

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

1. For the quarterly period ended June 30, 2021
2. SEC Identification Number AS094-002365 3. BIR Tax Identification No. 003-868-048
- SPC POWER CORPORATION
4. Exact name of issuer as specified in its charter
- Metro Manila, Philippines
5. Province, country or other jurisdiction of incorporation or organization
6. Industry Classification Code [REDACTED] (SEC Use Only)
- 7th Floor, Cebu Holdings Center, Cebu Business Park, Cebu City 6000
(Manila Office: 7th Floor, Citibank Center, 8741 Paseo de Roxas, Makati
City)
7. Address of Issuer's principal office [REDACTED] Code [REDACTED] Postal [REDACTED]
- (63 32) 232 0375; 232 0477 / (63 2) 810 4474 to 77, 810 4450, 810 4465
8. Issuer's telephone number, including area code
- N.A.
9. Former name of former address, if changed since last report
10. Securities registered pursuant to Sections 8 and 12 of the SRC or Section 4 and 8 of the RSA
- | Title of Each Class | Number of Shares of Common Stock
Outstanding and Amount of Debt
Outstanding |
|--|---|
| <u>Common Shares (as of June 30, 2020)</u> | <u>1,496,551,803 shares</u> |
| <u>Total Debt (as of June 30, 2020)</u> | <u>₱893,772,693</u> |
11. Are any or all of the securities listed on a Stock Exchange?
- Yes [] No []

If yes, state the name of such Stock Exchange and the class/es of securities listed therein:

Philippine Stock Exchange

common shares

12. Check whether the issuer:

(a) has filed all reports required to be filed by Section 17 of the SRC 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 report(s):

Yes [] No []

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

Yes [] No []

PART I – FINANCIAL INFORMATION

ITEM 1. CONSOLIDATED FINANCIAL STATEMENTS

The consolidated interim financial statements of the Parent Company and its Subsidiaries (the "Group") are attached herewith as follows:

- a. Consolidated Statements of Financial Position – June 30, 2021 (unaudited) and December 31, 2020 (audited).
- b. Consolidated Statements of Comprehensive Income – Three Months Ended June 30, 2021 and 2020 (unaudited).
- c. Consolidated Statements of Comprehensive Income – Six Months Ended June 30, 2021 and 2020 (unaudited).
- d. Consolidated Statements of Changes in Stockholders' Equity – Six Months Ended June 30, 2021 and 2020 (unaudited).
- e. Consolidated Statements of Cash Flows – Six Months ended June 30, 2021 and 2020 (unaudited).
- f. Notes to the Consolidated Financial Statements.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS

Hereunder is management's discussion and analysis of the significant factors affecting the financial performance, financial position and cash flows of the Parent Company and Subsidiaries (collectively referred to as the "Group"). The discussion and analysis should be read in conjunction with the accompanying interim consolidated financial statements and the notes thereto as well as the schedules and disclosures set forth elsewhere in this report.

Financial Conditions and Results of Operations

Results of Operations

Three Months Ended June 30, 2021 and 2020

Despite higher revenues, total comprehensive income of the Group declined by 23.5% to P333.6 million in the second quarter this year, from P436.4 million in the same period last year. This was due mainly to lower equity share from the earnings of KSPC which implemented a scheduled 50-day major maintenance of generating plants in the second quarter of the current year. Except for KSPC, all other business units in the Group performed relatively better in the second quarter of 2021 as compared to the first quarter of 2021 and second quarter of 2020.

The consolidated net income in the second quarter of 2021 translates to P0.22 in earnings per share, down from P0.29 in the same period last year.

By business segment, equity share in the earnings of investee companies contributed ₱172.2 million to the consolidated comprehensive income, down by 52.4% from ₱361.7 million in the comparable year-ago period. This was attributed to the 50-day scheduled major maintenance of KSPC's generating Units 1 & 2 in the second quarter of 2021.

The distribution business segment (BLCI) slightly improved its second quarter 2021 net income to partially reverse the losses incurred in the first quarter of 2021. There was partial recovery of previously under-recovered cost of purchased power. However, demand continued to be affected by slow improvements in the operations of industrial and commercial customers in the midst of the coronavirus pandemic.

Net income contribution of the generation business segment soared by 88.4% to ₱160.5 million on account mainly of higher capacity utilization of power generating assets.

Consolidated revenues increased by 53.6% to ₱657.7 million in the second quarter of 2021, from ₱428.1 million in the same period last year, due mainly to higher volume of energy sold, higher pass-through cost of fuel and purchased power, and higher prices in the WESM.

In contrast, consolidated cost of services increased only by 41.3% to ₱446.3 million, from ₱315.9 million in the previous year, due mainly to costs arising from higher volume and higher prices.

As revenues grew faster than costs, gross margin rose by 88.4% to ₱211.4 million in the April – June 2021 period from last year's comparative figure of ₱112.3 million.

Consolidated administrative and general expenses went up by 47.7% to ₱55.6 million in April – June 2021, from ₱37.6 million in the same period last year, due largely to higher expenses for business development; personnel; and taxes and licenses. Total other administrative and general expenses were held to about the same level as in the previous year.

Interest income substantially decreased by 56.7% to ₱8.4 million, from ₱19.4 million, because of lower effective interest rate and lower amount of excess cash invested in short-term money market placements after payment of cash dividends in the last quarter of 2019 and in the first semester of the current year.

Other service income amounted to ₱21.8 million in the second quarter of the current year, versus nil the year before, due to no other projects undertaken in the previous year.

Six Months Ended June 30, 2021 and 2020

The second quarter's performance slowed the Group's consolidated net income to ₱794.3 million in the first half of 2021, lower by 14.5% compared with the ₱929.0 million posted in the same period last year.

With lower results, earnings per share declined to ₱0.53 in the first half of 2021 as compared with ₱0.62 in the year before.

The performance likewise translated to a return on equity of 7.79% for the six-month period in 2021 versus 9.00% in the same period last year.

Equity share from the earnings of investee companies remained the biggest contributor with a net income contribution of ₱543.5 million or 68.4% of the pie. The income contribution fell by 27.4% in the first half of 2021 due mainly to the scheduled 50-day major maintenance of KSPC's generating plants in the second quarter of the current year.

The power generation business segment made up the second chunk of the Group's consolidated net income contributing 31.9% of the total as of June 30, 2021. The net income contribution of ₱253.7 million was 53.7% higher compared to last year's ₱165.1 million on account mainly of higher capacity utilization in the second quarter of the current year.

In spite of the improved performance of the distribution business segment (BLCI) in the second quarter of 2021, its six-month income contribution remained negative at ₱2.9 million, a reversal of the ₱14.4 million net income contribution in the same period a year ago. This was due mainly to temporary under-recovery of the cost of purchased power in the current year.

The Group registered a 15.8% rise in consolidated revenues during the first half of the current year to ₱1,122.2 million, from ₱968.8 million in the same period last year, due mainly to higher volume of energy sold, higher pass-through cost of fuel and purchased power, and higher prices in the WESM.

Consolidated cost of services likewise increased but by just 11.4% to ₱797.9 million in the first half of 2021, from ₱715.9 million in the same period last year, due mainly to costs arising from higher volume and prices of transactions.

As revenues grew faster than costs, gross margin rose by 28.2% to ₱324.3 million in the January - June 2021 period from last year's comparative figure of ₱252.9 million.

Consolidated administrative and general expenses went up by 14.9% to ₱92.7 million in January – June 2021 due mainly to higher expenses for business development; personnel; and taxes and licenses. Total other administrative and general expenses registered a 9.5% net decrease from the previous year's level.

Interest income substantially decreased by 44.7% to ₱17.3 million, from ₱31.4 million, because of lower effective interest rate and lower amount of excess cash invested in short-term money market placements after payment of cash dividends in the last quarter of 2019 and in the first half of the current year.

Other service income was higher at ₱40.0 million in the first half of 2021, as compared to ₱18.2 million in the same period last year, due to more other projects undertaken.

Financial Condition

June 30, 2021 Vs. December 31, 2020

Total consolidated assets of the Group stood at ₱10,741.6 million as at end-June 2021, 6.1% lower from the last audited balance of ₱11,440.0 million as at end-2020. The decrease was attributed mainly to declaration of cash dividends.

Total liabilities remained about the same at ₱893.8 million as at end-June 2021, only 1.0% higher from ₱884.8 million as at end-2020.

Total stockholders' equity decreased to ₱9,847.9 million as at end-June 2021 from ₱10,555.3 million as at end-2020. The 6.7% net decrease was due to declaration of cash dividends amounting to ₱1,501.8 million, partially offset by comprehensive income earned in the first half of 2021 amounting to ₱794.3 million.

Further details of significant items that contributed to the changes in assets, liabilities and stockholders' equity are discussed below.

Trade and other receivables increased by 41.2% to ₱477.3 million as at end-June 2021 from ₱338.1 million as at end-2020, due to higher revenues generated in June 2021.

Prepayments and other current assets increased by 6.8% to ₱58.7 million as at end-June 2021 due mainly to deferred/unexpired insurance premiums and more input tax awaiting application against output tax.

Investment in associates decreased by 2.6% to ₱5,634.6 million as at end-June 2021 from ₱5,782.9 million as at end-2020. The slight decrease reflected the cash dividends received from investees amounting to ₱691.8 and fresh equity share in the net earnings of investees amounting to ₱543.5 million in the first half of 2021.

Other noncurrent assets decreased by 10.8% to ₱154.6 million as at end-June 2021 from ₱173.2 million as at end-2020. This was due mainly to the amortization of ERC-approved Deferred Accounting Adjustments (DAA) which were incurred by PSALM in supplying energy during the previous years to be recovered/refunded by PSALM to its customers through the distribution business segment of the Group by initially charging the customers as part of the Group's generation charge over a period of seven years from January 1, 2018.

Despite lower income tax rate due to CREATE law, income tax payable increased by 47.2% to ₱38.7 million as at end-June 2021, from ₱26.3 million as at end-2020, due to higher taxable income in the third quarter of 2021 as compared to the fourth quarter of 2020.

Other noncurrent liabilities decreased by 16.9% to ₱90.8 million from ₱109.2 million due mainly to amortization of cost recovery adjustment approved by ERC to be recovered by PSALM through the distribution business segment of the Group over a period of seven years from January 2018. The original amount of ₱257.6 million was booked as noncurrent liabilities pending remittance to

PSALM the amount collected from customers over a period of seven years from January 2018.

Unappropriated retained earnings decreased by 9.9% to ₱6,381.6 million as at end-June 2021 from ₱7,083.4 million at the beginning of the year. The net decrease was reflective of cash dividends declared amounting to ₱1,496.6 million less comprehensive income attributable to equity holders of the Parent Company amounting to ₱794.8 million in the six months ended June 30, 2021.

Cash Flows

Cash and cash equivalents decreased by 17.1% to ₱3,269.9 million as at end-June 2021 from the end-December 2020 level of ₱3,944.3. Net cash flows used in financing activities exceeded net cash flows generated from operating and investing activities in the first six months of 2021.

Major sources of cash and cash equivalents in the first semester of 2021 were from operating activities and cash dividends received from investee companies amounting to ₱180.7 million and ₱691.8 million, respectively.

The net cash flow generated from operating activities of ₱180.7 million in the first semester of 2021 was 148.9% higher compared to ₱72.6 million only in the same period last year. This was attributed mainly to more cash profit in 2021.

The major applications of funds in the first semester of 2021 were: (i) payment of cash dividends amounting to ₱1,501.8 million, and (ii) new additions to property, plant and equipment amounting to ₱40.7 million.

Key Performance Indicators

The following financial indicators are used, among others, to evaluate the performance of the Group as of June 30, 2021 and December 31, 2020 and for the six months ended June 30, 2021 and 2020:

Key Performance Indicators	2021	2020
A. For Six Months Ended June 30, 2021 and 2020:		
Earnings Per Share	0.53	0.62
Share in Net Earnings of Associates	P543,536,437	P749,071,556
Return on Equity (total comprehensive income divided by average total equity)	7.79%	9.00%
Return on Assets (total comprehensive income divided by average total assets)	7.16%	8.29%
Cash Flows:		
Net cash flows generated from operating activities	P180,660,658	P72,578,696
Net cash flows generated from investing activities	P650,844,828	P425,021,811
Net cash flows used in financing activities	(P1,503,557,485)	(P601,727,211)
Solvency ratio (total comprehensive income before depreciation and amortization divided by total liabilities)	0.94	1.18
B. As of June 30, 2021, and December 31, 2020:		
Balance of cash and cash equivalents at end of period	P3,269,931,884	P3,944,306,886
Current ratio (total current assets divided by current liabilities)	8.21	9.71
Debt ratio (total liabilities divided by total assets)	0.08	0.08
Debt-to-equity ratio (total liabilities divided by total equity)	0.09	0.08

The formulas used to compute the performance indicators are shown below:

Earnings Per Share (EPS)

EPS is a measure of profitability representing net income attributable to equity holders divided by the weighted average number of shares outstanding as of the end of the relevant period.

Share in Net Earnings of Associates

This indicates profitability of the investments and investees' contribution to the Group's net income. It is determined by multiplying the associate's net income by the investor's percentage of ownership, less goodwill impairment cost, if any. Goodwill is the difference between the acquisition cost of the investment and the investor's share in the value of the net identifiable assets of the investee at the date of acquisition.

Return on Equity

Return on Equity = Total comprehensive income divided by average total stockholders' equity. This ratio indicates the level of profit earned by the Group in comparison with the total amount of stockholders' equity found in the statements of financial position. The higher the return on equity, the higher the Group's ability to produce internally generated cash flows. Moreover, the higher the Group's return on equity compared to other companies in the same industry, the better.

Return on Assets

Return on Assets = Total comprehensive income divided by average total assets. This ratio measures the ability of the Group's management to realize an adequate return on the average total resources employed for the business. A high percentage rate indicates how the Group is well run and has a healthy return on assets employed.

Cash Flows

The Group uses the Statements of Cash Flows to determine the sources and application of funds for the period and to analyze and evaluate how the sources and uses of capital are being managed.

Current Ratio

Current Ratio = Total current assets divided by total current liabilities. This ratio is a rough indication of the Group's ability to service its current obligations. The higher the current ratio, the greater the Group's ability to pay its current obligations.

Debt Ratio

Debt ratio = Total liabilities divided by total assets. The ratio indicates the degree of protection provided for the Group's creditors. A high ratio generally indicates greater risk being assumed by creditors. On the other hand, a low ratio indicates greater long-term financial safety.

Debt-to-Equity Ratio

Debt-to-equity ratio = Total liabilities divided by total equity. The ratio indicates how leveraged the Group is. It compares the resources provided by creditors against the resources provided by the stockholders in running the business of the Group.

Solvency Ratio

Solvency Ratio = Total comprehensive income before depreciation and amortizations divided by total liabilities. This ratio provides another measurement of how likely the Group will be able to continue meeting its debt obligation. The higher the ratio, the greater the Company's ability to continue meeting its debt obligations.

Any Significant Elements of Income or Loss from Continuing Operations

There are no significant elements of income or loss from continuing operations.

Material Off-Balance Sheet Items

There are no material off-balance sheet transactions, arrangements, obligations, and other relationships of the Group with unconsolidated entities or other persons created during the reporting period.

Material Commitments for Capital Expenditures

As of June 30, 2021, there are no material commitments for capital expenditures other than in the ordinary course of business to improve power generation and distribution facilities. Funding comes from internally generated cash from operating activities.

Known Trends

The second quarter 2021 performance of the distribution companies showed gradual recovery as compared to previous quarters. However, the degree and pace of recovery are still subject to uncertainties related to the coronavirus pandemic. Demand from industrial and commercial customers are not likely to soon pick up considerably given the recovery path which is not yet fully cleared of restrictions as of report date.

Except as already discussed herein and in the notes to the interim consolidated financial statements, management is not aware of any other trend, event or uncertainty to have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales/revenues/income from continuing operations. Management is likewise not aware of any other event that will trigger direct or contingent financial obligation that is material to the Group, including any default or acceleration of an obligation.

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.

SPC POWER CORPORATION
Issuer

By:


MARY ANN G. DAUGDAUG
Asst. Finance Manager


JAIME M. BALISACAN
SVP - Finance and Administration

Date: August 12, 2021

Date: August 12, 2021

SPC POWER CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Amounts in Philippine Pesos)

	June 30, 2021	Dec. 31, 2020	Incr. / (Decr.)	
	(Unaudited)	(Audited)	Amount	Percent
ASSETS				
Current Assets				
Cash and cash equivalents	3,269,931,884	3,944,306,886	(674,375,002)	-17.1%
Trade and other receivables - net	477,338,403	338,055,500	139,282,903	41.2%
Material and supplies	366,030,990	363,627,827	2,403,163	0.7%
Prepayments and other current assets	58,683,451	54,950,450	3,733,001	6.8%
Total Current Assets	4,171,984,728	4,700,940,663	(528,955,935)	-11.3%
Noncurrent Assets				
Investment in associates	5,634,589,681	5,782,866,638	(148,276,957)	-2.6%
Property, plant and equipment - net	747,622,804	749,683,383	(2,060,579)	-0.3%
Deferred income tax assets	32,853,340	33,322,150	(468,810)	-1.4%
Other noncurrent assets - net	154,572,252	173,210,472	(18,638,220)	-10.8%
Total Noncurrent Assets	6,569,638,077	6,739,082,643	(169,444,566)	-2.5%
TOTAL ASSETS	10,741,622,805	11,440,023,306	(698,400,501)	-6.1%
LIABILITIES & STOCKHOLDERS' EQUITY				
Current Liabilities				
Trade and other payables	466,801,019	453,351,738	13,449,281	3.0%
Income tax payable	38,721,684	26,310,765	12,410,919	47.2%
Current portion of lease liabilities	2,635,323	4,685,106	(2,049,783)	-43.8%
Total current liabilities	508,158,026	484,347,609	23,810,417	4.9%
Noncurrent Liabilities				
Customers' deposits	181,702,690	174,742,186	6,960,504	4.0%
Asset retirement obligation	85,475,665	85,475,665	0	0.0%
Lease liabilities - net of current portion	0	1,487,649	(1,487,649)	-100.0%
Net pension liabilities	27,666,735	29,529,558	(1,862,823)	-6.3%
Other noncurrent liability	90,769,577	109,168,815	(18,399,238)	-16.9%
Total noncurrent liabilities	385,614,667	400,403,873	(14,789,206)	-3.7%
Total Liabilities	893,772,693	884,751,482	9,021,211	1.0%

(Forward)

SPC POWER CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Amounts in Philippine Pesos)

	<u>June 30, 2021</u> <u>(Unaudited)</u>	<u>Dec. 31, 2020</u> <u>(Audited)</u>	<u>Incr. / (Decr.)</u>	
			<u>Amount</u>	<u>Percent</u>
Stockholders' Equity				
Capital stock - P1 par value				
Authorized - 2,000,000,000 shares				
Issued - 1,569,491,900 shares	1,569,491,900	1,569,491,900	0	0.0%
Additional paid-in capital	86,810,752	86,810,752	0	0.0%
Retained earnings:				
Unappropriated	6,381,626,406	7,083,372,533	(701,746,127)	-9.9%
Appropriated	1,800,000,000	1,800,000,000	0	0.0%
Other comprehensive income:				
Remeasurement of employee benefits	2,144,925	2,144,925	0	0.0%
Net unrealized valuation gains on financial asset at FVOCI	5,750,000	5,750,000	0	0.0%
Share in remeasurement of employee benefits of associates	(1,056,084)	(1,056,084)	0	0.0%
Treasury stock at cost - 72,940,097 shares	(131,008,174)	(131,008,174)	0	0.0%
Equity attributable to equity holders of Parent	9,713,759,725	10,415,505,852	(701,746,127)	-6.7%
Equity attributable to Non-controlling interests	134,090,387	139,765,972	(5,675,585)	-4.1%
Total Stockholders' Equity	<u>9,847,850,112</u>	<u>10,555,271,824</u>	<u>(707,421,712)</u>	<u>-6.7%</u>
TOTAL LIABILITIES and EQUITY	<u>10,741,622,805</u>	<u>11,440,023,306</u>	<u>(698,400,501)</u>	<u>-6.1%</u>

See accompanying Notes to Consolidated Financial Statements.


Mary Ann G. Daugdaug
Asst. Finance Manager


Jaime M. Balisacan
SVP - Finance & Administration

SPC POWER CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Amounts in Philippine Pesos)

	Three Months Ended June 30		Increase / (Decrease)	
	2021 (Unaudited)	2020 (Unaudited)	Amount	Percent
REVENUE	657,734,365	428,126,613	229,607,752	53.6%
COST OF SERVICES				
Plant operations	446,286,982	315,863,705	130,423,277	41.3%
GROSS MARGIN	211,447,383	112,262,908	99,184,475	88.4%
GENERAL AND ADM. EXPENSES	(55,588,182)	(37,640,364)	(17,947,818)	47.7%
OTHER INCOME (CHARGES):				
Equity in net earnings of associates	172,201,441	361,747,398	(189,545,957)	-52.4%
Interest Income	8,392,894	19,369,636	(10,976,742)	-56.7%
Interest Expense	(63,218)	(122,840)	59,622	-48.5%
Service Income	21,819,483	0	21,819,483	#DIV/0!
Foreign exchange gains (losses) - net	884	(2,483,421)	2,484,305	-100.0%
Others - net	5,427,330	4,250,005	1,177,325	27.7%
INCOME BEFORE INCOME TAX	363,638,015	457,383,322	(93,745,307)	-20.5%
PROVISION FOR/(BENEFIT FROM) INCOME TAX				
Current	29,836,807	21,017,064	8,819,743	42.0%
Deferred	151,590	(42,653)	194,243	-455.4%
	29,988,397	20,974,411	9,013,986	43.0%
NET INCOME	333,649,618	436,408,911	(102,759,293)	-23.5%
OTHER COMPREHENSIVE INCOME	0	0	0	0.0%
TOTAL COMPREHENSIVE INCOME	333,649,618	436,408,911	(102,759,293)	-23.5%
ATTRIBUTABLE TO:				
Equity holders of the Parent	332,319,611	439,723,586	(107,403,975)	-24.4%
Non-controlling interests	1,330,007	(3,314,675)	4,644,682	-140.1%
	333,649,618	436,408,911	(102,759,293)	-23.5%
EARNINGS PER SHARE:				
Basic/diluted, for income for the period attributable to equity holders of the Parent	0.22	0.29	(0.07)	-24.4%

See accompanying Notes to Consolidated Financial Statements.


Mary Ann G. Daugdaug
Asst. Finance Manager



Jaime M. Balisacan
SVP - Finance & Administration

SPC POWER CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Amounts in Philippine Pesos)

	Six Months Ended June 30		Increase / (Decrease)	
	2021 (Unaudited)	2020 (Unaudited)	Amount	Percent
REVENUE	1,122,200,445	968,817,167	153,383,278	15.8%
COST OF SERVICES				
Plant operations	797,890,201	715,917,804	81,972,397	11.4%
GROSS MARGIN	324,310,244	252,899,363	71,410,881	28.2%
GENERAL AND ADM. EXPENSES	(92,731,318)	(80,701,101)	(12,030,217)	14.9%
OTHER INCOME (CHARGES):				
Equity in net earnings of associates	543,536,437	749,071,556	(205,535,119)	-27.4%
Interest Income	17,346,986	31,350,934	(14,003,948)	-44.7%
Interest Expense	(139,929)	(274,510)	134,581	-49.0%
Service Income	40,002,385	18,182,902	21,819,483	120.0%
Foreign exchange gains (losses) - net	1,382,376	(2,312,370)	3,694,746	-159.8%
Others - net	11,549,200	11,879,755	(330,555)	-2.8%
INCOME BEFORE INCOME TAX	845,256,381	980,096,529	(134,840,148)	-13.8%
PROVISION FOR/(BENEFIT FROM) INCOME TAX				
Current	50,444,229	51,129,593	(685,364)	-1.3%
Deferred	468,811	(37,143)	505,954	-1362.2%
	50,913,040	51,092,450	(179,410)	-0.4%
NET INCOME	794,343,341	929,004,079	(134,660,738)	-14.5%
OTHER COMPREHENSIVE INCOME	0	0	0	0.0%
TOTAL COMPREHENSIVE INCOME	794,343,341	929,004,079	(134,660,738)	-14.5%
ATTRIBUTABLE TO:				
Equity holders of the Parent	794,805,676	920,557,615	(125,751,939)	-13.7%
Non-controlling interests	(462,335)	8,446,464	(8,908,799)	-105.5%
	794,343,341	929,004,079	(134,660,738)	-14.5%
EARNINGS PER SHARE (Note 3):				
Basic/diluted, for income for the period attributable to equity holders of the Parent	0.53	0.62	(0.08)	-13.7%

See accompanying Notes to Consolidated Financial Statements.


Mary Ann G. Daugdaug
Asst. Finance Manager


Jaime M. Balisacan
SVP - Finance & Administration

**SPC POWER CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR SIX MONTHS ENDED JUNE 30, 2021 AND 2020**

	Equity Attributable to Equity Holders of the Parent										
	Retained Earnings					Net					
	Capital Stock	Additional Paid-In Capital	Treasury Stock at Cost	Remeasurement of Employee Benefits	Share of Associates in OCI	Appropriated	Unappropriated	Unrealized Valuation Gains on Financial Assets at FVOCI	Total	Non-controlling Interest	Total
Balances at January 1, 2021	₱1,569,491,900	₱86,810,752	(₱131,008,174)	₱2,144,925	(₱1,056,084)	₱1,800,000,000	₱7,083,372,533	₱5,750,000	₱10,415,505,852	₱139,765,972	₱10,555,271,824
Total comprehensive income	-	-	-	-	-	-	794,805,676	-	794,805,676	(462,335)	794,343,341
Cash dividends	-	-	-	-	-	-	(1,496,551,803)	-	(1,496,551,803)	(5,213,250)	(1,501,765,053)
Balances at June 30, 2021	₱1,569,491,900	₱86,810,752	(₱131,008,174)	₱2,144,925	(₱1,056,084)	₱1,800,000,000	₱6,381,626,406	₱5,750,000	₱9,713,759,725	₱134,090,387	₱9,847,850,112
Balances at January 1, 2020	₱1,569,491,900	₱86,810,752	(₱131,008,174)	₱298,265	(₱2,154,261)	₱2,800,000,000	₱5,677,394,136	₱5,650,000	₱10,006,482,618	₱155,917,393	₱10,162,400,011
Total comprehensive income	-	-	-	-	-	-	920,557,615	-	920,557,615	8,446,464	929,004,079
Cash dividends	-	-	-	-	-	-	(598,620,721)	-	(598,620,721)	(9,268,000)	(607,888,721)
Balances at June 30, 2020	₱1,569,491,900	₱86,810,752	(₱131,008,174)	₱298,265	(₱2,154,261)	₱2,800,000,000	₱5,999,331,030	₱5,650,000	₱10,328,419,512	₱155,095,857	₱10,483,515,369

See accompanying Notes to Consolidated Financial Statements.


Mary Ann G. Daugdaug
 Asst. Finance Manager



Jaime M. Balisacan
 SVP - Finance & Administration

**SPC POWER CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS**

	Six Months ended June 30	
	2021 (Unaudited)	2020 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	845,256,381	980,096,529
Adjustments for:		
Equity in net losses (earnings) of associates	(543,536,437)	(749,071,556)
Depreciation and amortizations	43,617,008	50,103,066
Interest expense	139,929	274,510
Net changes in pension liability	(1,862,822)	401,856
Interest income	(17,346,986)	(31,350,934)
Others -net	229,123	1,994,897
Operating income before working capital changes	326,496,196	252,448,368
Decrease (increase) in:		
Trade and other receivables	(142,552,466)	(86,293,280)
Prepayments and other current assets	(3,733,002)	6,506,215
Materials and supplies	(2,403,162)	9,010,238
Increase (decrease) in:		
Trade and other payables	13,498,538	(91,238,083)
Customers' deposits	6,905,640	8,860,658
Net cash generated from operations	198,211,744	99,294,116
Income tax paid	(38,033,312)	(60,958,367)
Interest paid	(134,322)	(377,549)
Interest received	20,616,548	34,620,496
Net cash flows from operating activities	180,660,658	72,578,696
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash dividends received	691,813,394	446,283,356
Additions to plant, property and equipment	(40,664,706)	(20,402,243)
Proceeds from disposal of plant, property and equipment	0	107,143
Decrease (increase) in:		
Other noncurrent assets	(303,860)	(966,445)
Net cash provided by (used in) investing activities	650,844,828	425,021,811
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment of lease liabilities	(1,792,432)	(1,538,463)
Cash dividends paid	(1,501,765,053)	(600,188,748)
Net cash provided by (used in) financing activities	(1,503,557,485)	(601,727,211)
NET EFFECT OF EXCHANGE RATE CHANGES	(2,323,003)	(1,741,676)
NET INCREASE IN CASH AND CASH EQUIVALENTS	(674,375,002)	(105,868,380)
CASH AND CASH EQUIVALENTS AT BEG. OF PERIOD	3,944,306,886	3,227,403,650
CASH AND CASH EQUIVALENTS AT END OF PERIOD	3,269,931,884	3,121,535,270

See accompanying Notes to Financial Statements.


Mary Ann G. Daugdaug
Asst. Finance Manager


Jaime M. Balisacan
SVP - Finance & Administration

SPC POWER CORPORATION AND SUBSIDIARIES
SELECTED NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

1. General

The consolidated financial statements comprise the financial statements of the Parent Company and the following wholly owned and majority owned subsidiaries:

	Nature of Business	% of Ownership		
		Direct	Indirect	Total
SPC Island Power Corporation	Power generation	100.00%	–	100.00%
Cebu Naga Power Corporation	Power generation	100.00%	–	100.00%
SPC Malaya Power Corporation	Power generation	40.00%	38.40%	78.40%
SPC Light Company, Inc.	Holding company	40.00%	24.00%	64.00%
Bohol Light Company, Inc.	Power distribution	39.90%	13.76%	53.66%
SPC Electric Company, Inc.	Holding company	40.00%	–	40.00%

2. Accounting Policies

The Group's consolidated interim financial statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRS). Measurements are on historical cost basis, except for financial assets at FVOCI which have been measured at fair value, and are presented in Philippine Peso, the Group's functional and presentation currency.

The accounting policies adopted in the preparation of the interim financial statements are the same as those mentioned in the audited financial statements for the year 2020.

3. Earnings Per Share

The following presents information necessary to calculate earnings per share attributable to equity holders of the Parent Company:

	Six Months Ended June 30	
	2021	2020
Net income attributable to equity holders of the parent	₱794,805,676	₱920,557,615
Weighted average number of common shares issued and outstanding	1,496,551,803	1,496,551,803
Basic/Diluted earnings per share	₱0.53	₱0.62

Computation of weighted average number of common shares issued and outstanding follows:

Number of shares issued	1,569,491,900
Less weighted average number of treasury shares	72,940,097
	<u>1,496,551,803</u>

There are no dilutive potential common stocks issued as of June 30, 2021.

4. Seasonal Aspects

The group does not have any seasonal aspect that has a material effect on its financial condition and results of operations.

5. Nature and Amount of Items Affecting Assets, Liabilities, Equity, Net Income, or Cash Flows That Are Unusual Because of Their Nature, Size or Incidence.

Aside from what are already disclosed in the management's discussion and analysis of financial condition and results of operations, there are no other assets, liabilities, equity, net income or cash flows that are unusual because of their nature, size or incidence.

6. Nature and Amount of Changes in Estimates of Amounts Reported in Prior Interim Periods of the Current Financial Year or Changes in Estimates of Amounts Reported in Prior Financial Years, if Those Changes Have a Material Effect in the Current Interim Period.

There are no changes in estimates of amounts in the first semester of 2021.

7. Issuances, Repurchases & Repayments of Debts & Equity Securities.

There are no issuances, repurchases and repayments of debt and equity securities during the six months ended June 30, 2021.

8. Segment Information

For management purposes, the Group is organized into business units based on their products and services provided as follows:

- Generation - generation and supply of power and ancillary services to NPC/PSALM, NGCP, distribution utilities, WESM and other customers.
- Distribution - distribution and sale of electricity to the end-users.
- Others - includes the operations of SECI and SLCI such as to manage, operate and invest in power generating plants and related facilities.

The operating segments are consistent with those reported to the BOD, the Group's Chief Operating Decision Maker (CODM).

The Group operates and generates revenue principally only in the Philippines (i.e., one geographical location). Thus, geographical segment information is not presented.

The CODM monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss in the consolidated financial statements.

No inter-segment revenues were earned within the Group in the six months ended June 30, 2021 and 2020.

The following tables present revenue and income information and certain asset and liability information regarding the business segments as of June 30, 2021 and 2020:

June 30, 2021							
	Before Eliminations				Adjustments and Eliminations	After Eliminations/ Consolidated	
	Generation	Distribution	Others	Total			
Revenue	₱635,197,612	₱487,002,833	₱-	₱1,122,200,445	₱-	₱1,122,200,445	
Income before income tax	999,594,176	(2,498,134)	2,474,047	999,570,089	(154,313,708)	845,256,381	
Net income	949,118,348	(2,935,346)	2,474,047	948,657,049	(154,313,708)	794,343,341	
Total assets	7,546,940,475	705,493,805	77,489,411	8,329,923,691	2,411,699,114	10,741,622,805	
Property, plant and equipment	526,382,775	219,971,647	-	746,354,422	1,268,382	747,622,804	
Total liabilities	405,716,250	494,005,738	24,519	899,746,507	(5,973,814)	893,772,693	
Depreciation and amortization	31,036,127	12,580,881	-	43,617,008	-	43,617,008	

June 30, 2020							
	Before Eliminations				Adjustments and Eliminations	After Eliminations/ Consolidated	
	Generation	Distribution	Others	Total			
Revenue	₱485,133,726	₱483,683,441	₱-	₱968,817,167	₱-	₱968,817,167	
Income before income tax	662,487,796	20,808,617	4,743,917	688,040,330	292,056,199	980,096,529	
Net income	617,771,860	14,432,103	4,743,917	636,947,880	292,056,199	929,004,079	
Total assets	7,425,667,002	778,256,217	95,110,586	8,299,033,805	3,013,999,214	11,313,033,019	
Property, plant and equipment	561,027,676	201,988,415	-	763,016,091	1,578,445	764,594,536	
Total liabilities	313,398,518	537,210,320	111,514	850,720,352	(21,202,702)	829,517,650	
Depreciation and amortization	39,716,599	10,386,467	-	50,103,066	-	50,103,066	

Adjustments and Eliminations

Adjustments and eliminations are part of detailed reconciliations presented below:

Reconciliation of Net Income

	Six Mos. Ended June 30	
	2021	2020
Segment net income	₱948,657,048	₱636,947,879
Equity in net earnings of associates	543,536,437	749,071,556
Dividend Income	(697,850,144)	(457,015,356)
Group net income	₱794,343,341	₱929,004,079

Reconciliation of Total Assets

	June 30, 2021	Dec. 31, 2020
Segment assets	₱8,331,192,073	₱8,883,855,922
Inter-segment receivables	(14,613,155)	(17,153,460)
Investments in associates and subsidiaries	2,392,521,871	2,540,798,828
Goodwill	32,522,016	32,522,016
Group assets	₱10,741,622,805	₱11,440,023,306

Reconciliation of Total Liabilities

	June 30, 2021	Dec. 31, 2020
Segment liabilities	₱899,746,508	₱893,265,602
Inter-segment payables	(5,973,815)	(8,514,120)
Group liabilities	₱893,772,693	₱884,751,482

9. Effect of Changes in the Composition of the Issuer During the Interim Period, Including Business Combinations, Acquisition or Disposal of Subsidiaries & Long-term Investments, Restructurings, and Discontinuing Operations.

There are no changes in the composition of the registrant during the interim period.

10. Changes in Contingent Liabilities or Contingent Assets Since the Last Annual Balance Sheet Date.

There are no changes in contingent liabilities or contingent assets since the last annual balance sheet date.

11. Financial Risk Management and Policies

The Group's principal financial instruments comprise of cash and cash equivalents and trade and other payables. The Group has various other financial assets and liabilities such as trade and other receivables, trade and other payables, PSALM deferred adjustments included under "Other noncurrent assets", due from/due to related parties, dividend payable, and customers' deposits which arise directly from its operations.

The main risks arising from the Group's financial instruments are liquidity risk and credit risk.

The Group's senior management oversees the management of these risks. The Group's senior management ensures that the Group's financial risk-taking activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with the Group's policies and risk appetite.

The BOD reviews and approves policies for managing each of these risks and they are summarized below.

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with floating interest rates. The Group's policy is to manage its interest cost using the variable-rate debts.

As of June 30, 2021 and December 31, 2020, the Group does not have a financial liability that is exposed to interest rate risk.

Liquidity Risk

Liquidity risk is the potential of not meeting obligations as they come due because of an inability to liquidate assets or obtain adequate funding. The Group's objective is to maintain a balance between continuity of funding and flexibility. The Group maintains sufficient cash and cash equivalents to finance its operations. Any excess cash is invested in short-term money market placements. These placements are maintained to meet maturing obligations and pay dividend declarations.

The tables below summarize the maturity profile of the Group's financial assets used to manage liquidity risk and financial liabilities at June 30, 2021 and December 31, 2020 based on contractual undiscounted payments:

	June 30, 2021					
	Total	Current	1 to 30 Days	31 to 60 Days	61 to 90 Days	Over 90 Days
Financial Assets						
At amortized cost:						
Cash and cash equivalents	₱3,269,931,884	₱3,269,931,884	₱–	₱–	₱–	₱–
Trade and other receivables						
PSALM	1,015,262	–	–	–	–	1,015,262
Receivable from customers	398,654,651	276,941,594	40,732,092	11,971,796	8,878,344	60,130,825
Current portion of PSALM deferred adjustments	36,798,477	36,798,477	–	–	–	–
Due from related parties	2,333,153	222,042	17,317	23,656	60,558	2,009,580
Others	38,536,860	15,842,265	248,947	200,303	246,556	21,998,789
	477,338,403	329,804,378	40,998,356	12,195,755	9,185,458	85,154,456
PSALM deferred adjustments (included in "Other noncurrent assets")	90,769,577	–	–	–	–	90,769,577
	3,838,039,864	3,599,736,262	40,998,356	12,195,755	9,185,458	175,924,033
At FVOCI:						
Investment in proprietary club shares	7,400,000	–	–	–	–	7,400,000
	3,845,439,864	3,599,736,262	40,998,356	12,195,755	9,185,458	183,324,033
Financial Liabilities						
Trade and other payables						
Trade	241,982,849	235,697,739	2,486,492	526,661	47,661	3,224,296
Nontrade	44,686,853	37,102,928	71,467	–	–	7,512,458
Accrued expenses	46,376,137	16,218,711	–	–	–	30,157,426
Due to related parties	796,753	–	–	42,551	–	754,202
	333,842,592	289,019,378	2,557,959	569,212	47,661	41,648,382
Customers' deposits	181,702,690	–	–	–	–	181,702,690
Lease liabilities	2,662,317	–	–	–	–	2,662,317
Other noncurrent liability	90,769,577	–	–	–	–	90,769,577
	608,977,176	289,019,378	2,557,959	569,212	47,661	316,782,966
Net Financial Assets (Liabilities)	₱3,236,462,688	₱3,310,716,884	₱38,440,397	₱11,626,543	₱9,137,797	(₱133,458,933)

	December 31, 2020					
	Total	Current	1 to 30 Days	31 to 60 Days	61 to 90 Days	Over 90 Days
Financial Assets						
At amortized cost:						
Cash and cash equivalents	₱3,944,306,886	₱3,944,306,886	₱–	₱–	₱–	₱–
Trade and other receivables						
PSALM	1,015,262	–	–	–	–	1,015,262
Receivable from customers	255,677,034	130,110,054	39,124,107	20,520,943	12,731,595	53,190,335
Current portion of PSALM deferred adjustments	36,798,477	36,798,477	–	–	–	–
Due from related parties	2,005,050	115,049	15,000	31,133	118,198	1,725,670
Others	42,559,677	7,942,519	1,708,811	1,337,433	1,944,229	29,626,685
	338,055,500	174,966,099	40,847,918	21,889,509	14,794,022	85,557,952
PSALM deferred adjustments (included in "Other noncurrent assets")	109,168,815	–	–	–	–	109,168,815
	4,391,531,201	4,119,272,985	40,847,918	21,889,509	14,794,022	194,726,767
At FVOCI:						
Investment in proprietary club shares	7,400,000	–	–	–	–	7,400,000
	4,398,931,201	4,119,272,985	40,847,918	21,889,509	14,794,022	202,126,767
Financial Liabilities						
Trade and other payables						
Trade	249,841,518	209,879,700	3,936,389	1,234,420	627,137	34,163,872
Nontrade	41,295,713	9,750,577	186,627	46,998	63,473	31,248,038
Accrued expenses	41,252,260	39,065,525	–	–	–	2,186,735
Due to related parties	712,203	–	–	215,160	–	497,043
	333,101,694	258,695,802	4,123,016	1,496,578	690,610	68,095,688
Customers' deposits	174,742,186	–	–	–	–	174,742,186
Lease liabilities	6,626,789	–	–	–	–	6,626,789
Other noncurrent liability	109,168,815	–	–	–	–	109,168,815
	623,639,484	258,695,802	4,123,016	1,496,578	690,610	358,633,478
Net Financial Assets (Liabilities)	₱3,775,291,717	₱3,860,577,183	₱36,724,902	₱20,392,931	₱14,103,412	(₱156,506,711)

Credit Risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting to a financial loss.

The Group trades only with recognized, creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit procedures. In addition, receivable balances are monitored on an ongoing basis with the result that exposure to bad debts is not significant.

With respect to credit risk arising from the financial assets of the Group, which comprise cash and cash equivalents, trade and other receivables, due from related parties and PSALM deferred adjustments included in "Other noncurrent assets", the Group's exposure to credit risk arises from default of the counterparty.

The Group's credit risk from cash and cash equivalents is mitigated by Philippine Deposit Insurance Corporation's (PDIC) insurance coverage on the cash in bank. While the Group does not hold collateral as security, its credit risk from trade and other receivables is mitigated by the customers' deposits which are collected to guarantee any uncollected bills from the customers upon termination of the service contract.

The Group's maximum exposure equals to the carrying amount of the aforementioned instruments, excluding cash on hand, and is offset by the PDIC insurance coverage and customers' deposits. The offset relates to balances where there is a legally enforceable right of offset in the event of counterparty default and where, as a result, there is a net exposure for credit risk management purposes. However, as there is no intention to settle these balances on a net basis under normal circumstances, they do not qualify for net presentation for accounting purposes.

	June 30, 2021		
	Maximum exposure	Offset	Exposure to credit risk
At amortized cost:			
Cash and cash equivalents (excluding cash on hand)	₱3,269,284,945	(₱9,186,966)	₱3,260,097,979
Trade and other receivables	477,338,403	(109,525,237)	367,813,166
PSALM deferred adjustments (included in "Other noncurrent assets")	90,769,577	-	90,769,577
	₱3,837,392,925	(₱118,712,203)	₱3,718,680,722
	December 31, 2020		
	Maximum exposure	Offset	Exposure to credit risk
At amortized cost:			
Cash and cash equivalents (excluding cash on hand)	₱3,943,238,772	(₱9,396,869)	₱3,933,841,903
Trade and other receivables	338,055,500	(109,525,237)	228,530,263
PSALM deferred adjustments (included in "Other noncurrent assets")	109,168,815	-	109,168,815
	₱4,390,463,087	(₱118,922,106)	₱4,271,540,981

As of June 30, 2021 and December 31, 2020, the Group's significant concentration of credit risk pertains to its trade and other receivables and PSALM deferred adjustments amounting to ₱568.1 million and ₱447.2 million, respectively, and impaired financial assets, determined based on probability of collection, are adequately covered with allowance.

Applicable for the second quarter and year ended June 30, 2021 and December 31, 2020.

The following are the details of the Group's assessment of credit quality and the related ECLs as at June 30, 2021 and December 31, 2020:

General Approach

- *Cash and cash equivalents* - As of June 30, 2021 and December 31, 2020, the ECL relating to the cash and cash equivalents of the Group is minimal as these are deposited in reputable banks which have good bank standing, and is considered to have low credit risk.
- *Due from NPC/PSALM, related parties, and other receivables* - As of June 30, 2021 and December 31, 2020, there were no individually impaired accounts. No ECL is recognized for these receivables since there were no history of default payments. This assessment is undertaken each financial year through examining the financial position of the parties and the markets in which the parties operate.

Simplified Approach

- *Trade and other receivables* - The Group applied the simplified approach using a 'provision matrix'. As of June 30, 2021 and December 31, 2020, the allowance for impairment losses as a result from performing collective and specific impairment test amounted to ₱39.8 million. Management evaluated that the Parent Company's trade receivables are of high grade and of good credit quality.

June 30, 2021					
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Lifetime ECL Simplified Approach	Total
Gross carrying amount	₱-	₱-	₱39,789,858	₱477,338,403	₱517,128,261
Loss allowance	-	-	(39,789,858)	-	(39,789,858)
Carrying amount	₱-	₱-	₱-	₱477,338,403	₱477,338,403

December 31, 2020					
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Lifetime ECL Simplified Approach	Total
Gross carrying amount	₱-	₱-	₱37,162,187	₱340,683,171	₱377,845,358
Loss allowance	-	-	(37,162,187)	(2,627,671)	(39,789,858)
Carrying amount	₱-	₱-	₱-	₱338,055,500	₱338,055,500

The Group grades its financial assets as follows:

- *Cash and Cash Equivalents*: These are assessed as high grade since these are deposited in reputable banks which have good bank standing, thus credit risk is minimal.
- *Receivable/Due from NPC/PSALM, NGCP and Distribution Utilities*: These are assessed as high grade since these receivables arose from the contract provisions of the ROMM Agreement, Operation and Maintenance Service Contracts (OMSC), Ancillary Services Procurement Agreements (ASPA), Power Supply Contracts (PSCs), and/or collectible from government institution.
- *Receivable from Customers of BLCI*: Receivables from commercial customers are classified as high grade; receivables from residential customers as standard; and receivables from the government, hospitals and radio stations as substandard. Classification is based on the collection history with these customers.
- *Due from Related Parties*: These are assessed as standard, although recoverability of these receivables is certain, as these are given secondary priority as to settlement by the related parties compared to third party obligations.

- *Other Receivables*: Grading of financial assets is determined individually based on the Group's collection experience with the counterparty.

Fair Value of Financial Assets and Financial Liabilities

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair values are obtained from quoted market prices, discounted cash flow models and option pricing models, as appropriate.

The following methods and assumptions are used to estimate the fair value of each class of financial instruments:

- *Cash and Cash Equivalents, Trade and Other Receivables, Trade and Other Payables and Due From/To Related Parties*. The carrying amounts of cash and cash equivalents, trade and other receivables, trade and other payables and due from/to related parties approximate their value due to the relatively short-term maturity of these financial instruments.
- *Investment in Proprietary Club Shares*. Market values have been used to determine the fair value of listed proprietary club shares.
- *Noncurrent Receivable (included in "Other Noncurrent Assets") and Other Noncurrent Liability*. The fair values of the noncurrent receivable and noncurrent liability are based on the net present value of cash flows using the prevailing market rate of interest. As of June 30, 2021 and December 31, 2020, the carrying values of the noncurrent receivable and noncurrent liability approximate their fair values.
- *Customers' Deposits*. The fair value of customers' deposits approximates the carrying value as (1) bill deposits earn interest at the prevailing market interest rate in accordance with regulatory guidelines and (2) the timing and related amounts of future cash flows relating to material deposits cannot be reasonably and reliably estimated for purposes of establishing their fair values using an alternative valuation technique.

As of June 30, 2021 and December 31, 2020, the Group considers its investment in proprietary club shares measured and carried at fair values of ₱7.4 million under Level 1 classification, respectively. The Group also considers its noncurrent receivable amounting to ₱90.8 million and ₱109.2 million as of June 30, 2021 and December 31, 2020, respectively, noncurrent liability amounting to ₱90.8 million and ₱109.2 million as of June 30, 2021 and December 31, 2020, and customers' deposits amounting to ₱181.7 million and ₱174.7 million as of June 30, 2021 and December 31, 2020, respectively, under the Level 3 classification.

During the reporting period ended June 30, 2021, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

12. Existence of Material Contingencies and any Other Events or Transactions that are Material to an Understanding of the Current Interim Period.

Except as already discussed in the Management's Discussion and Analysis of Financial Conditions and Results of Operations as well as in the schedules and disclosures set forth in this Selected Notes to Interim Consolidated Financial Statements, there are no other material contingencies and any other events or transactions that are material to an understanding of the current interim period.

CERTIFICATION

I, **MISHELLE ANNE R. RUBIO-AGUINALDO**, duly elected and qualified Assistant Corporate Secretary of SPC Power Corporation with SEC registration number AS094-002365 and principal office at the 7/F Cebu Holdings Center, Archbishop Reyes Avenue, Cebu Business Park, Cebu City, state that:

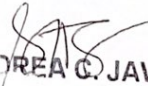
- 1) On behalf of SPC Power Corporation, I have caused SEC Form 17-Q (Quarterly Report) report to be prepared;
- 2) I read and understood its contents which are true and correct of my own personal knowledge and/or based on true records;
- 3) SPC Power Corporation will comply with the requirements set forth in SEC Notice dated June 24, 2020 for a complete and official submission of reports and/or documents through electronic mail; and
- 4) I am fully aware that documents filed online which requires pre-evaluation and/or processing fee shall be considered complete and officially received only upon payment of the filing fee.

IN WITNESS WHEREOF, I have hereunto set my hand this 16th day of August 2021.


MISHELLE ANNE R. RUBIO-AGUINALDO

Affiant

SUBSCRIBED AND SWORN TO before me this 16th day of August 2021, at Makati City, Philippines by the affiant who exhibited to me her Philippine Non-Professional Driver's License No. N26-001204 valid until February 2023.


GEMMA ANDREA C. JAVIER

Commission No. M-308 (2020-2021)
Notary Public for Makati City until December 31, 2021
2nd Floor, S&L Bldg. Dela Rosa cor. Esteban Streets,
Legaspi Village, Makati City
Roll No. 65586
PTR No. 8530449/01.04.2021/Makati City
IBP Lifetime No. 015265/06.22.2016/PPLM
MCLE Comp No. VI-0015345/11/28/18

DOC. NO. 80 ;
PAGE NO. 17 ;
BOOK NO. 11 ;
SERIES OF 2021.