
Social security costs		**7,532,265**	6,191,673	5,751,628
Short-term medical benefits		**7,376,993**	8,361,692	8,165,093
Others		**18,058,383**	15,420,402	13,979,898
	17	**P 163,195,606**	P 151,024,883	P 150,173,888

Others include educational assistance, meal and other benefits.

19.2 Post-employment Defined Benefits

(a) Characteristics of the Defined Benefit Plan

The Company maintains a funded, tax-qualified, non-contributory post-employment benefit plan that is being administered by a trustee bank that is legally separated from the Company. The trustee bank managed the fund who acts in the best interest of the plan assets and is responsible for setting the investment policies. The post-employment plan covers all regular full-time employees.

The normal retirement age is 60 with a minimum of five years of credited service. The plan also provides for an early retirement at age 50 with a minimum of five years of credited service and late retirement after age 60, both subject to the approval of the Company's BOD. Normal retirement benefit is an amount equivalent to 100% of the final monthly covered compensation (average monthly basic salary during the last 12 months of credited service) for every year of credited service.

(b) Explanation of Amounts Presented in the Financial Statements

Actuarial valuations are made annually to update the retirement benefit costs and the amount of contributions. All amounts presented below and in the succeeding pages are based on the actuarial valuation report obtained from an independent actuary in 2023 and 2022.

The amounts of retirement benefit asset recognized in the statements of financial position are determined as follows:

	2023	2022
Fair value of plan assets	**P 139,231,147**	P 120,781,180
Present value of the obligation	**(128,278,735)**	(117,941,375)
	10,952,412	2,839,805
Effect of the asset ceiling	**(913,076)**	(191,968)
	P 10,039,336	P 2,647,837

The movements in the present value of the obligation recognized in the books are as follows:

	2023	2022
Balance at beginning of year	**P 117,941,375**	P 126,679,903
Interest cost	**8,066,598**	6,384,667
Benefits paid	**(7,725,994)**	(11,528,897)
Current service cost	**5,236,975**	5,583,534
Remeasurements – actuarial losses (gains) arising from:		
Changes in financial assumptions	**6,403,496**	(13,240,517)
Experience adjustments	**(1,514,137)**	3,995,168
Changes in demographic assumptions	**(129,578)**	67,517
Balance at end of year	**P 128,278,735**	P 117,941,375

The movements value of plan assets are presented below.

	Note	2023	2022
Balance at beginning of year		**P 120,781,180**	P 133,450,287
Actual contributions	20.4	**12,000,000**	12,000,000
Interest income		**8,588,952**	6,737,766
Benefits paid		**(7,725,994)**	(11,528,897)
Gain (loss) on plan assets		**5,587,009**	(19,877,976)
Balance at end of year	20.4	**P 139,231,147**	P 120,781,180

The fair value and the composition of the plan assets and its percentage as to the total plan assets as of December 31, 2023 and 2022 are shown below.

	2023	2022	2023	2022
Cash and cash equivalents	**P 10,776,491**	P 7,597,136	**7.74%**	6.29%
Private equity investments	**83,510,842**	80,029,610	**59.98%**	66.26%
Government bonds	**42,841,424**	47,370,379	**30.77%**	39.22%
Other bonds	**1,684,697**	1,618,468	**1.21%**	1.34%
Accumulated market gains and losses and other receivables	**417,693**	(15,834,413)	**0.30%**	(13.11%)
	P 139,231,147	P 120,781,180	**100%**	100%

The actual return on plan assets in 2023 and 2021 amounted to P14.2 million and P0.4 million, respectively, and the actual negative return on plan assets in 2022 amounted to P13.1 million.

The fair values of the assets, except for other receivables and private equity investments, are determined based on quoted market prices in active markets (classified as Level 1 of the fair value hierarchy). For other receivables and private equity investments, there are no observable market data and hence the amortized costs is deemed the fair value of the instrument (classified as Level 3 of the fair value hierarchy).

The components of amounts recognized in profit or loss and in other comprehensive income in respect of the defined benefit plan are presented below.

	2023	2022	2021
Reported in profit or loss:			
Current service cost	**P 5,236,975**	P 5,583,534	P 6,085,626
Net interest cost (income)	**(522,354)**	(353,099)	220,989
	P 4,714,621	P 5,230,435	P 6,306,615

	2023	2022	2021
Reported in other comprehensive loss (income):			
Return on plan assets	**(P 5,587,009)**	P 19,877,976	P 4,478,447
Actuarial loss (gain) on change on effect of asset ceiling	**707,190**	(206,207)	379,070
Actuarial losses (gains) arising from:			
Changes in financial assumptions	**6,403,496**	(13,240,517)	(9,770,769)
Experience adjustments	**(1,514,137)**	3,995,168	(1,716,720)
Changes in demographic assumptions	**(129,578)**	67,517	49,040
	(P 120,038)	P 10,493,937	(P 6,580,932)

Current service cost is presented as part of Salaries and employee benefits under General and Administrative Expenses in the statements of profit or loss (see Note 17). Net interest income and Net interest cost is presented as part of Finance income and Finance cost, respectively, under Other Income (Charges) section in the statements of profit or loss.

Amounts recognized in other comprehensive income were included within items that will not be reclassified subsequently to profit or loss.

In determining the amounts of the defined benefit post-employment obligation, the following significant actuarial assumptions were used:

	2023	2022	2021
Discount rate	**6.07%**	7.25%	5.04%
Expected rate of salary increases	**4.00%**	4.00%	4.00%

Assumptions regarding future mortality experience are based on published statistics and mortality tables. The average remaining working lives of an individual retiring at the age of 60 is 16.1 for males and 17.8 for females. These assumptions were developed by management with the assistance of an independent actuary. Discount factors are determined close to the end of each reporting period by reference to the interest rates of zero coupon government bonds with terms to maturity approximating to the terms of the post-employment obligation. Other assumptions are based on current actuarial benchmarks and management's historical experience.

(c) Risks Associated with the Retirement Plan

The plan exposes the Company to actuarial risks such as investment risk, interest rate risk, longevity risk and salary risk.

(i) Investment and Interest Risks

The present value of the defined benefit obligation is calculated using a discount rate determined by reference to market yields of government bonds. Generally, a decrease in the interest rates of reference government bonds will increase the plan obligation.

However, this will be partially offset by an increase in the return on the plan's investments in debt securities and if the return on plan asset falls below this rate, it will create a deficit in the plan. Currently, the plan has relatively balanced investment in cash, equity securities and debt securities. Due to the long-term nature of the plan obligation, a level of continuing equity investments is an appropriate element of the Company's long-term strategy to manage the plan efficiently.

(ii) Longevity and Salary Risks

The present value of the defined benefit obligation is calculated by reference to the best estimate of the mortality of the plan participants both during and after their employment, and to their future salaries. Consequently, increases in the life expectancy and salary of the plan participants will result in an increase in the plan obligation.

(d) Other Information

The information on the sensitivity analysis for certain significant actuarial assumptions, the Company's asset-liability matching strategy, and the timing and uncertainty of future cash flows related to the retirement plan are described below and in the succeeding page.

(i) Sensitivity Analysis

The following table summarizes the effects of changes in the significant actuarial assumptions used in the determination of the defined benefit obligation as of December 31:

	Impact on Post-Employment Benefit Obligation		
	Change in Assumption	**Increase in Assumptions**	**Decrease in Assumptions**
December 31, 2023			
Discount rate	**+/-1.0%**	**(P 5,488,569)**	**P 6,028,602**
Salary growth rate	**+/-1.0%**	**6,093,121**	**(5,644,671)**
December 31, 2022			
Discount rate	**+/-1.0%**	(P 5,176,764)	P 5,654,422
Salary growth rate	**+/-1.0%**	5,781,343	(5,381,011)
December 31, 2021			
Discount rate	**+/-1.0%**	(P 6,439,867)	P 7,106,431
Salary growth rate	**+/-1.0%**	7,109,275	(6,561,320)

The sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. This analysis may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated. Furthermore, in presenting the above sensitivity analysis, the present value of the defined benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligation recognized in the statements of financial position.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous years.

(ii) Asset-liability Matching Strategies

To efficiently manage the retirement plan, the Company through its Retirement Plan Committee, ensures that the investment positions are managed in accordance with its asset-liability matching strategy to achieve that long-term investments are in line with the obligations under the retirement scheme. This strategy aims to match the plan assets to the retirement obligations by investing in long-term fixed interest securities (i.e., government or corporate bonds) with maturities that match the benefit payments as they fall due and in the appropriate currency. The Company actively monitors how the duration and the expected yield of the investments are matching the expected cash outflows arising from the retirement obligations.

In view of this, investments are made in reasonably diversified portfolio, such that the failure of any single investment would not have a material impact on the overall level of assets.

A large portion of the plan assets as of December 31, 2023 and 2022 consists of equity and debt securities, although the Company also invests in cash and cash equivalents. The Company believes that debt securities offer the best returns over the long term with an acceptable level of risk. The majority of equity securities are in a diversified portfolio of local blue chip entities.

There has been no change in the Company's strategies to manage its risks from previous periods.

(iii) Funding Arrangements and Expected Contributions

As of December 31, 2023, the plan is overfunded by P10.0 million based on the latest actuarial valuation.

The Company expects to make a contribution of P12.0 million to the plan during the next reporting period.

The maturity profile of undiscounted expected benefit payments from the plan for the next 10 years are as follows:

	2023	2022	2021
Financial year			
Year 1	**P 27,674,269**	P 26,126,739	P 25,615,625
Year 2	**14,457,382**	14,221,208	12,022,635
Year 3	**17,591,146**	13,767,776	13,080,041
Year 4	**28,781,644**	16,679,520	12,895,495
Year 5	**23,349,929**	26,808,793	15,717,030
Year 6 to Year 10	**56,702,726**	75,005,531	88,425,977
	P 168,557,096	P 172,609,567	P 167,756,803

The weighted average duration of the defined benefit obligation at the end of the reporting period is seven years.

20. RELATED PARTY TRANSACTIONS

A summary of the Company's transactions with its related parties, which include related parties under common ownership, the Company's key management personnel and others, as of and for the years ended December 31, 2023 and 2022 is presented below.

Related Party Category	Notes	Amount of Transaction			Outstanding Receivable	
		2023	2022	2021	**2023**	2022
Related parties under common ownership:						
Purchase of electricity	20.1	**P 220,525,923**	P 249,400,254	P 268,918,349	**P 17,381,844**	P 16,316,408
Purchase of goods and other services	20.2	**17,204,391**	16,218,608	17,318,852	**46,461**	613,349
Sales of electricity	20.3	**141,128,261**	151,917,860	101,320,784	**14,082,043**	13,580,110
Retirement plan asset	19.2, 20.4	**12,000,000**	12,000,000	12,000,000	**139,231,147**	120,781,180
Key management personnel –						
Compensation	20.5	**25,177,513**	21,149,910	22,186,883	**-**	-
Stockholders –						
Purchase of goods and other services	20.2	**3,777,778**	5,056,560	3,733,332	**-**	-

Details of the foregoing transactions are discussed below and in the succeeding page.

20.1 Purchase of Electricity

Total purchases of electricity from API based on rates approved by the ERC are presented as part of Purchased power under Cost of Power Distributed in the statements of profit or loss (see Note 16). The related outstanding liabilities to API as of December 31, 2023 and 2022 are shown as part of Trade payables under Trade and Other Payables in the statements of financial position (see Note 12). The liability is unsecured, noninterest-bearing and payable in cash within 30 days.

20.2 Purchase of Goods and Other Services

Related parties under common ownership and certain stockholders provide rental, utilities, meals and various goods, and consultancy and other services to the Company. Moreover, API also provides support services for security and maintenance of the Company's switchyard located near the power generation plant of API in Bacolor, Pampanga. Total expenses arising from these transactions are presented as part of Repairs and maintenance under General and Administrative Expenses in the statements of profit or loss (see Note 17). The related outstanding liabilities as of December 31, 2023 and 2022 are shown as part of Trade payables under Trade and Other Payables in the statements of financial position (see Note 12).

20.3 Sale of Electricity

Total sales of electricity of the Company to its related parties under common ownership in 2023, 2022, and 2021 are presented as part of Sale of Electricity in the statements of profit or loss (see Note 15). The outstanding receivables from these transactions are presented as part of Trade and Other Receivables in the statements of financial position (see Note 10).

20.4 Retirement Plan Asset Investment

The Company has a formal retirement plan established separately for each significant component. These plans are defined benefit post-employment plan maintained for qualified employees, administered and managed by trustee banks. The fair value and the composition of the plan assets as of December 31, 2023 and 2022 as well as the details of the contributions of the Company and benefits paid out by the plan are presented in Note 19.2.

Plan assets do not comprise any financial instruments issued by or any assets occupied and/or used in operations by the Company or any of its related parties. The retirement fund neither provides any guarantee or surety for any obligation of the Company nor its investments covered by any restrictions or liens.

20.5 Key Management Personnel Compensation

The compensation of key management personnel for employee services is shown below.

	2023	2022	2021
Short-term benefits	**P 24,164,296**	P 20,395,856	P 20,984,389
Post-employment benefits	**1,013,217**	754,054	1,202,494
	P 25,177,513	P 21,149,910	P 22,186,883

21. TAXES

The components of income tax are as follows:

	2023	2022	2021
Reported in profit or loss:			
Current tax expense:			
Regular Corporate Income Tax (RCIT) at 25%	**P 170,397,182**	P 152,187,717	P 83,275,995
Final tax at 20% and 15%	**4,665,287**	1,520,469	896,628
Adjustment in 2020 income taxes due to change in tax rate	**-**	-	(13,472,382)
	175,062,469	153,708,186	70,700,241
Deferred tax expense (income) arising from:			
Reversal and origination of temporary differences	**(9,777,307)**	(26,446,872)	4,515,472
Effect of change in income tax rate	**-**	-	20,541,594
	(9,777,307)	(26,446,872)	25,057,066
	P 165,285,162	P 127,261,314	P 95,757,307
Reported in other comprehensive income (loss):			
Deferred tax expense (income) arising from:			
Reversal and origination of temporary differences	**P 30,010**	(P 2,623,484)	P 3,106,026
Effect of change in income tax rate	**-**	-	(649,243)
	P 30,010	(P 2,623,484)	P 2,456,783

The reconciliation of tax on pretax profit computed at the applicable statutory rates to tax expense reported in profit or loss is presented below.

	2023	2022	2021
Reported in profit or loss:			
Current tax expense:			
Regular Corporate Income Tax on pretax profit at 25%	**P 167,065,433**	P 127,261,208	P 85,664,702
Adjustment for income subject to lower income tax rates	**(1,182,053)**	(380,257)	(224,307)
Tax effects of:			
Non-taxable income	**(598,218)**	(711,671)	(2,681,174)
Non-deductible expense	**-**	1,092,034	5,928,834
Effect of change in income tax rate	**-**	-	7,069,252
Tax expense	**P 165,285,162**	P 127,261,314	P 95,757,307

The net deferred tax assets in the statements of financial position relates to the following:

	2023	2022
Deferred tax assets:		
Provisions	**P 106,655,007**	P 96,982,783
Allowance for impairment	**31,342,314**	29,140,322
Accrued purchased power	**20,896,665**	24,060,686
Lease liabilities	**11,014,761**	12,688,258
Unamortized past service cost	**9,123,058**	8,790,162
	179,031,805	171,662,211
Deferred tax liabilities:		
Accrued revenue	**(26,287,350)**	(28,818,130)
Right of use asset	**(7,565,655)**	(9,260,453)
Revaluation reserve on property, plant and equipment	**(3,246,297)**	(3,246,297)
Retirement benefit asset	**(2,509,834)**	(661,960)
	(39,609,136)	(41,986,840)
	P 139,422,669	P 129,675,371

The components of net deferred tax expense (income) reported in the statements of comprehensive income are as follows:

	Profit or loss			**Other Comprehensive Income**		
	2023	2022	2021	**2023**	2022	2021
Provisions	**(P 9,672,224)**	(P 27,147,589)	P 19,067,039	**P -**	P -	P -
Accrued purchased power	**3,164,021**	(2,505,314)	(5,556,222)	**-**	-	-
Accrued revenue	**(2,530,780)**	3,092,772	4,992,993	**-**	-	-
Allowance for impairment	**(2,201,992)**	(1,064,245)	4,814,808	**-**	-	-
Retirement benefit asset - net	**1,817,865**	1,687,615	256,703	**30,010**	(2,623,484)	3,106,026
Right of use asset	**(1,694,797)**	(2,251,004)	(4,098,296)	**-**	-	-
Lease liabilities	**1,673,497**	2,156,227	4,407,478	**-**	-	-
Unamortized past service cost	**(332,897)**	(415,334)	1,134,697	**-**	-	-
Unrealized forex loss – net	**-**	-	37,86	**-**	-	-
Revaluation reserve on property, plant and equipment	**-**	-	-	**-**	**-**	(649,243)
Net deferred tax expense (income)	**(P 9,777,307)**	(P 26,446,872)	P 25,057,066	**P 30,010**	(P 2,623,484)	P 2,456,783

In 2023 and 2022, the Company is subject to the minimum corporate income tax (MCIT) which is computed at 2% and 1% of gross income net of allowable deductions, respectively, as defined under the tax regulations, or to RCIT, whichever is higher. No MCIT was reported in 2023, 2022 and 2021 as RCIT was higher than MCIT.

In 2023, 2022 and 2021, the Company opted to claim itemized deductions in computing for its income tax due.

22. EARNINGS PER SHARE

Earnings per share were computed as follows:

	2023	2022	2021
Net profit*	**P 499,669,008**	P 381,783,516	P 246,901,499
Divided by the weighted average number of outstanding common shares	**988,680,067**	971,428,400	986,904,600
Earnings per Share	**P 0.51**	P 0.39	P 0.25

**In 2023, net profit excludes dividends attributable to cumulative preferred shares amounting to P3.3 million (see Note 14).*

Earnings per share are determined by dividing net profit by the weighted average number of shares subscribed and issued during the year.

Basic and diluted earnings per share are the same as there were no potentially dilutive shares as at December 31, 2023 , 2022 and 2021.

23. REGULATORY MATTERS

On June 8, 2001, the Philippine Congress approved RA No. 9136 – *Electric Power Industry Reform Act of 2001*, providing for restructuring of the electric power industry. Among the significant provisions of RA No. 9136 are presented below.

23.1 Functions and Powers of the ERC with Respect to Distribution Utilities

Among others, the functions of the ERC include the following under the act:

(a) The ERC shall establish and enforce a methodology for setting transmission and distribution wheeling rates and retail rates for the captive market of distribution utilities, taking into account all relevant considerations, including the efficiency or inefficiency of the regulated entities;

(b) Review and approve any changes on the terms and conditions of service of any distribution utility;

(c) Amend or revoke, after due notice and hearing, the authority to operate of any person or entity which fails to comply with the provisions hereof, the Implementing Rules and Regulations or any order or resolution of the ERC;

(d) Monitor the activities in the generation and supply of the electric power industry with the end view of promoting free market competition and ensuring that the allocation or pass-through of bulk purchase cost by distributors is transparent, non-discriminatory and that any existing subsidies shall be divided pro rata among all retail suppliers; and,

(e) Perform such other regulatory functions as are appropriate and necessary in order to ensure the successful restructuring and modernization of the electric power industry.

23.2 De-monopolization and Shareholding Dispersal

Unless the distribution utility or the company holding the shares or its controlling stockholders are already listed in the Philippine Stock Exchange, Section 28 of RA No. 9136, provides that holdings of persons, natural or juridical, including directors, officers, stockholders and related interests, in a distribution utility and their respective holding companies shall not exceed 25% of the voting shares of stock. As of December 31, 2023 and 2022 the Company has complied with this requirement.

23.3 Performance-Based Regulation

The Company entered Performance Based Regulation at the fourth entry point, as originally described in Annex B of ERC Resolution No. 12-02 Series of 2004 "Adopting a Methodology for Setting Distribution Wheeling Rates," dated December 10, 2004, and later amended by the ERC to make provision for four entry points.

On July 6, 2011, ERC issued the Final Determination of the price control arrangements that will apply to the Company as contained in its decision for the approval of the Company's application for its Annual Revenue Requirement and Performance Incentive Scheme for the Second Regulatory Period. This Second Regulatory Period commenced on October 1, 2011 and was terminated on September 30, 2015. Subsequent to the Second Regulatory Period, ERC initiated a review of the rules to govern the filing of Regulatory Period Reset. In 2021, the final rules have been promulgated to Group A Entrants of distribution utilities. The Company, being part of Group D, is yet to receive direction from the ERC for this matter.

23.4 Additional Charges of PSALM

In 2017, ERC authorized PSALM to implement the recovery or refund of approved DAA on GRAM and ICERA starting January 2018.

This recovery, as it pertains to the Company, should be recovered from the customers and subsequently remitted to PSALM. ERC clarified that the DUs are not just mere collectors of the said DAA but these are charges that they should pay to NPC/PSALM and billed to their customers as part of their generation charge. Accordingly, this was recognized in the financial statements. The recovery scheme ended in December 2022.

The outstanding payables to PSALM from the above transactions are presented as part of Trade payables under Trade and Other Payables account in the 2023 statement of financial position (see Note 12).

24. COMMITMENTS AND CONTINGENCIES

24.1 Provisions

ERC Resolution No. 16 requires all distribution utilities to file their consolidated applications to address any over/under recoveries on generation, transmission, system loss and other charges, as well as with the lifeline and inter-class cross subsidies.

The Company filed its application for confirmation of its over and under recoveries of its automatic pass-thru cost adjustments for the billing periods January 2011 to December 2013 and January 2014 to December 2016 in 2014 and 2017, respectively. In 2020, the Company received provisional authority orders from the ERC to refund and collect the over and under recoveries. The Company is still awaiting the confirmation and final resolution of the ERC.

The Company also estimated certain over recoveries on distribution charges, the refund of which to customers is identified to be probable based on orders issued by the ERC to other distribution utilities. As of December 31, 2023, the Company's application for approval of these refunds is still under evaluation by the ERC. There are no developments yet to such cases as of December 31, 2023.

Based on the assessed outcome of the aforementioned, the Company has recognized a provision for probable losses amounting to P40.1 million and P108.6 million in 2023 and 2022, respectively. The related expense is presented as Provisions under Other Income (Charges) - net section in the statements of profit or loss.

In addition, the Company is also involved in certain cases as defendant and for which provisions were made in prior years. Certain provisions were settled during the year amounting to P1.5 million. There was no similar transaction for 2022.

The changes in provisions during the year are as follows:

	2023	2022
Balance at beginning of year	**P 387,931,132**	P 279,340,775
Additional provisions	**40,139,446**	108,590,357
Settlement during the year	**(1,450,552)**	-
Balance at end of year	**P 426,620,026**	P 387,931,132

24.2 Others

There are other commitments and contingent liabilities that arise in the normal course of the Company's operations which are not reflected in the financial statements. As of December 31, 2023 and 2022, management is of the opinion that losses, if any, from these commitments and contingencies will not have a material effect on the Company's financial statements.

25. SUPPLEMENTARY INFORMATION REQUIRED BY THE BUREAU OF INTERNAL REVENUE

Presented in the succeeding pages is the supplementary information which is required by the Bureau of Internal Revenue (BIR) under Revenue Regulations (RR)15-2010 to be disclosed as part of the notes to financial statements. This supplementary information is not a required disclosure under PFRS.

The information on taxes, duties and license fees paid or accrued during the taxable year required under RR 15-2010 issued on November 25, 2010 are presented in the succeeding pages.

(a) *Output VAT*

In 2023, the Company declared output VAT as follows:

	Output Tax Base	VAT
Electricity distribution charges	P 1,354,067,263	P 162,488,072
Zero-rated sales	28,714,479	-
Exempt sales	7,322,944	-
	P1,390,104,686	**P 162,488,072**

The tax base for electricity distribution charges, included as part of Sale of Electricity, is based on the Company's gross receipts for the year and only pertains to distribution charges. Hence, may not be the same with the amounts presented in the 2023 statement of profit or loss which are based on PFRS.

The outstanding output VAT payable as of December 31, 2023 amounting to P19.7 million is presented as part of Income and Other Tax Liabilities in the 2023 statement of financial position.

The movements in input VAT in 2023 are summarized below.

Balance at beginning of year	P -
Input VAT from current year purchases	28,093,973
Capital goods subject to amortization from prior years	18,388,014
Domestic purchases of services	16,134,301
Goods other than for resale or manufacture	2,036,698
Application against output VAT	(64,652,986)
Balance at end of year	**P -**

The balance as of the end of the year is set-off against the outstanding balance of output VAT. Deferred input VAT on capital goods amounting to P19.9 million is presented under Prepayments and Other Current Assets in the 2023 statement of financial position.

(b) *Taxes on Importation*

In 2023, the Company did not have any importations; hence, it did not pay customs duties and tariff fees.

(c) *Excise Tax*

The Company did not have any transactions in 2023 which are subject to excise tax.

(d) Documentary stamp tax (DST)

In 2023, the Company accrued DST amounting to P2.0 million in relation to the issuance of shares. This was charged against additional paid-in capital during the year.

(e) Taxes and Licenses

Details of taxes and licenses account are shown below.

Business taxes	P	53,660,558
Local franchise taxes		35,745,395
Real property taxes		4,438,587
Vehicle registration		104,213
Mayor's permit		42,215
Barangay clearance		27,193
Community tax certificate		10,500
Miscellaneous		7,100
Annual registration		3,000
Others		387,485
	P	**94,426,246**

The amounts of taxes and licenses are presented as part of General and Administrative Expenses in the 2023 statement of profit or loss.

(f) Withholding Taxes

The composition of total withholding taxes for the year ended December 31, 2023 is shown below.

Expanded	P	119,293,794
Final		90,280,700
Compensation and benefits		13,231,027
	P	**222,805,521**

(g) Deficiency Tax Assessments and Tax Cases

As of December 31, 2023, the Company does not have any other final deficiency tax assessments with the BIR or tax cases outstanding or pending in courts or bodies outside the BIR in any of the open taxable years.

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Report of Independent Auditors to Accompany Supplementary Information Required by the Securities and Exchange Commission Filed Separately from the Basic Financial Statements

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The Board of Directors
Angeles Electric Corporation
Don Juan and Doña Teresa Nepomuceno Avenue,
Nepomart Complex
Angeles City, Pampanga

We have audited, in accordance with Philippine Standards on Auditing, the financial statements of Angeles Electric Corporation for the year ended December 31, 2023, on which we have rendered our report dated April 4, 2024. Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The applicable supplementary information (see List of Supplementary Information) is presented for purposes of additional analysis in compliance with the requirements of the Revised Securities Regulation Code Rule 68, and is not a required part of the basic financial statements prepared in accordance with Philippine Financial Reporting Standards. Such supplementary information is the responsibility of management. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

PUNONGBAYAN & ARAULLO

By: **Renan A. Piamonte**
Partner

CPA Reg. No. 0107805
TIN 221-843-037
PTR No. 10076150, January 3, 2024, Makati City
SEC Group A Accreditation
Partner - No. 107805-SEC (until financial period 2023)
Firm - No. 0002 (until financial period 2024)
BIR AN 08-002511-037-2022 (until Oct. 13, 2025)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Aug. 27, 2024)

April 4, 2024

ANGELES ELECTRIC CORPORATION
LIST OF SUPPLEMENTARY INFORMATION
December 31, 2023

* *The Company does not prepare any consolidated financial statements*
** *The Company does not have intangible assets - other assets*
*** *The Company does not have long-term debt*
**** *The Company does not have guarantees of securities of other issuers*

ANGELES ELECTRIC CORPORATION
Schedule A
Financial Assets - Fair Value Through Profit or Loss, Fair Value Through Other Comprehensive Income and Amortized Cost
December 31, 2023

Name of Issuing Entity and Association of Each Issue	Number of Shares or Principal Amount of Bonds or Notes	Amount Shown in the Statement Financial Positon as of Reporting Period	Valued Based on Market Quotation at End of Reporting Period	Income Received and Accrued (iii)
Fair Value through Profit of Loss				
BDO Unibank Inc.-Trust and Investments Group	9,004	P 30,944,228	P 30,944,228	-
Sunlife Asset Management Inc.	15,021,782	30,893,791	30,893,791	-
BPI Investment Management Inc.	15,768	6,157,404	6,157,404	-
				-
TOTAL		**P 67,995,423**	**P 67,995,423**	**-**
Fair Value through Other Comprehensive Income				
	N/A	N/A	N/A	N/A
Financial Assets at Amortized Cost				
Cash and cash equivalents	N/A	P 2,420,148,001	P 2,420,148,001	-
Trade and other receivables - net	N/A	764,155,737	764,155,737	-
Guarantee deposits	N/A	976,316	976,316	-
TOTAL		**P 3,185,280,054**	**P 3,185,280,054**	**-**

ANGELES ELECTRIC CORPORATION
Schedule B
Amounts Receivable from Directors, Officers, Employees,
Related Parties and Principal Stockholders (Other than Related Parties)
December 31, 2023

Name	Balance at Beginning of Period	Additions	Deductions		Ending Balance		Balance at End of Period
			Amounts Collected	Written Off	Current	Non-current	
Receivable from Angeles Ice Plant	P 2,442,323	P 6,163,330	(P 8,064,167)	N/A	P 541,486	P -	P 541,486
Receivable from Angeles Power, Inc.	-	24,682	(23,233)	N/A	1,449	-	1,449
Receivable from Durastress Corporation	146,989.00	2,003,570	(2,045,932)	N/A	104,627	-	104,627
Receivable from Holy Angel University	2,344,696.00	33,698,908	(33,880,623)	N/A	2,162,981	-	2,162,981
Receivable from JDN, Inc.	6,657,222.00	78,012,639	(74,730,259)	N/A	9,939,602	-	9,939,602
Receivable from MSN Foods, INC.	166,870.00	1,534,019	(1,560,955)	N/A	139,934	-	139,934
Receivable from Raslag Corporation	335,447.00	2,155,127	(2,490,574)	N/A	-	-	-
Receivable from Teresa Waterworks	1,467,584.00	17,189,613	(17,481,154)	N/A	1,176,043	-	1,176,043
Receivable from TGN Realty, Inc.	18,979.00	346,373	(349,431)	N/A	15,921	-	15,921
TOTAL	**P 13,580,110**	**P 141,128,261**	**(P 140,626,328)**		**P 14,082,043**	**P -**	**P 14,082,043**

ANGELES ELECTRIC CORPORATION
Schedule B
Indebtedness to Related Parties
December 31, 2023

Name	Balance at Beginning of Period	Additions	Deductions		Ending Balance		Balance at End of Period
			Amounts Collected	Written Off	Current	Non-current	
Payable to Angeles Power, Inc.	P 16,316,408	P 226,610,936	(P 225,545,501)	N/A	P 17,381,844	P -	P 17,381,844
Payable to Angeles Ice Plant	-	106,934	(106,934)	N/A	-	-	-
Payable to Durastress Corporation	613,349	2,332,165	(2,945,514)	N/A	-	-	-
Payable to Holy Angel University	-	542,878	(542,878)	N/A	-	-	-
Payable to JDN, Inc.	-	9,899,857	(9,899,857)	N/A	-	-	-
Payable to MSN Foods, INC.	-	631,052	(612,172)	N/A	18,880	-	18,880
Payable to Teresa Waterworks	-	209,209	(191,049)	N/A	18,160	-	18,160
Payable to TGN Realty, Inc.	-	1,922,295	(1,912,874)	N/A	9,421	-	9,421
Payable to Stockholders	-	3,777,778	(3,777,778)	N/A	-	-	-
TOTAL	**P 16,929,757**	**P 246,033,105**	**(P 245,534,557)**		**P 17,428,304**	**P -**	**P 17,428,304**

ANGELES ELECTRIC CORPORATION
Schedule H
Capital Stock
December 31, 2023

Title of Issue	Number of Shares Authorized	Number of Shares Issued and Outstanding as Shown Under the Related Statement of Financial Postion Caption (i)	Number of Shares Reserved for Options, Warrants, Coversion and Other Rights	Number of Shares Held By		
				Related Parties	Directors, Officers and Employees	Others
Preferred Shares - P1 par value	500,000,000	201,680,632	-	-	8,514,097	193,166,535
Common Shares - P1 par value	1,500,000,000	1,178,448,400	-	-	92,515,900	1,085,932,500

ANGELES ELECTRIC CORPORATION
Reconciliation of Retained Earnings Available for Dividend Declaration
December 31, 2023

Unappropriated Retained Earnings at Beginning of Year	P	928,131,153
Add: Items that are directly credited to Unappropriated Retained Earnings		
Reversal of Retained Earnings appropriation		24,200,280
Less: Items that are directly debited to Unappropriated Retained Earnings		
Dividend declaration during the year	(	845,552,829)
Retained Earnings appropriated during the year	(	174,564,841)
Unappropriated Retained Earnings, as adjusted	(	67,786,237)
Add/Less: Net Income for the Current Year		502,976,570
Less: Unrealized income recognized in the profit or loss during the year (net of tax)		
Unrealized fair value adjustment (mark-to-market gains) of financial instruments at fair value through profit or loss	(	2,392,870)
Add/ Less: Other items that should be excluded from the determination of the amount of available for dividends distribution		
Net movement of deferred tax asset not considered in the reconciling items under the previous categories	(	9,777,307)
Unappropriated Retained Earnings Available for Dividend Distribution at End of Year	**P**	**423,020,156**

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Report of Independent Auditors on Components of Financial Soundness Indicator

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The Board of Directors and Stockholders
Angeles Electric Corporation
Don Juan and Doña Teresa Nepomuceno Avenue,
Nepomart Complex
Angeles City, Pampanga

We have audited, in accordance with Philippine Standards on Auditing, the financial statements of Angeles Electric Corporation for the year ended December 31, 2023 and have issued our report thereon dated April 4, 2024. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Supplementary Schedule on Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Company's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRS) and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for the purpose of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the basic financial statements prepared in accordance with PFRS. The components of these financial soundness indicators have been traced to the Company's financial statements as at December 31, 2023 and no material exceptions were noted.

PUNONGBAYAN & ARAULLO

By: Renan A. Piamonte
Partner

CPA Reg. No. 0107805
TIN 221-843-037
PTR No. 10076150, January 3, 2024, Makati City
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April 4, 2024

ANGELES ELECTRIC CORPORATION
Supplemental Schedule of Financial Soundness Indicators
December 31, 2023

Ratio	Formula			2023
Current ratio	Total Current Assets divided by Total Current Liabilities			2.62
	Total Current Assets	P	3,448,862,717	
	Divide by: Total Current Liabilities		1,313,966,480	
	Current ratio		2.62	
Acid test ratio	Quick assets (Total Current Assets less Inventories and Other Current Assets) divided by Total Current Liabilities			2.42
	Total Current Assets	P	3,448,862,717	
	Less: Other Current Assets	(	264,558,979)	
	Quick Assets		3,184,303,738	
	Divide by: Total Current Liabilities		1,313,966,480	
	Acid test ratio		2.42	
Solvency ratio	Total Liabilities divided by Total Assets			0.43
	Total Liabilities	P	2,292,339,928	
	Divide by: Total Assets		5,342,955,390	
	Solvency ratio		0.43	
Debt-to-equity ratio	Total Liabilities divided by Total Equity			0.75
	Total Liabilities	P	2,292,339,928	
	Divide by: Total Equity		3,050,615,462	
	Debt-to-equity ratio		0.75	
Assets-to-equity ratio	Total Assets divided by Total Equity			1.75
	Total Assets	P	5,342,955,390	
	Divide by: Total Equity		3,050,615,462	
	Assets-to-equity ratio		1.75	
Return on equity	Net Profit divided by Total Equity			0.1649
	Net Profit	P	502,976,570	
	Divide by: Total Equity		3,050,615,462	
	Return on equity		0.1649	
Return on assets	Net Profit divided by Total Assets			0.0941
	Net Profit	P	502,976,570	
	Divide by: Total Assets		5,342,955,390	
	Return on assets		0.0941	