

COVER SHEET

for

QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES REGULATION CODE AND SRC
RULE 17(2)(b) THEREUNDER

SEC Registration Number

			4	6	2	0			
--	--	--	---	---	---	---	--	--	--

Company Name

							A	N	G	E	L	E	S						
							E	L	E	C	T	R	I	C					
							C	O	R	P	O	R	A	T	I	O	N		

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

D	O	N		J	U	A	N		D		N	E	P	O	M	U	C	E	N	O		A	V	E		C	O	R
D	O	Ñ	A		T	E	R	E	S	A		A	V	E		N	E	P	O	M	A	R	T					
C	O	M	P	L	E	X		A	N	G	E	L	E	S		C	I	T	Y		P	A	M	P	A	N	G	A

Form Type

1	7	-	Q
---	---	---	---

Department requiring the report

M	S	R	D
---	---	---	---

Secondary License Type, If Applicable

Permit to Sell Securities

COMPANY INFORMATION

Company's Email Address

otp_ortigas@angeleselectric.com.ph
--

Company's Telephone Number/s

(02)86366483

Mobile Number

09088803567

No. of Stockholders

141

Annual Meeting
Month/Day

Every 3rd Tuesday of June

Fiscal Year
Month/Day

12/31

CONTACT PERSON INFORMATION

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

Name of Contact Person

Cristina L. Arboleda

Email Address

cristie.arboleda@angeleselectric.com.ph
--

Telephone Number/s

(02)86366491

Mobile Number

09088894463

Contact Person's Address

19F Robinsons Equitable Tower, ADB cor. Poveda Avenues, Ortigas Center, Pasig City
--

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

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

QUARTERLY REPORT PURSUANT TO SECTION 17 OF
THE SECURITIES REGULATION CODE AND SRC RULE 17(2)(B) THEREUNDER

1. For the quarterly period ended 31 MARCH 2024
2. Commission Identification Number 4620
3. BIR Tax Identification No. 000-088-802
4. Exact name of issuer as specified in its charter ANGELES ELECTRIC CORPORATION
5. Province, country or other jurisdiction of incorporation or organization ANGELES CITY,
PAMPANGA, PHILIPPINES

6. Industry Classification Code (SEC Use Only)

7. Address of issuer's principal office Postal Code
NEPOMART COMPLEX, ANGELES CITY, PAMPANGA 2009

8. Issuer's telephone number, including area code +639088803567/ (632)8636-6485

9. N/A

Former name, former address, and former fiscal year, if changed since last report.

10. Securities registered pursuant to Sections 8 and 12 of the SRC, or Sec. 4 and 8 of the RSA

Title of Each Class

Number of Shares of Common Stock
Outstanding and Amount of Debt Outstanding

COMMON SHARES

1,178,448,400

11. Are any or all of these securities listed on a Stock Exchange?

Yes [] No [X]

If yes, state the name of such stock exchange and the classes of securities listed therein:

12. Indicate by check mark whether the registrant:

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

Yes [/] No []

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

Yes [/] No []

PART 1: FINANCIAL INFORMATION

Item 1. Financial Statements

The Unaudited Interim Condensed Financial Statements of Angeles Electric Corporation (“AEC” or the “Company”) as of and for the period ended March 31, 2024 (with comparative figures as of December 31, 2023, and for the period March 31, 2023) and selected Notes to the Interim Condensed Financial Statements are attached hereto as **Annex “A”**.

Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations.

The information required by Part III, Paragraph ((A)(2)(b) of “Annex C”, is attached hereto as **Annex “B”**.

PART II: OTHER INFORMATION

The following other information are attached hereto as **Annex “C”**:

- a. Schedules required under Annex 68-J of the Revised Securities Regulation Code Rule 68
- b. Supplemental Schedule of Financial Soundness Indicators
- c. Aging of Accounts Receivables

SIGNATURES

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

ANGELES ELECTRIC CORPORATION

Issuer

By:



MARIA RITA JOSEFINA V. CHUA

President and CEO



ERWIN ALDRIN JAMES T. NEPOMUCENO

Chief Finance Officer

Date: May 14, 2024

ANGELES ELECTRIC CORPORATION
INTERIM CONDENSED STATEMENTS OF FINANCIAL POSITION
MARCH 31, 2024 AND DECEMBER 31, 2023
(Amounts in Philippine Pesos)

	Notes	March 31, 2024 (Unaudited)	December 31, 2023 (Audited)
<u>ASSETS</u>			
NON-CURRENT ASSETS			
Property, plant and equipment - net	6	P 1,706,194,511	P 1,704,923,422
Right-of-use assets - net	7	28,486,575	30,262,619
Deferred tax assets - net	19	148,367,017	139,422,669
Retirement benefit asset - net		11,887,211	10,039,336
Other non-current assets	8	<u>23,105,298</u>	<u>9,444,627</u>
Total Non-current Assets		<u>1,918,040,612</u>	<u>1,894,092,673</u>
CURRENT ASSETS			
Cash and cash equivalents	9	2,473,379,130	2,420,148,001
Trade and other receivables - net	10	647,482,423	764,155,737
Prepayments and other current assets	8	<u>327,455,238</u>	<u>264,558,979</u>
Total Current Assets		<u>3,448,316,791</u>	<u>3,448,862,717</u>
TOTAL ASSETS		<u>P 5,366,357,403</u>	<u>P 5,342,955,390</u>
<u>LIABILITIES AND EQUITY</u>			
NON-CURRENT LIABILITIES			
Refundable deposits	11	P 953,567,715	P 942,030,060
Lease liabilities	7	<u>34,250,893</u>	<u>36,343,388</u>
Total Non-current Liabilities		<u>987,818,608</u>	<u>978,373,448</u>
CURRENT LIABILITIES			
Trade and other payables	12	695,759,406	779,892,414
Provisions	23	448,558,130	426,620,026
Lease liabilities	7	7,940,208	7,715,659
Income and other tax liabilities	13	<u>123,875,077</u>	<u>99,738,381</u>
Total Current Liabilities		<u>1,276,132,821</u>	<u>1,313,966,480</u>
Total Liabilities		<u>2,263,951,429</u>	<u>2,292,339,928</u>
EQUITY			
Capital stock	14	1,408,700,432	1,408,700,432
Additional paid-in capital	14	497,343,200	497,343,200
Treasury shares	14	(62,857,080)	(62,857,080)
Revaluation reserves		(14,995,473)	(15,017,980)
Retained earnings	14	<u>1,274,214,895</u>	<u>1,222,446,890</u>
Total Equity		<u>3,102,405,974</u>	<u>3,050,615,462</u>
TOTAL LIABILITIES AND EQUITY		<u>P 5,366,357,403</u>	<u>P 5,342,955,390</u>

See Notes to Financial Statements.

ANGELES ELECTRIC CORPORATION
INTERIM CONDENSED STATEMENTS OF PROFIT OR LOSS
FOR THE PERIODS ENDED MARCH 31, 2024 AND 2023
(Amounts in Philippine Pesos)
(Unaudited)

	Notes	Year-to Date		For the Quarter	
		2024	2023	2024	2023
SALE OF ELECTRICITY	15	P 1,530,512,996	P 1,754,534,309	P 1,530,512,996	P 1,754,534,309
COST OF POWER DISTRIBUTED	16, 17	1,260,169,073	1,513,905,599	1,260,169,073	1,513,905,599
GROSS PROFIT		270,343,923	240,628,710	270,343,923	240,628,710
GENERAL AND ADMINISTRATIVE EXPENSES	17	(163,309,407)	(153,766,893)	(163,309,407)	(153,766,893)
IMPAIRMENT LOSSES	10, 17	-	(471,402)	-	(471,402)
OTHER OPERATING INCOME	18	22,297,284	6,067,566	22,297,284	6,067,566
OPERATING PROFIT		129,331,800	92,457,981	129,331,800	92,457,981
OTHER INCOME (CHARGES) – Net					
Provisions	23	(23,580,951)	(14,105,137)	(23,580,951)	(14,105,137)
Finance income	9	5,822,409	4,382,583	5,822,409	4,382,583
Finance costs	7	(872,244)	-	(872,244)	-
Gain on sale of assets		-	820,843	-	820,843
		(18,630,786)	(8,901,711)	(18,630,786)	(8,901,711)
PROFIT BEFORE TAX		110,701,014	83,556,270	110,701,014	83,556,270
TAX EXPENSE		(30,238,117)	(26,878,635)	(30,238,117)	(26,878,635)
NET PROFIT		P 80,462,897	P 56,677,635	P 80,462,897	P 56,677,635
Earnings Per Share – Basic and Diluted	21	P 0.07	P 0.06	P 0.07	P 0.06

See Notes to Financial Statements.

ANGELES ELECTRIC CORPORATION
INTERIM CONDENSED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE PERIODS ENDED MARCH 31, 2024 AND 2023
(Amounts in Philippine Pesos)
(Unaudited)

	Year-to-Date		For the Quarter	
	2024	2023	2024	2023
NET PROFIT	<u>P 80,462,897</u>	<u>P 56,677,635</u>	<u>P 80,462,897</u>	<u>P 56,677,635</u>
OTHER COMPREHENSIVE INCOME (LOSS)				
Item that will not be reclassified				
subsequently to profit or loss				
Remeasurements of				
post-employment defined benefit plan	30,010	-	30,010	-
Tax expense during the period	(7,503)	-	(7,503)	-
	<u>22,507</u>	<u>-</u>	<u>22,507</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME	<u>P 80,485,404</u>	<u>P 56,677,635</u>	<u>P 80,485,404</u>	<u>P 56,677,635</u>

See Notes to Financial Statements.

ANGELES ELECTRIC CORPORATION
INTERIM CONDENSED STATEMENTS OF CHANGES IN EQUITY
FOR THE PERIODS ENDED MARCH 31, 2024 AND 2023
(Amounts in Philippine Pesos)
(Unaudited)

	Capital Stock (Note 14)	Additional Paid-in Capital Stock (Note 14)	Treasury Shares (Note 14)	Revaluation Reserves	Retained Earnings (Note 14)		Total	Total Equity
					Appropriated	Unappropriated		
Balance at January 1, 2024	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
Cash dividends during the period	-	-	-	-	-	(28,694,892)	(28,694,892)	(28,694,892)
Total comprehensive income for the period	-	-	-	22,507	-	80,462,897	80,462,897	80,485,404
Balance at March 31, 2024	<u>P 1,408,700,432</u>	<u>P 497,343,200</u>	<u>(P 62,857,080)</u>	<u>(P 14,995,473)</u>	<u>P 782,220,638</u>	<u>P 491,994,257</u>	<u>P 1,274,214,895</u>	<u>P 3,102,405,974</u>
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 preferred shares	201,680,632	-	-	-	-	-	-	201,680,632
Cash dividends during the period	-	-	-	-	-	(241,691,386)	(241,691,386)	(241,691,386)
Total comprehensive income for the period	-	-	-	-	-	56,677,635	56,677,635	56,677,635
Balance at March 31, 2023	<u>P 1,201,680,432</u>	<u>P -</u>	<u>(P 62,857,080)</u>	<u>(P 15,108,008)</u>	<u>P 631,856,077</u>	<u>P 748,153,321</u>	<u>P 1,380,009,398</u>	<u>P 2,503,724,742</u>

See Notes to Financial Statements.

ANGELES ELECTRIC CORPORATION
INTERIM CONDENSED STATEMENTS OF CASH FLOWS
FOR THE PERIODS ENDED MARCH 31, 2024 AND 2023
(Amounts in Philippine Pesos)
(Unaudited)

	Notes	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		P 110,701,014	P 83,556,270
Adjustments for:			
Depreciation and amortization	6, 7	60,282,251	54,817,688
Provision	23	23,580,951	14,105,137
Finance income	9	(5,822,409)	(4,382,583)
Gain on reversal of impairment losses on trade and other receivables	10, 18	(5,494,871)	-
Finance costs	7	872,244	-
Impairment losses on trade and other receivables	10	-	471,402
Gain on disposal of property and equipment		-	(820,843)
Operating profit before working capital changes		<u>184,119,180</u>	147,747,071
Increase in retirement benefit asset		(1,309,429)	(3,000,000)
Increase in other non-current assets		(13,660,671)	(4,074,783)
Decrease in trade and other receivables		122,168,185	439,850,132
Increase in prepayments and other current assets		(62,896,259)	(62,630,038)
Increase in refundable deposits		11,537,655	15,413,508
Decrease in trade and other payables		(84,133,008)	(216,295,149)
Increase (decrease) in income and other tax liabilities		(2,841,991)	23,480,988
Decrease in provisions		(1,642,847)	-
Cash generated from operations		<u>151,340,815</u>	340,491,729
Cash paid for income taxes		(<u>12,211,281</u>)	(<u>13,008,032</u>)
Net Cash From Operating Activities		<u>139,129,534</u>	<u>327,483,697</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisitions of property and equipment	6	(59,777,296)	(45,084,967)
Interest received	9	5,313,973	4,382,583
Proceeds from sale of property and equipment	6	-	820,843
Net Cash Used in Investing Activities		(<u>54,463,323</u>)	(<u>39,881,541</u>)
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash dividends paid	14	(28,694,892)	(241,691,386)
Repayment of lease liabilities	7	(2,740,190)	-
Proceeds from issuance of preferred shares	14	-	201,680,632
Net Cash Used in Financing Activities		(<u>31,435,082</u>)	(<u>40,010,754</u>)
NET INCREASE IN CASH AND CASH EQUIVALENTS		<u>53,231,129</u>	<u>247,591,402</u>
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD		<u>2,420,148,001</u>	<u>1,704,845,900</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD		<u>P 2,473,379,130</u>	<u>P 1,952,437,302</u>

See Notes to Financial Statements.

ANGELES ELECTRIC CORPORATION
NOTES TO INTERIM CONDENSED FINANCIAL STATEMENTS
MARCH 31, 2024 AND 2023 AND DECEMBER 31, 2023
(Amounts in Philippine Pesos)

1. CORPORATE INFORMATION

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.

2. MATERIAL ACCOUNTING POLICY INFORMATION

The interim condensed financial statements have been prepared in accordance with the accounting policies adopted by the Company in its recent annual audited financial statements for the year ended December 31, 2023. These policies have been consistently applied to all the years presented, unless otherwise stated.

The December 31, 2023 statement of financial position accounts presented in the notes to the financial statements are audited balances while the March 31, 2024 and 2023 balances are unaudited.

The basis of preparation of financial statements are as follows:

(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.

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 at 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 23.

3.2 Key Sources of Estimation Uncertainty

Presented below and in the succeeding pages 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 March 31, 2024 and 2023, 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 2024 and 2023 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 March 31, 2024 and December 31, 2023, which management assessed to be recoverable, is disclosed in Note 19.

(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 2024 and 2023.

(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 as described in the annual audited financial statements 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.

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 March 31 2024 and December 31, 2023, the Company's financial liabilities (excluding lease liabilities – see Note 7) have contractual maturities which are presented below.

		<u>Current</u>		<u>Non-current</u>	
	<u>Notes</u>	<u>Within 6 Months</u>	<u>6 to 12 Months</u>	<u>1 to 5 Years</u>	<u>Beyond 5 Years</u>
March 31, 2024:					
Refundable deposits	11	P -	P -	P -	P 954,044,499
Trade and other payables	12	<u>675,282,272</u>	<u>20,477,134</u>	<u>-</u>	<u>-</u>
		<u>P675,282,272</u>	<u>P 20,477,134</u>	<u>P -</u>	<u>P 954,044,499</u>
December 31, 2023:					
Refundable deposits	11	P -	P -	P -	P 942,501,075
Trade and other payables	12	<u>736,035,671</u>	<u>19,096,888</u>	<u>-</u>	<u>-</u>
		<u>P 736,035,671</u>	<u>P 19,096,888</u>	<u>P -</u>	<u>P 942,501,075</u>

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.

	<u>Notes</u>	<u>March 31, 2024</u>	<u>December 31, 2023</u>
Cash and cash equivalents	9	P 2,473,121,130	P 2,419,905,001
Trade and other receivables - net	10	647,482,423	764,155,737
Guarantee deposits	8.1	<u>1,224,702</u>	<u>976,316</u>
		<u>P 3,121,828,255</u>	<u>P 3,185,037,054</u>

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 March 31, 2024 and December 31, 2023, the Company's trade receivables include certain accounts with top 40 customers which represent 14.7% and 9.3%, 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):

	<u>Current</u>	<u>Past due</u>		<u>Total</u>
	<u>Within 1 month</u>	<u>1 month to 3 months</u>	<u>More than 3 months</u>	
March 31, 2024:				
Trade receivables	P589,477,372	P107,972,922	P 65,092,434	P 762,542,728
Loss allowance	-	54,781,950	65,092,434	119,874,384
December 31, 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

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 March 31, 2024 and December 31, 2023, 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.

The accounting policies for each category of financial instruments including the determination of fair values are consistent with the annual audited financial statements. 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 as of March 31, 2024 and December 31, 2023, 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 March 31, 2024 and December 31, 2023, 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 March 31, 2024 and December 31, 2023.

The Company has no financial liabilities measured at fair value as of March 31, 2024 and December 31, 2023.

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 P953.6 million and P894.9 million, respectively, as at March 31, 2024, and P942.0 million and P883.1 million, respectively, as at December 31, 2023, 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 the first quarter of 2024 and the year 2023 are shown below.

	Subtransmission 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
March 31, 2024							
Cost	P 2,050,677,304	P 2,143,985,539	P 317,953,511	P 2,338,104	P 19,807,508	P 188,665,712	P 4,723,427,678
Accumulated depreciation	(1,366,920,239)	(1,383,830,158)	(264,706,161)	(1,776,609)	-	-	(3,017,233,167)
Net Carrying Amount	P 683,757,065	P 760,155,381	P 53,247,350	P 561,495	P 19,807,508	P 188,665,712	P 1,706,194,511
December 31, 2023							
Cost	P 2,031,261,701	P 2,116,923,194	P 315,197,161	P 2,338,104	P 9,264,510	P 188,665,712	P 4,663,650,382
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	P 1,704,923,422
December 31, 2022							
Cost	P 1,927,097,828	P 2,053,808,910	P 283,700,317	P 1,759,829	P 25,165,795	P 134,790,622	P 4,426,323,301
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	P 1,669,076,101

A reconciliation of the carrying amounts of property, plant and equipment at the beginning and end of the first quarter of 2024 and the year 2023 are shown below.

	Subtransmission 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, 2024 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	P 1,704,923,422
Additions	19,415,603	27,062,345	2,756,350	-	10,542,998	-	59,777,296
Depreciation charges for the period	(21,361,498)	(30,453,375)	(6,684,105)	(7,229)	-	-	(58,506,207)
Balance at March 31, 2024, net of accumulated depreciation	P 683,757,065	P 760,155,381	P 53,247,350	P 561,495	P 19,807,508	P 188,665,712	P 1,706,194,511
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	P 1,669,076,101
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	P 1,704,923,422

As at March 31, 2024 and December 31, 2023, the gross carrying amount of the Company's fully depreciated property, plant and equipment that are still used in operations is P343.1 million and P338.5 million, respectively.

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 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.

	<u>Land</u>	<u>Equipment</u>	<u>Total</u>
<u>March 31, 2024</u>			
<i>Cost:</i>			
Balance at beginning and end of period	P 68,701,558	P 2,942,652	P 71,644,210
<i>Accumulated amortization:</i>			
Balance at beginning of period	39,026,616	2,354,975	41,381,591
Amortization for the period	<u>1,650,113</u>	<u>125,931</u>	<u>1,776,044</u>
Balance at end of period	<u>40,676,729</u>	<u>2,480,906</u>	<u>43,157,635</u>
Carrying amount at March 31, 2024	<u>P 28,024,829</u>	<u>P 461,746</u>	<u>P 28,486,575</u>

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

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:

	<u>March 31, 2024</u>	December 31, <u>2023</u>
Non-current	P 34,250,893	P 36,343,388
Current	<u>7,940,208</u>	<u>7,715,659</u>
	<u>P 42,191,101</u>	<u>P 44,059,047</u>

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 March 31, 2024 and December 31, 2023, 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:

	<u>March 31, 2024</u>	December 31, <u>2023</u>
Within 1 year	P 11,063,195	P 10,987,098
1 to 2 years	10,832,032	10,893,561
2 to 3 years	11,158,367	11,035,045
3 to 4 years	10,324,663	10,695,410
4 or more years	<u>7,521,997</u>	<u>10,029,329</u>
	<u>P 50,900,254</u>	<u>P 53,640,443</u>

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

	March 31, <u>2024</u>	December 31, <u>2023</u>
Balance at beginning of period	P 44,059,047	P 50,753,037
Additions	-	1,007,446
Interest expense	872,244	3,842,801
Repayments	(2,740,190)	(11,544,237)
Balance at end of year period	<u>P 42,191,101</u>	<u>P 44,059,047</u>

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 P0.7 million and P3.5 million in 2024 and 2023, 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:

	March 31, <u>2024</u>	December 31, <u>2023</u>
Advances to suppliers	P 21,259,947	P 7,847,662
Guarantee deposits	1,224,702	976,316
Others	<u>620,649</u>	<u>620,649</u>
	<u>P 23,105,298</u>	<u>P 9,444,627</u>

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

8.2 Prepayments and Other Current Assets

This account is broken down as follows:

	March 31, 2024	December 31, 2023
Supplies inventory	P 114,349,182	P 125,474,400
Financial assets at FVTPL	67,995,423	67,995,423
Prepaid expenses	93,878,218	51,220,401
Other investments at amortized cost	35,000,000	-
Deferred input VAT	16,232,415	19,868,755
	<u>P 327,455,238</u>	<u>P 264,558,979</u>

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.

Other investments at amortized cost pertain to investments in interest-bearing bonds.

9. CASH AND CASH EQUIVALENTS

This account consists of the following:

	March 31, 2024	December 31, 2023
Cash in banks	P1,644,566,527	P2,241,570,153
Short-term placements	828,554,603	178,334,848
Cash on hand	258,000	243,000
	<u>P2,473,379,130</u>	<u>P2,420,148,001</u>

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 2024 and 2023. Interest earned from Cash and Cash Equivalents 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:

	<u>Note</u>	<u>March 31, 2024</u>	<u>December 31, 2023</u>
Trade	20.3	P 762,542,728	P 885,530,709
Others		<u>4,814,079</u>	<u>3,994,283</u>
		767,356,807	889,524,992
Allowance for impairment		(119,874,384)	(125,369,255)
		<u>P 647,482,423</u>	<u>P 764,155,737</u>

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.

	<u>Notes</u>	<u>March 31, 2024</u>	<u>December 31, 2023</u>
Balance at beginning of period		P 125,369,255	P 116,561,287
Impairment losses	17	-	8,807,968
Reversal of allowance	18	(5,494,871)	-
Balance at end of period		<u>P 119,874,384</u>	<u>P 125,369,255</u>

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.

11. REFUNDABLE DEPOSITS

This account consists of:

	<u>March 31, 2024</u>	<u>December 31, 2023</u>
Customers' deposits	P 890,984,512	P 879,112,059
Accrued interest on refundable deposits	58,642,611	58,977,409
Installation deposits	<u>3,940,592</u>	<u>3,940,592</u>
	<u>P 953,567,715</u>	<u>P 942,030,060</u>

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. 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:

	<u>Notes</u>	<u>March 31, 2024</u>	<u>December 31, 2023</u>
Trade payables	20.1, 20.2	P 592,609,685	P 686,516,576
Universal charges payable		39,163,157	42,085,201
Accrued expenses		51,116,497	38,816,087
Advances from a customer		826,057	826,057
Others		<u>12,044,010</u>	<u>11,648,493</u>
		<u>P 695,759,406</u>	<u>P 779,892,414</u>

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.

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. The amount presented as Universal charges payable pertains to unremitted collections as at March 31, 2024 and December 31, 2023, 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:

	March 31, 2024	December 31, 2023
Income tax payable	P 63,968,895	P 36,990,209
Local franchise tax payable	25,887,280	25,887,280
VAT payable	24,815,451	19,749,394
Withholding taxes payable	<u>9,203,451</u>	<u>17,111,498</u>
	<u>P 123,875,077</u>	<u>P 99,738,381</u>

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.

	March 31, 2024	December 31, 2023
Total liabilities	P2,263,951,429	P2,292,339,928
Total equity	<u>3,102,405,974</u>	<u>3,050,615,462</u>
Debt-to-equity ratio	<u>0.73 : 1.00</u>	<u>0.75 : 1.00</u>

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	
	March 31, 2024	December 31, 2023	March 31, 2024	December 31, 2023
Authorized – P1 par value				
Common stock	1,500,000,000	1,500,000,000	P1,500,000,000	P1,500,000,000
Preferred stock – cumulative, non-participating	500,000,000	500,000,000	500,000,000	500,000,000
	<u>2,000,000,000</u>	<u>2,000,000,000</u>	<u>P2,000,000,000</u>	<u>P2,000,000,000</u>
Subscribed shares:				
Common stock –				
Balance at beginning of period	1,207,019,800	999,999,800	P1,207,019,800	P 999,999,800
Issuance during the period	<u>-</u>	<u>207,020,000</u>	<u>-</u>	<u>207,020,000</u>
Balance at end of period	<u>1,207,019,800</u>	<u>1,207,019,800</u>	<u>1,207,019,800</u>	<u>1,207,019,800</u>
Preferred stock –				
Balance at beginning of period	201,680,632	-	201,680,632	-
Issuance during the period	<u>-</u>	<u>201,680,632</u>	<u>-</u>	<u>201,680,632</u>
Balance at end of period	<u>201,680,632</u>	<u>201,680,632</u>	<u>201,680,632</u>	<u>201,680,632</u>
Total capital stock	<u>1,408,700,432</u>	<u>1,408,700,432</u>	<u>P1,408,700,432</u>	<u>P1,408,700,432</u>
Additional paid-in capital –				
Balance at beginning of period			P 497,343,200	P -
Issuance during the period			<u>-</u>	<u>497,343,200</u>
			<u>P 497,343,200</u>	<u>P 497,343,200</u>
Treasury shares:				
Balance at beginning and end of period	<u>28,571,400</u>	<u>28,571,400</u>	<u>P 62,857,080</u>	<u>P 62,857,080</u>
Total capital stock, additional paid-in capital and treasury shares			<u>P1,843,186,552</u>	<u>P1,843,186,552</u>

In March 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). 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:

<u>Date of Declaration</u>	<u>Record Date</u>	<u>Total Cash Dividends</u>	<u>Dividend Per Share</u>
<u>2024</u>			
Common stock – February 27, 2024	December 31, 2023	27,585,648	0.0234
Preferred stock – February 27, 2024	December 31, 2023	<u>1,109,244</u>	0.0055
		<u>P 28,694,892</u>	
<u>2023</u>			
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	<u>19,817,139</u>	0.0204
		<u>435,439,984</u>	
Preferred stock – April 30, 2023	April 30, 2023	405,998,560	2.0131
November 23, 2023	November 23, 2023	<u>4,114,285</u>	0.0204
		<u>410,112,845</u>	
		<u>P 845,552,829</u>	

There were no unpaid dividends as of March 31, 2024 and December 31, 2023. Retained earnings is restricted in the amount of P62.9 million for 28,571,400 shares held in treasury as of March 31, 2024 and December 31, 2023 (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.

15. SALE OF ELECTRICITY

This account consists of:

	March 31, 2024	March 31, 2023
Metered sales	P 1,516,163,903	P 1,736,081,512
Flat rate sales	<u>14,349,093</u>	<u>18,452,797</u>
	<u>P 1,530,512,996</u>	<u>P 1,754,534,309</u>

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:

	<u>Notes</u>	March 31, 2024	March 31, 2023
Purchased power	20.1	P 1,134,419,838	P 1,400,150,502
Prompt payment discount		(<u>22,952,576</u>)	(<u>21,081,220</u>)
Net purchased power	17	1,111,467,262	1,379,069,282
Transmission charges	17	<u>148,701,811</u>	<u>134,836,317</u>
	17, 20.1	<u>P 1,260,169,073</u>	<u>P 1,513,905,599</u>

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:

	<u>Notes</u>	<u>March 31, 2024</u>	<u>March 31, 2023</u>
Net purchased power	16, 20.1	P1,111,467,262	P1,379,069,282
Transmission charges	16	148,701,811	134,836,317
Depreciation and amortization	6, 7.1	60,282,251	54,817,688
Salaries and employee benefits		40,120,430	36,711,303
Taxes and licenses		25,942,886	23,630,428
Repairs and maintenance	20.2	5,720,075	8,044,689
Supervisory fees		4,829,467	2,541,380
Outside services		4,375,810	5,018,097
Stationery and office supplies		2,454,284	1,207,756
Insurance		2,362,809	2,012,482
Communication, light and water		2,133,563	2,545,572
Professional fees		1,323,609	1,350,857
Rent	7.3	741,515	3,458,554
Transportation and travel		639,039	857,157
Impairment losses on trade and other receivables	10	-	471,402
Others	11	12,383,669	11,570,930
		<u>P 1,423,478,480</u>	<u>P 1,668,143,894</u>

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

	<u>Notes</u>	<u>March 31, 2024</u>	<u>March 31, 2023</u>
Cost of power distributed	16	P1,260,169,073	P 1,513,905,599
General and administrative expenses		163,309,407	153,766,893
Impairment losses	10	-	471,402
		<u>P 1,423,478,480</u>	<u>P 1,668,143,894</u>

18. OTHER OPERATING INCOME

Other operating income includes the following:

	<u>Note</u>	<u>March 31, 2024</u>	<u>March 31, 2023</u>
Pole rentals		P 14,769,175	P 4,717,737
Gain on reversal of allowance for impairment	10	5,494,871	-
Service fees		283,913	300,954
Miscellaneous		<u>1,749,325</u>	<u>1,048,875</u>
		<u>P 22,297,284</u>	<u>P 6,067,566</u>

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 March 31, 2024 and December 31, 2023.

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. DEFERRED TAX ASSET - Net

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

	<u>March 31, 2024</u>	<u>December 31, 2023</u>
<i>Deferred tax assets:</i>		
Provisions	P 112,139,533	P 106,655,007
Allowance for impairment	29,968,596	31,342,314
Lease liabilities	10,547,774	11,014,761
Unamortized past service cost	9,050,858	9,123,058
Accrued purchased power	<u>-</u>	<u>20,896,665</u>
	<u>161,706,761</u>	<u>179,031,805</u>
<i>Deferred tax liabilities:</i>		
Right of use asset	(7,121,644)	(7,565,655)
Revaluation reserve on property, plant and equipment	(3,246,297)	(3,246,297)
Retirement benefit asset	(2,971,803)	(2,509,834)
Accrued revenue	<u>-</u>	<u>(26,287,350)</u>
	<u>(13,339,744)</u>	<u>(39,609,136)</u>
	<u>P 148,367,017</u>	<u>P 139,422,669</u>

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 March 31, 2024 and December 31, 2023 and for the periods ended March 31, 2024 and 2023 is presented below.

Related Party Category	Notes	Amount of Transaction		Outstanding Receivable	
		March 31, 2024	March 31, 2023	March 31, 2024	December 31, 2023
Related parties under common ownership:					
Purchase of electricity	20.1	P 56,842,685	P 51,434,580	P 20,667,299	P 17,381,844
Purchase of goods and other services	20.2	5,094,111	4,391,668	1,113,885	46,461
Sales of electricity	20.3	44,292,937	53,562,110	15,669,865	14,082,043
Retirement plan asset	20.4	3,000,000	3,000,000	123,781,180	139,231,147
Key management personnel –					
Compensation	20.5	7,070,058	6,066,577	-	-
Stockholders –					
Purchase of goods and other services	20.2	666,667	1,000,000	-	-

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 March 31, 2024 and December 31, 2023 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 March 31, 2024 and December 31, 2023 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 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.

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.

	<u>March 31, 2024</u>	March 31, <u>2023</u>
Short-term benefits	P 6,800,414	P 6,066,577
Post-employment benefits	<u>269,644</u>	<u>-</u>
	<u>P 7,070,058</u>	<u>P 6,066,577</u>

21. EARNINGS PER SHARE

Earnings per share were computed as follows:

	<u>March 31, 2024</u>	March 31, <u>2023</u>
Net profit*	P 79,636,006	P 56,530,632
Divided by the weighted average number of outstanding common shares	<u>1,178,448,400</u>	<u>971,428,400</u>
Earnings per Share	<u>P 0.07</u>	<u>P 0.06</u>

**Net profit excludes dividends attributable to cumulative preferred shares amounting to P0.8 million and P0.1 million, respectively (see Note 14).*

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

Basic and diluted earnings per share are the same as there were no potentially dilutive shares as at March 31, 2024 and 2023.

22. 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.

22.1 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.

22.2 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 March 31, 2024 and December 31, 2023 the Company has complied with this requirement.

22.3 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. COMMITMENTS AND CONTINGENCIES

23.1 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 March 31, 2024, 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 March 31, 2024.

Based on the assessed outcome of the aforementioned, the Company has recognized a provision for probable losses amounting to P23.6 million and P40.1 million in 2024 and 2023, 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.

The changes in provisions during the periods are as follows:

	March 31, 2024	December 31, 2023
Balance at beginning of period	P 426,620,026	P 387,931,132
Additional provisions	23,580,951	40,139,446
Settlement during the period	(1,642,847)	(1,450,552)
Balance at end of period	<u>P 448,558,130</u>	<u>P 426,620,026</u>

23.2 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 March 31, 2024 and December 31, 2023, 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.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND OPERATING RESULTS

The following discussion and analysis of the Company's financial condition and results of operations should be read in conjunction with the Company's condensed financial statements for the quarter ended March 31, 2024 and the Company's latest audited financial statements.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF CHANGES IN FINANCIAL POSITION

As of 31 March 2024 and as of 31 December 2023

Assets

The Company's total assets increased by ₱23.4 million because of the net profit generated during the period.

Property, plant and equipment

Property, plant and equipment increased by ₱1.3 million, net of the annual depreciation expense amounting to ₱58.5 million. Additions during the period include the continuous improvement of substations and distribution lines to meet the increasing demand of customers. There is also an existing construction-in-progress pertaining to another transmission line that will connect the Company's distribution system to a new NGCP substation in Porac, Pampanga. This will improve the reliability of the Company's system.

Right-of-use assets and Lease liabilities

Right-of-use assets and the related lease liabilities decreased due to the monthly amortization and rental payments, respectively. There were no new and renewed lease contracts during the period.

Deferred tax assets – net

Deferred tax assets increased by ₱8.9 million from temporary differences that are deductible from future taxable income. The main portion of these relates to additional provisions for customer refunds that were recognized during the period.

Retirement benefit assets - net

The increase in retirement benefit assets is brought about by the excess of the Company's contributions to the retirement fund over the recognized retirement expense. The Company consistently invests P1.0 million a month in the retirement fund.

Other non-current assets

Other non-current assets increased by P13.7 million because of additional advances made with suppliers for various construction projects within the main office location and for certain equipment required for a planned substation in Pulung Cacutud, Angeles City.

Cash and cash equivalents

Cash and cash equivalents increased by ₱53.2 million. This increase is mainly attributable to the net profit generated during the period.

Trade and other receivables

Trade receivables significantly decreased by ₱116.7 million because of the declining generation rates. This is further supported by the fact that the average collection period for 2024 and 2023 remained at 49 days. Please refer to the analysis of revenues in the comparison of financial performance portion of this report.

Prepayments and other current assets

The increase in prepayments and other current assets pertains to certain financial investments made during the quarter and the recognition of prepaid local government taxes. This taxes are paid in advance every start of the year, subject to monthly expense recognition and is fully amortized as of December 31, 2023.

Liabilities

The Company's liabilities decreased by ₱28.4 million which is attributable to the movement of various accounts, as discussed below.

Refundable deposits

The ₱11.5 million increase in refundable deposits is the result of new customers and the required updating for customers who increased their consumption during the period. There were 948 new customers for the first quarter of 2024.

Trade and other payables

The Company's trade payables significantly decreased by 10% because of the decrease in generation charges billed by the Company's power suppliers. The actual rates billed by power suppliers are the same rates used to bill the Company's end consumers without any markup (pass-through).

Most of the Company's power requirements are supported by coal power plants. Their rates are variable to the price of coal in the market and the foreign currency exchange rates. This resulted in a decrease in trade payables as of March 31, 2024, as well as the pass-through revenues and related receivables. Please refer to the analysis of changes in revenues.

Provisions

Provisions increased due to the expected customer refunds arising from the directive of the ERC. On 25 April 2022, the Company received a letter from the ERC that formalizes the scheme and formula for computing the excess of the Company's actual billings to customers against the maximum price allowed for the Company. The estimated amount of refund as of 31 March 2024 is recognized by the Company as an obligation until such time that ERC will require implementation of the refund to the customers.

Income and other tax liabilities

The increase in income and other tax liabilities as of March 31, 2024 is because of the income tax liability from the net results of operations for the quarter amounting to P27.0 million. This amount was added to the income tax payable as of December 31, 2023 which is to be paid subsequent to the end of the reporting period (i.e., April 15, 2024).

Stockholders' Equity

The increase in the Company's equity amounting to ₱51.8 million is solely from the net results of operations (i.e., net profit and other comprehensive income) less the dividends declared. There were no other transactions affecting the Company's equity.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF CHANGES IN FINANCIAL PERFORMANCE

For the Periods Ended 31 March 2024 and 31 March 2023

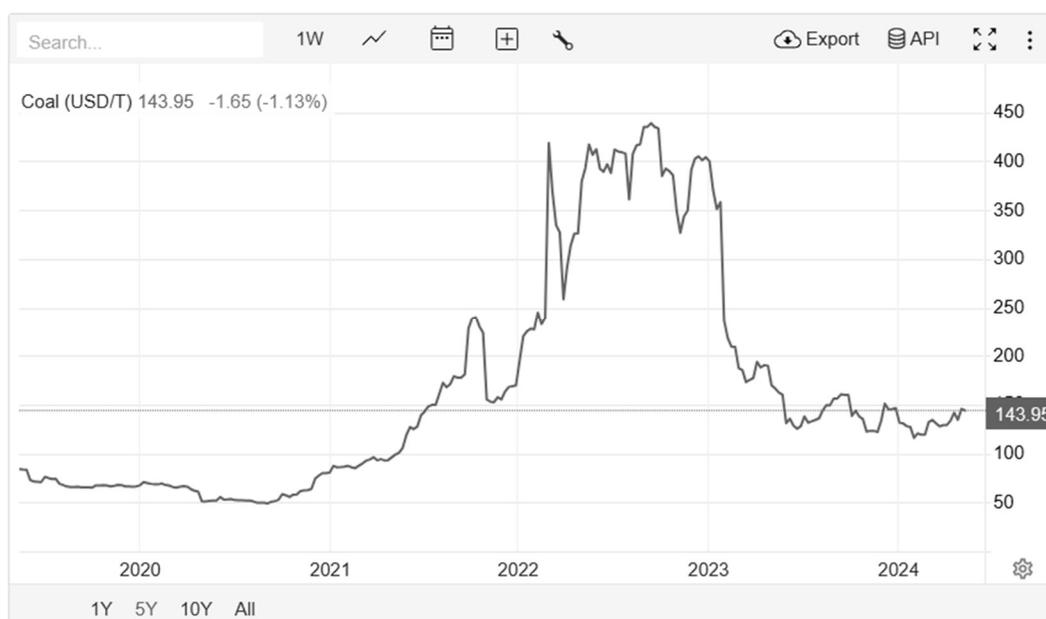
Revenues

The Company's sales of electricity decreased by ₱224.0 million or 13%.

	2024	2023
Pass-through revenues	P 1,251,294,391	P 1,517,406,959
Distribution revenues	<u>279,218,605</u>	<u>237,127,350</u>
	<u>P 1,530,512,996</u>	<u>P 1,754,534,309</u>

The net decrease was brought about by the following factors:

- (a) Pass-through revenues decreased by ₱266.1 million or 18%. Pass-through revenues pertain to the amounts billed by power suppliers which are subsequently billed by the Company at the same rate to the end users. As previously discussed, the majority of the Company's power providers are coal plants. Average generation rates for the comparative periods are at ₱9.78/kWh in 2023 and at ₱6.34/kWh in 2024 due to the identified decrease or normalization of the price of coal in the world market. Coal prices started to increase by the end of 2020 and reached their peak during the second half of 2022. By the second half of 2023, the effect of the decline in coal prices has already been noticeable in the amounts billed by the power suppliers. This, in turn, resulted in lower amounts billed to the Company's end customers and the resulting receivables as of December 31, 2023. This is further supported by the decline in trade and other payables account as of the same date. Please refer to the coal price graph below from <http://tradingeconomics.com>.



- (b) Distribution revenues, the only portion that flows to the Company, increased by 18% mainly attributable to the increase in kWh which increased by 21% or 31.7 million kWh. The Company's distribution rate has not changed since 2015.

	2024	2023
Kilo-watt hours sold	179,787,946	148,077,686

Costs and Operating Expenses

Purchased Power and Transmission Charges

The Company's main cost is its purchased power and transmission charges. Total purchased power and transmission charges decreased by 17% approximating the decrease in pass-through revenues of 18%. This can be solely attributable to the decrease in average generation (purchased power) rates. This decrease, however, is negated by an increase in transmission charges because of some power supply problems that affected the national power grid in 2024.

	2024	2023
Net purchased power	P 1,111,467,262	P 1,379,069,282
Transmission charges	<u>148,701,811</u>	<u>134,836,317</u>
	<u>P 1,260,169,073</u>	<u>P 1,513,905,599</u>

General and Administrative Expenses

General and administrative expenses increased by ₱9.5 million.

Depreciation and amortization expense increased due to the continuous improvements in the Company's distribution line system.

Salaries and employee benefits increased by ₱3.4 million because of the partial recognition of the retirement expense for the quarter, the mandatory salary and benefit increases approved in the collective bargaining agreement, and the increase in government agency contributions (e.g., SSS, Philhealth, and HDMF).

Taxes and licenses increased because of certain deficiency taxes that have been paid during the period.

Repairs and maintenance decreased because of some one-time substation repairs incurred in 2023.

Supervisory fees paid to the ERC increased in 2024 following the Company's public offering because the basis of the fees is the Company's capital stock in the equity portion of the statement of financial position.

The Company's outside services are in the form of security, meter reading and bill handling services outsourced from various providers. The decrease is mainly because of the timing of the supplier's billing and the related reconciliation.

Other Income and Charges

Other operating income increased due to the renewal of pole rental agreements during the last quarter of 2023 and the related updating of the pole rental rates.

Provisions expense in 2024 is higher than in 2023. In April 2022, ERC issued a formal notice on the computation of the AWAT vs. MAP (the actual amount billed vs. maximum allowed revenue) refund scheme which covers the Company's distribution revenues. The change in sales mix since 2015 resulted in higher amount billed to customers than the allowed maximum average price. Accordingly, the Company recognized the obligation to refund the same to the customers. It will be refunded based on the instructions of ERC. The increase of provisions during the period is related to the increase in distribution revenues during the period.

Finance income is higher in 2024 due to the investments made in short-term, high-yield financial assets. On the other hand,

Finance cost mainly pertains to the interest recognized from lease liabilities in compliance with PFRS 16.

Tax Expense

Tax expense increased along with the profit before tax as there were minimal permanent tax differences in the Company's income and expense accounts.

KEY PERFORMANCE INDICATORS

The relevant key performance indicators of the Company are shown below:

	March 2024	March 2023
Return on Equity <i>Net Profit divided by Total Equity</i>	2.59%	2.26%
Return on Assets <i>Net Profit divided by Total Assets</i>	1.50%	1.20%

	March 2024	December 2023
Debt to Equity Ratio <i>Total Liabilities divided by Total Equity</i>	0.73	0.75
Current Ratio <i>Total Current Assets divided by Total Current Liabilities</i>	2.70	2.62
Average Collection Period <i>Average Accounts Receivable divided by Average Sales per day (Sale of Electricity divided by number of sales days)</i>	49 days	49 days

LIQUIDITY RISKS

The Company's liquidity requirements pertaining to trade and other receivables and refundable deposits are disclosed in Note 4 of the March 31, 2024 unaudited condensed financial statements.

The Company is not aware of any event that will trigger direct or contingent financial obligations that are material to the Company, including default or acceleration of any obligations. All known obligations or probable exposures are included in the Company's provisions and other liability accounts.

The Company does not have any off-balance sheet transactions, arrangements, obligations, including contingent obligations, and other relationships with unconsolidated entities or other persons created during the relevant period.

Other than those arising from new ERC directives, the Company is not aware of any trends, events, or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales, revenues, income from continuing operations.

The Company does not have any note, loan, lease, or other indebtedness or financing arrangement requiring it to make payments.

The Company is not aware of any known trend, event, or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on its net sales or revenues apart from what is disclosed in this Prospectus.

The Company does not have any significant elements of income or loss that did not arise from its continuing operations.

The Company does not have any seasonal aspects that had a material effect on the financial conditions or results of operations.

The Company's commitments with respect to significant capital expenditures (e.g., new substations and transmission lines to connect with NGCP Porac Substation) can be financed by existing funds.

COMMITMENTS

Other than those arising from regular operations and upgrading of sub-transmission and distribution lines, from capital asset expenditures filed with the ERC and from planned construction of additional substations, the Company does not have any future commitments that will significantly affect the Company's financial position and financial performance.

ANGELES ELECTRIC CORPORATION
LIST OF SUPPLEMENTARY INFORMATION
March 31, 2024

<u>Schedule</u>	<u>Content</u>	<u>Page No.</u>
Schedules Required under Annex 68-J of the Revised Securities Regulation Code Rule 68		
A	Financial Assets Financial Assets at Fair Value Through Profit or Loss Financial Assets at Fair Value Through Other Comprehensive Income Financial Assets at Amortized Cost	1
B	Amounts Receivable from Directors, Officers, Employees, Related Parties, and Principal Stockholders (Other than Related Parties)	2
C	Amounts Receivable from Related Parties which are Eliminated during the Consolidation of Financial Statements	*
D	Intangible Assets - Other Assets	**
E	Long-term Debt	***
F	Indebtedness to Related Parties	3
G	Guarantees of Securities of Other Issuers	****
H	Capital Stock	4
Others Required Information		
	Reconciliation of Retained Earnings Available for Dividend Declaration	5
	Financial Soundness Indicators	6
	Aging of Receivables	7

* *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**

March 31, 2024

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 Position 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.	22,459,491	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 2,473,379,130	P 2,473,379,130	-
Trade and other receivables - net	N/A	647,482,423	647,482,423	-
Guarantee deposits	N/A	1,224,702	1,224,702	-
Other investments	N/A	35,000,000	35,000,000	-
				-
TOTAL		P 3,157,086,255	P 3,157,086,255	-

ANGELES ELECTRIC CORPORATION
Schedule B
Amounts Receivable from Directors, Officers, Employees,
Related Parties and Principal Stockholders (Other than Related Parties)
March 31, 2024

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 541,486	P 1,751,778	(P 1,633,083)	N/A	P 660,182	P -	P 660,182
Receivable from Angeles Industrial Park Inc.	-	94,609	(62,678)	N/A	31,931	-	31,931
Receivable from Angeles Power, Inc.	1,449.00	624,783	(5,028)	N/A	621,204	-	621,204
Receivable from Durastress Corporation	104,627.00	658,321	(653,430)	N/A	109,517	-	109,517
Receivable from Holy Angel University	2,162,981.00	8,398,937	(7,634,778)	N/A	2,927,139	-	2,927,139
Receivable from JDN, Inc.	9,939,602.00	27,815,754	(28,124,433)	N/A	9,630,923	-	9,630,923
Receivable from MSN Foods, INC.	139,934.00	358,529	(356,346)	N/A	142,117	-	142,117
Receivable from Marsha S. Nepomuceno	-	-	-	N/A	-	-	-
Receivable from Raslag Corporation	-	513,816	(333,988)	N/A	179,828	-	179,828
Receivable from Teresa Waterworks	1,176,043.00	4,001,231	(3,835,715)	N/A	1,341,558	-	1,341,558
Receivable from TGN Realty, Inc.	15,921.00	75,180	(65,636)	N/A	25,466	-	25,466
TOTAL	P 14,082,043	P 44,292,937	(P 42,705,115)		P 15,669,865	P -	P 15,669,865

ANGELES ELECTRIC CORPORATION
Schedule F
Indebtedness to Related Parties
March 31, 2024

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 17,381,844	P 57,232,685	(P 53,947,230)	N/A	P 20,667,299	P -	P 20,667,299
Payable to Angeles Ice Plant	-	29,596	(17,502)	N/A	12,094		12,094
Payable to Angeles Industrial Park Inc	-	324,861	(324,861)	-	-		-
Payable to Durastress Corporation	-	671,317	(671,317)	N/A	-		-
Payable to Holy Angel University	-	51,000	(47,000)	N/A	4,000		4,000
Payable to JDN, Inc.	-	2,251,120	(1,410,702)	N/A	840,418		840,418
Payable to MSN Foods, INC.	18,880	479,693	(456,069)	N/A	42,504		42,504
Payable to Marsha S. Nepomuceno	-	352,188	(352,188)				-
Payable to Teresa Waterworks	18,160	55,999	(31,741)	N/A	42,418		42,418
Payable to TGN Realty, Inc.	9,421	488,337	(325,307)	N/A	172,451		172,451
Payable to Stockholders	-	666,667	(666,667)	N/A	-		-
TOTAL	P 17,428,304	P 62,603,463	(P 58,250,584)		P 21,781,184	P -	P 21,781,184

ANGELES ELECTRIC CORPORATION

Schedule H

Capital Stock

March 31, 2024

Title of Issue	Number of Shares Authorized	Number of Shares Issued and Outstanding as Shown Under the Related Statement of Financial Position Caption (i)	Number of Shares Reserved for Options, Warrants, Conversion 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
March 31, 2024

Unappropriated Retained Earnings at Beginning of Year	P 297,557,286
Less: Items that are directly debited to Unappropriated Retained Earnings	
Dividend declaration during the year	(<u>28,694,892</u>)
Unappropriated Retained Earnings, as adjusted	268,862,394
Add: Net Income for the Current Year	80,462,897
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	(<u>8,951,851</u>)
Unappropriated Retained Earnings Available for Dividend Distribution at End of Year	<u>P 340,373,440</u>

ANGELES ELECTRIC CORPORATION
Supplemental Schedule of Financial Soundness Indicators
March 31, 2024

Ratio	Formula	March 31, 2024	Formula	December 31, 2023
Current ratio	Total Current Assets divided by Total Current Liabilities	2.70	Total Current Assets divided by Total Current Liabilities	2.62
	Total Current Assets P 3,448,316,791		Total Current Assets P 3,448,862,717	
	Divide by: Total Current Liabilities 1,276,132,821		Divide by: Total Current Liabilities 1,313,966,480	
	Current ratio 2.70		Current ratio 2.62	
Acid test ratio	Quick assets (Total Current Assets less Inventories and Other Current Assets) divided by Total Current Liabilities	2.45	Quick assets (Total Current Assets less Inventories and Other Current Assets) divided by Total Current Liabilities	2.42
	Total Current Assets P 3,448,316,791		Total Current Assets P 3,448,862,717	
	Less: Other Current Assets (327,455,238)		Less: Other Current Assets (264,558,979)	
	Quick Assets 3,120,861,553		Quick Assets 3,184,303,738	
	Divide by: Total Current Liabilities 1,276,132,821		Divide by: Total Current Liabilities 1,313,966,480	
	Acid test ratio 2.45		Acid test ratio 2.42	
Solvency ratio	Total Liabilities divided by Total Assets	0.42	Total Liabilities divided by Total Assets	0.43
	Total Liabilities P 2,263,951,429		Total Liabilities P 2,292,339,928	
	Divide by: Total Assets 5,366,357,403		Divide by: Total Assets 5,342,955,390	
	Solvency ratio 0.42		Solvency ratio 0.43	
Debt-to-equity ratio	Total Liabilities divided by Total Equity	0.73	Total Liabilities divided by Total Equity	0.75
	Total Liabilities P 2,263,951,429		Total Liabilities P 2,292,339,928	
	Divide by: Total Equity 3,102,405,974		Divide by: Total Equity 3,050,615,462	
	Debt-to-equity ratio 0.73		Debt-to-equity ratio 0.75	
Assets-to-equity ratio	Total Assets divided by Total Equity	1.73	Total Assets divided by Total Equity	1.75
	Total Assets P 5,366,357,403		Total Assets P 5,342,955,390	
	Divide by: Total Equity 3,102,405,974		Divide by: Total Equity 3,050,615,462	
	Assets-to-equity ratio 1.73		Assets-to-equity ratio 1.75	
Ratio	Formula	March 31, 2024	Formula	March 31, 2023
Return on equity	Net Profit divided by Total Equity	0.0259	Net Profit divided by Total Equity	0.0226
	Net Profit P 80,462,897		Net Profit P 56,677,635	
	Divide by: Total Equity 3,102,405,974		Divide by: Total Equity 2,503,725,178	
	Return on equity 0.0259		Return on equity 0.0226	
Return on assets	Net Profit divided by Total Assets	0.0150	Net Profit divided by Total Assets	0.0120
	Net Profit P 80,462,897		Net Profit P 56,677,635	
	Divide by: Total Assets 5,366,357,403		Divide by: Total Assets 4,721,567,574	
	Return on assets 0.0150		Return on assets 0.0120	

ANGELES ELECTRIC CORPORATION
Aging of Trade Receivables
March 31, 2024

1 to 30 days	589,477,372
31 to 90 days	107,972,922
91 to 180 days	15,255,562
181 to 360 days	6,588,298
Over 1 year	43,248,574

Total	762,542,728
-------	-------------