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**Premiere Island Power REIT Corporation**

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(Company's Full Name)

**4th Floor Starmall IT Hub, CV Starr, Philamlife, Pamplona Dos, Las Piñas City 1747**

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(Company Address)

**+63(2) 8734 5732 / +63(2) 8775 8072**

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(Telephone Number)

**December 31, 2022**

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(Year Ending)

**Annual Report- SEC Form 17-A**

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(Form Type)

**N/A**

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(Amendments – if applicable)

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14. Briefly describe documents incorporated by reference and identify the part of the SEC Form 17-A into which the document is incorporated:  
**2022 Audited Financial Statements (incorporated as reference for Items 6, 7 and 12 of SEC Form 17-A)**

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## PART I – GENERAL INFORMATION

### Item 1. Business

#### Background of Business

Premiere Island Power REIT Corporation (the **Company** or **PREIT**) was registered with the Securities and Exchange Commission (**SEC**) on 4 March 2022, originally under the name Premier Island Holding Corporation, primarily to engage in investment activities as an investment holding company. On 9 November 2022, the SEC approved in the change of name of the Company to its current name and the change in its primary purpose to that of a real investment trust company. PREIT is a real estate investment trust (**REIT**) incorporated under the Philippine Real Estate Investment Trust Law (Republic Act No. 9856) listed with the Philippine Stock Exchange (**PSE**) on 15 December 2022. As of 31 December 2022, gross leasable area (**GLA**) of the property portfolio totaled to 30,666 sq. m.

PREIT has an authorized capital stock of ₱7,500,000,000.00 divided into 7,500,000,000 common shares with a par value of ₱1.00 per share. As of 31 December 2022, 3,288,669,000 common shares of the Company are issued and outstanding.

PREIT is envisioned to be the power and infrastructure REIT platform of the PAVI Group, consisting of Prime Asset Ventures, Inc. (**PAVI**) and its subsidiaries, including S.I P0wer Corporation and Camotes Island Power Generation Corporation (the **Sponsors**), and aims to be among the leading power and infrastructure REITs in the Philippines in terms of portfolio, profitability, growth, sustainability, and dividend yield.

The principal investment mandate and strategy of the Company is to invest on a long-term basis in critical real estate and infrastructure that will not only expand its portfolio but will also enable the Company to attain its objective of meaningfully contributing to the promotion of clean, renewable and sustainable energy, as well as continue its progress on expanding social and missionary electrification.

#### Sponsors

S.I P0wer Corporation (**SIPCOR**) and Camotes Island Power Generation Corporation (**CAMPCOR**), sponsors of the REIT, are corporations organized under the laws of the Philippines.

SIPCOR was incorporated in the Philippines and registered with the SEC in September 2011. Its primary purpose is to buy, acquire, lease, construct, maintain, and operate plants, work systems, poles, pole wire, conduit, ducts and subway for the production, supply, distribution and sale of electricity for light and power and any other use to which electricity may be applied. Its power plant facilities currently have an aggregate installed capacity of 12,870 kW for the Candanay Sur grid and the Lazi grid in Siquijor. SIPCOR is a wholly-owned subsidiary of PAVI.

CAMPCOR was incorporated in the Philippines and registered with the SEC in September 2019. Its primary purpose is to buy, acquire, lease, construct, maintain, and operate plants, work systems, poles, pole wire, conduit, ducts and subway for the production, supply, distribution and sale of electricity for light and power and any other use to which electricity may be applied. Its first power plant facilities have an aggregate installed capacity of 6,984 kW for the Camotes main grid, and

1,280 kW for the Pilar grid, both in the province of Cebu. CAMPCOR is the sole power provider for Pilar Island and Camotes Island.

The Sponsors of the Company are constantly monitoring opportunities for the acquisition via purchase or long-term lease of lands and other areas that may further be utilized for the development, construction, operation, and maintenance of power generation facilities and which will eventually form part of the income generating real estate portfolio of the Company. The Company believes that its shareholders and affiliates' land bank and their array of expansion projects currently in the development pipeline provide meaningful and realizable opportunities for strategic growth and expansion, and give strong investors strong indications of further revenue growth in the near future.

#### Fund Manager

PREIT's fund manager is VFund Management, Inc. (formerly Communities Palawan, Inc.) (**VFund** or the **Fund Manager**). It was incorporated on 8 November 2011 with the primary purpose of engaging in the business of a real estate dealer and all alike undertakings. The Fund Manager has an 11-year track record in the development of real estate industry. The Fund Manager is a wholly-owned subsidiary of Communities Philippines, Inc. which in turn is a wholly-owned subsidiary of Vista Land & Lifescapes, Inc.

The Fund Manager's main responsibility is to manage the Company's assets and liabilities for the benefit of our Shareholders, with a focus on investment yields and profitability margins. Currently, the Fund Manager has the President, CFO and its Chief Audit Executive as its full time employees, each of whom have track records and experience in financial management and real estate industry of at least 10 years prior to joining the Fund Manager.

Under the Fund Management Agreement, the Fund Manager will receive an annual fund management fee equivalent to 0.5% of the Company's Rental Income less straight-line adjustments, exclusive of value added taxes.

In addition, the Fund Manager shall be entitled to receive from the Company an acquisition fee equivalent to 0.5% of the acquisition price, for every acquisition, exclusive of value-added taxes. The Fund Manager shall likewise be entitled to receive a divestment fee of 0.5% of the sales price for every property divested, exclusive of value-added taxes.

#### Property Manager

PREIT's Property Manager is VProperty Management, Inc. (formerly LET Ventures, Inc.) (**VProperty** or the **Property Manager**), which was incorporated on 6 August 2019. Its primary purpose is to engage in the business of providing property management, lease management, marketing, and project management and such other duties and functions necessary and incidental to property management. The Property Manager is a wholly-owned subsidiary of Vista Residences, Inc., which in turn is a wholly-owned subsidiary of Vista Land & Lifescapes, Inc.

As of 31 December 2022, the directors and executive officers of the Property Manager have over 18 years of accumulated experience in commercial real estate operations, leasing, and property management.

Under the Property Management Agreement, the Property Manager will receive an annual management fee equivalent to 1.5% of the Company's Annual Rental Income less straight-line adjustments, exclusive of value added taxes, provided that the total of such fee (the "Property Management Fee") and the Fund Management Fee shall not exceed 1.0% of the Net Asset Value of the properties being managed, as provided under the rules of the REIT Law.

### Competition

The Company's and its Lessees' main competition in the Philippine electricity market are coal, oil and natural gas electricity generators as well as other renewable energy suppliers who use hydro, wind, geothermal and solar PV technologies. The market price of commodities, such as natural gas and coal, are important drivers of energy pricing and competition in most energy markets, including in the Philippines.

In respect of the renewable energy power industry, the Lessees' main competitors are WEnergy, One Renewable, Petroenergy Resources Corporation, Solar Para Sa Bayan, InFunde Development, and Pilipinas Shell Foundation.

In respect of other REITs with a similar portfolio, the Company's main competitor is Citicore Energy REIT Corp.

### Transactions With and/or Dependence on Related Parties

In the ordinary course of the Company's business, it engages in a variety of transactions with related parties. Pursuant to the REIT Law, the Company's related parties include the Sponsors, the Fund Manager, and the Property Manager.

The Company's related party transaction policy ensures that these transactions are entered into on terms, which are not more favorable to the related party than those generally available to third parties dealing on an arm's length basis, and are not detrimental to unrelated shareholders. All related party transactions shall be reviewed by the appropriate approving body, as determined by the Board, to ensure that the Company's resources are not misappropriated or misapplied. (For more information, see Audited Financial Statements, Note 15).

### Risks Associated with the Company's Business

*PREIT's business and prospects are heavily dependent on the performance of the Philippine economy and the Philippine real estate market. Any downturn in the general economic conditions in the Philippines or the Philippine real estate market could have a material adverse impact on PREIT.*

The Properties are all located in the Philippines, particularly in Siquijor and Cebu. Any downturn in the general economic conditions in the Philippines, in general, or the Philippine real estate market, in particular, could have a material adverse impact on the Company.

Factors that have historically adversely affected and that may adversely affect the Philippine economy or the real estate market include the following:

- decreases in business, industrial, manufacturing or financial activity in the Philippines or in the global market;



- decreases in the amount of remittances received from overseas Filipinos, including OFWs and Filipino expatriates;
- decreases in or changes in consumption habits in the Philippines;
- general demand and supply of properties in the Philippines;
- decreases in property values;
- scarcity of credit or other financing, resulting in lower demand for products and services provided by companies in the Philippines or in the global market;
- the sovereign credit ratings of the Philippines;
- exchange rate fluctuations;
- a prolonged period of inflation or increase in interest rates;
- changes in the Government's taxation policies;
- natural disasters, including typhoons, earthquakes, fires, floods and similar events;
- political instability, terrorism or military conflict in the Philippines, other countries in the region or globally; and
- other regulatory, political, social or economic developments in or affecting the Philippines.

The Company believes this risk can be managed through the Company's strengths and strategies to ensure competitiveness in the market. However, there is no assurance that the Company can provide an effective mitigation to such risk.

*The Company's and its lessees' businesses are exposed to the risks inherent in the Philippines energy market.*

The Company's business comprises the leasing or subleasing of the Properties to the Sponsors who operate power plants on such properties. As such, the Company's prospects and results of operations are highly dependent on the success of the Philippine energy market as a whole.

There can be no assurance that the Philippine energy market will stabilize or continue to expand. Reduced levels of economic growth, adverse changes in the country's political or security conditions, or weaker performance of or slowdown in industrial activities may adversely affect the demand for, and price of, energy generated by the Company's and its lessees' power plants. In particular, the global economic downturn resulting from the COVID-19 pandemic has resulted in an economic slowdown and negative business sentiment, which may continue to affect the outlook on the Philippine energy market, which could materially and adversely affect our results of operations. Moreover, the Company cannot foresee when the disruptions to industrial or business activities caused by the outbreak of COVID-19 will cease.

The Company's lessees, as power plant operators, are subject to risks inherent in the power generation industry, and there is no assurance the lessees will continue to be able to support such guaranteed payments in the future. The Company believes it is able to manage these risks through its land lease rental rates for its Properties that are largely composed of guaranteed base lease which is independent of the operating performance of the relevant lessee's power plants. In addition, in line with its principal investment mandate and strategy, the Company aims to be one of the key players in the renewable energy industry. As such, the Company believes that the "first or must" dispatch of renewable energy over conventional energy sources such as coal or diesel, and other Government initiatives to promote and encourage the growth of renewable energy industry in the Philippines help manage the risk of a downturn in demand for energy in the Philippines. Furthermore, the Company and the Fund Manager take a prudent approach to financial management, which includes closely monitoring the Company's capital and cash positions and maintaining discipline in the Company's capital commitments.

*The Government may amend, revoke, reduce or eliminate subsidies and economic incentives for renewable energy and National Power Corporation – Small Power Utilities Group, which could impact the profitability of the power plants of the Company’s Lessees located on the Leased Properties or the Properties to be Acquired.*

Because the Properties and properties to be acquired focus on energy generating projects, the Company’s future profitability depends on the support of the Government for the renewable energy sector, including the Government’s ability to increase FIT rates and expand the FIT system to new renewable energy projects. Under Republic Act 9513 or the Renewable Energy Act of 2008, the National Renewable Energy Board (**NREB**) is mandated to formulate and promulgate feed-in tariff system rules, which cover, among others, the following:

- Priority connections to the grid for electricity generated from emerging renewable energy resources within the Philippines
- Priority purchase and transmission of, and payment for, such electricity by the grid system operators
- Determine fixed tariff to be paid to qualified renewable energy

The revocation, reduction, modification or elimination of government mandates and economic incentives could materially and adversely affect the growth of the renewable energy industry or result in increased price competition, either of which could cause the Company’s revenues to decline and materially and adversely affect the Company’s results of operations.

While the Company believes that renewable power projects may continue to offer attractive internal rates of return, any changes that reduce or eliminate subsidies may cause a decrease in demand and considerable downward pressure on market prices and the value of the Company’s and its lessees’ power plants and the Company’s Properties. The Company believes that it is able to manage the foregoing risks as the development of new renewable energy technologies has and will continue to result in higher capacity factor and lower capital expenditure for the development of renewable energy power projects, and will reduce the importance of Government incentives and subsidies in making renewable energy power projects attractive and viable investments in the future. However, there is no assurance that such technologies will continue to be developed, or that the Company or its lessees will be able to take advantage of such technologies in the future without having to incur significant capital expenditure or at all. The Company also believes that any action by the Government to revoke any incentives will require a significant shift in policy, involving both executive and legislative branches of the Government, and extensive discussions with stakeholders in the renewable energy industry and the financial sector.

*The Company operates in a highly competitive REIT market, and any inability to effectively compete could limit the Company’s ability to maintain or increase its market share and maintain or increase profitability.*

The Company operates as a real estate investment trust, holding assets that operate in the power generation industry. PREIT’s future growth and development are dependent, in large part, on the availability of land and other assets suitable for acquisition, development, or lease. It may become more difficult to find suitable properties in locations and at prices acceptable to the Company. To the extent that the Company is unable to grow its portfolio at acceptable prices, its growth prospects could be limited and its business and results of operations could be adversely affected.

Competition from other real estate developers and real estate service companies may also adversely affect the Company’s ability to grow its portfolio. In addition, continued development by other market participants could result in the saturation of the market.

The Company believes this risk can be managed through the Company's strengths and strategies to ensure competitiveness in the market. However, there is no assurance that the Company can provide an effective mitigation to such risk.

*Certain portions of the land underlying the SIPCOR Properties are not owned by the Company, and titles or interests over such land leased by the Company may be contested by third parties.*

Certain portions of the land underlying the SIPCOR Properties are leased by the Company from NPC. This arrangement exposes the Company to risks over the ownership of these lands and rights derived from such ownership. If the Company's operations are affected by any issues regarding such lands, the Company could be in breach of its lease agreements with its lessees and may have to settle reparations with the affected parties. The Company's entitlement to rental payments may also be materially and adversely affected. Any of the foregoing circumstances could have a material adverse effect on the Company's business, financial condition and results of operations.

If the land lease agreements of the Company are amended, terminated or cancelled, including as a result of any of market-standard events of default included in such agreements, the Company and its lessees could face a substantial disruption to their operations and such circumstances would have a material adverse effect on the Company's business, financial condition and results of operations, including on the Company's ability to make distributions. Similarly, the non-renewal of the lease agreements upon expiration thereof may have a material adverse effect on the Company's business, financial condition and results of operations.

To manage these risks, the Company intends to register its leases with the relevant land registries in the Philippines to protect its rights against third parties. The Company believes it is also able to manage this risk through contractual remedies and safeguards in its contracts, which generally includes a prohibition on the NPC (as lessor) from assigning the lease without the consent of the Company (as lessee), and also includes the explicit consent of NPC to the registration of the lease. The Company has complied with its obligations under the land lease agreements and has not caused any event of default. The Company and the Property Manager shall also continue to actively monitor the Company's compliance with its obligations under the Company's land lease agreements to ensure that the Company does not trigger an event of default which could lead to the termination of such land lease agreements.

The Company shall likewise ensure that the term of the lease agreements shall coincide with the term of the PSAs of SIPCOR. At this time, SIPCOR has two PSAs (SIPCOR PSA 1, and SIPCOR PSA 2) and two lease agreements with NPC. Both lease agreements will expire in 2035, while one of the PSAs (SIPCOR PSA 2) has an end-term of 2040. To ensure that the terms of the lease with NPC shall cover until the end of the term of both SIPCOR PSAs, the Company has submitted a letter to NPC requesting for extension of the lease agreements to have an end-term of 2040, which is the same validity period of SIPCOR PSA 2. The Company intends to pursue further discussions with NPC regarding such proposed extension of the term of lease agreements.

There is a pending civil case between NPC and third-party claimants with respect to certain portion of the land underlying the SIPCOR Properties leased by the Company from NPC.

Currently, there is a pending civil case between NPC and third-party claimants over a portion of the Siquijor Diesel Power Plant Land which NPC is leasing to the Company located in Candanay Sur, Siquijor, Siquijor, with an area of 2,427 sq.m.

The Company was advised by the NPC that the parties are undergoing mediation proceedings with respect to such civil case. Nonetheless, PREIT has been advised by the NPC that it is actively pursuing its claims on the property and is intent on preserving and protecting its ownership of the relevant affected portion of the land. The NPC also believes that there is no merit to the claim as all payments for the ownership of the land have been made by the NPC to the third-party claimant. For more information on this claim, please refer to the discussion under “Legal Proceedings”.

In the event that an adverse decision is rendered against NPC which will result in the eviction of the Company from the affected portion of the land, the Company and SIPCOR believe that occupation by the third-party claimant of the relevant portion of the project site will not materially affect SIPCOR’s ability to continue its power generation operations nor its results of operations. In such scenario, SIPCOR has contingency plans for the relocation of the relevant generation facilities located within the affected areas under litigation, to another portion of the land which is not subject to litigation or third-party claims. Such generation facilities and plant assets can be easily transferred to other areas of the property which are not covered by the third-party claim, considering that such assets are not permanently affixed to the 2,427 sq. m plot of land.

Should there be such interruption in business caused by the relocation of the equipment from the affected area, it will likely be for approximately one to two months only. Furthermore, any anticipated loss in generation capacity during the relocation period may be minimized through temporary lease generation facilities from third-parties. The Company may also lease or purchase the affected property from the third-party claimant.

*The Properties are subject to the risk of losing revenue in the event they are rendered inoperable for an indefinite time period due to force majeure events, and the Property Manager and the Lessees may be required to undertake significant repair and replacement works.*

If any of the power plants comprising the Properties are rendered inoperable due to force majeure events, there can be no assurance that the Lessees will be able to successfully achieve the projected net electricity generation values, which could materially affect the Company’s and its Lessees’ business prospects, financial condition, results of operations and cash flow. The Company’s revenues and its Lessees’ net operating revenue will also be affected, which could materially and adversely affect the amount of Distributable Income available to the Company for distribution to its Shareholders.

To manage these risks, the Lessees, who are responsible for securing the relevant insurance policies and undertaking any repair or maintenance works on the Properties leased from the Company, maintain comprehensive insurance policies that cover business interruption. However, there can be no assurance that the Lessees’ insurance policies will cover repair and replacement costs, whether partially or fully, which could materially affect the Company’s or its Lessees’ business, prospects, financial condition, results of operations and cash flows.

*The Company’s power plant assets are subject to the risk of losing revenue in the event they are rendered inoperable for an indefinite time period due to force majeure events, and the Company and the Lessees may be required to undertake significant repair and replacement works.*

The operations of the power plants located on the Company’s Leased Properties are subject to a number of risks generally associated with the generation of electricity. These risks could include typhoons, fires, earthquakes and other natural disasters and calamities, breakdowns, failures or substandard performance of equipment, improper installation or operation of equipment, accidents, acts of terrorism, operational and logistical issues, and labor disturbances.

These events may cause personal injury and loss of life and damage to, or the destruction of, property and equipment of the power plants located on the Company's Leased Properties and may result in the limitation or interruption of the Company's and its lessees' business operations and the imposition of civil or criminal liabilities.

If any of the Company's power plant assets are rendered inoperable due to force majeure events, such as damage caused by weather conditions, there can be no assurance that the Lessees will be able to successfully achieve the projected net electricity generation values, which could materially affect the Company's and its Lessees' business prospects, financial condition, results of operations and cash flow. The Company's revenues and its Lessees' net operating revenue will also be affected, which could materially and adversely affect the amount of Distributable Income available to the Company for distribution to its Shareholders.

To manage these risks, the Company and its Lessees maintain comprehensive insurance policies that cover business interruption. The insurance policies also insure against, but not limited to "all risks" of sudden and accidental physical loss or damage to real or personal properties or to the insured properties and interests of every kind and description used for in connection with the ownership, maintenance and operation of the relevant Properties from whatever cause not specifically excluded in the policy. Pursuant to the REIT Regulations, each Property is covered up to the market replacement value and at the time of the loss, with such value to be determined at the time of loss (according to a formula prescribed under the relevant insurance coverage) and loss of rental.

However, there can be no assurance that the Company's or its Lessees' insurance policies will cover repair and replacement costs, whether partially or fully, which could materially affect the Company's or its Lessees' business, prospects, financial condition, results of operations and cash flows.

*Certain portions of the land underlying the SIPCOR Properties are not owned by the Company, and certain portions of such land do not have registered title named under the party from whom the Company leases the same.*

The lease agreements between the Company as lessee and National Power Corporation (**NPC**) as lessor, cover parcels of land (with an aggregate area of 9,478 sq.m.) that form part of the properties subleased to SIPCOR. However, such parcels of land that the Company subleases to SIPCOR has no registered title in the name NPC. The Company recognizes that NPC has no registered title in its name over such leased area.

Under Philippine Law, a land title issued by the Register of Deeds shall be deemed as conclusive ownership over a piece of land against the whole world. Given that the NPC does not have registered title over the land it is currently leasing to the Company, which is, in turn, subleased to SIPCOR, the Company runs the risk of the plot of land being subject to any conflicting claim or ownership dispute, should another person claim that he or she owns the land.

To manage these risks, the Company will continue to monitor the NPC's efforts in perfecting its ownership through registration with the Registration of Deeds of the property during the term of the agreement. The Company believes it is also able to manage this risk through contractual remedies and safeguards in its contracts, which includes NPC's warranty that it has been in exclusive and peaceful possession over the same from the time of its acquisition.

## Significant Transactions During 2022

### *Increase in Authorized Capital Stock*

At the duly constituted meeting of the Board of Directors of the Company held on March 9, 2022, the increase in the authorized capital stock of the Company to ₱7,500,000,000.00, divided into 7,500,000,000 common shares, with a par value of ₱1.00, was approved by the affirmative vote of at least a majority of the members of the Board of Directors.

The aforementioned increase in the authorized capital stock of the Company was approved by the affirmative vote of stockholders owning or representing at least two-thirds (2/3) of the outstanding capital stock of the Company at a meeting held on the same date at the same venue. On 31 May 2022, the SEC approved the increase in authorized capital stock.

### *Execution of Deed of Assignment and Subscription*

Out of the increase in the authorized capital stock of the Company, 3,288,664,000 common shares have been subscribed at an aggregate subscription price of ₱8,221,660,000.00, and the Sponsors, as subscribers, have paid their respective subscriptions in full by way of transfer of the Properties (consisting of real and personal properties and certain real rights). On 31 May 2022, the Company and Sponsors executed a deed of assignment whereas the Sponsors cede, assign and transfer to the Company, in a manner absolute and irrevocable, the parcels of land located in Candanay, Siquijor, Lazi, Siquijor, Poro, Cebu and Pilar, Cebu, including the buildings located in the said parcels of land, to the REIT, in consideration for the issuance of REIT's shares. The property-for share swap transaction, forming part of the capital increase of the REIT, was also approved by the SEC on May 31, 2022. The requisite Certificates Authorizing Registration (**CARs**) authorizing the transfer of legal title to the Properties from the Sponsors to the Company were issued on September 2, 2022. The parcels of land include the land owned by the NPC to which the lease right was also assigned to the REIT as approved by the NPC. The lease has an original term of 20 years with renewal option, subject to mutual agreement of both parties, and an escalation rate of 20% every five years. By virtue of the Property-for-Share Swap, the Sponsors acquired further control of the Company, through an aggregate ownership interest of 100% of the total issued and outstanding capital stock of the Company.

### *Cash Dividend Declaration*

On 11 July 2022, the BOD approved the declaration of cash dividends amounting to ₱2.0 million from its unrestricted retained earnings payable to stockholders of record as of 11 July 2022. The dividends were paid on 29 August 2022.

### *Initial Public Offering Through Secondary Offer of Shares*

On 15 December 2022, the Company successfully completed its ₱2.4 billion initial public offering (**IPO**) through secondary sale of shares held by its Sponsors, debuting with an initial portfolio of eight properties with a total gross leasable area of 30,666 square meters.

## **Item 2. Properties**

The Company's principal investment strategy is to invest in income-generating real estate. A core tenet of the Company's investment policy is to invest in properties that meet a select set of criteria

designed to provide a competitive investment return to investors once said properties are in operation.

To meet the Company's investment criteria, a potential property should:

- be capable of being efficiently utilized for renewable energy, including whether that property meets specific technical considerations such as proximity to existing connection assets or other related infrastructure;
- may be utilized for hybrid power generation facilities consisting of (i) renewable energy, and (ii) either (a) energy storage systems, (b) baseload power generation facilities, or (c) both;
- to the extent the property may best be utilized for social or missionary electrification, may be located in underdeveloped or missionary areas where the Company, the Sponsors, and/or the companies under the PAVI Group have completed and validated the availability and reliability of renewable energy resources, and such areas have the potential to drive long-term sustainable growth; and
- serve as an effective site for potential power generation lessees who are or will be well-placed to secure long-term offtake agreements with local electric cooperatives or distribution utilities in the absence of national-level electricity procurement programs such as the Feed-in Tariff (FIT), the Green Energy Auction Program (GEAP), or such successor programs headed or managed by the Department of Energy.

As of 31 December 2022, the property portfolio of the Company consists of land and power plant assets utilized in the power generation projects of the Sponsors.

The properties used in the operation of the 12.8 Megawatt (MW) heavy fuel oil (HFO)-fired power plants of SIPCOR located in Candanay Sur and Lazi, Siquijor (**SIPCOR Power Plants**) consist of (a) power plants assets such as HFO diesel generator sets and perimeter fence; (b) building that houses physical structures such as an administrative office, control room, warehouse, guard house, staff house, material recovery facility, work shop, firefighting shed, fuel tank farm, and fuel pump station; and (c) parcels of land (including the 3,000 sq.m. parcel of land located in Lazi, Siquijor, which is owned by the Company, and leasehold rights to 9,478 sq.m. parcel of land located in Candanay Sur, Siquijor) where the SIPCOR Power Plants are located (collectively, the **SIPCOR Properties**). GLA of each property are summarized in the following table.

SIPCOR Properties	GLA
Land – Candanay, Siquijor	9,478 sq.m.
Land – Lazi, Siquijor	3,000 sq.m
Building - Candanay, Siquijor	353.2 sq.m.
Powerplant Assets – Candanay Siquijor	607 sq.m

The properties used in the operation of the 8.4 Mw power plants of CAMPCOR located in Poro and Pilar, Camotes Island, Cebu (**CAMPCOR Power Plants**), consist of (a) buildings or powerhouse stations that house physical structures such as water treatment unit, staff house, radiator unit, fire pump house, guard house, oil-water separator, material recovery facility, reverse osmosis house, transformer house, warehouse, and administrative office; and (b) 16,406.5 sq.m. parcels of land owned by the Company where such buildings are located (collectively, the **CAMPCOR Properties**, and together with the SIPCOR Properties, the **Properties**). GLA of each property are summarized in the following table.

CAMPCOR Properties	GLA
Land - Camotes, Cebu	8,468 sq.m.

Land – Pilar, Cebu	7,938.5 sq.m.
Building – Camotes, Cebu	577.3 sq.m.
Building – Pilar, Cebu	244 sq.m

All the Properties are leased to the Sponsors and are being used by the latter to operate the SIPCOR Power Plants and the CAMPCOR Power Plants, with a total combined installed capacity of 21.2 MW.

As of 31 December 2022, all of the Properties registered occupancy rate is 100%.

PREIT continuously seeks opportunities to acquire properties in prime locations through purchase or otherwise to increase its leasable assets.

**Item 3. Legal Proceedings**

As of date of this Annual Report, there is no pending or threatened litigation involving the Company or any of its Properties which would have a material adverse effect on the business or financial position of the Company or any of its subsidiaries, or any of its or their properties.

**Item 4. Submission of Matters to a Vote of Security Holders**

No matter was submitted during the in 2022 to a vote of security holders.



## PART II – OPERATIONAL AND FINANCIAL INFORMATION

### Item 5. Market Information

PREIT's common shares are traded on PSE under the symbol PREIT. The shares were listed on 15 December 2022.

The following table sets out, for the periods indicated, the high and low sales price for the Company's common shares as reported on the PSE on the listing date and the last day of trading for 2022:

2022	15 December	28 December
High	1.60	1.60
Low	1.37	1.53
Closing	1.60	1.60

Market price of the shares as of 31 December 2022 was ₱1.60 per share. Based on the closing price, market capitalization was approximately ₱5.3 billion.

### Holders

As of 31 December 2022, the Company's total common shares issued and outstanding is 3,288,669,000 held by 11 shareholders of record. The following table sets forth the shareholders of the Company as of 31 December 2022.

Rank	Name	Holdings	Percentage of Ownership
1	PCD Nominee Corporation – Filipino	1,608,234,000	48.90%
2	S.I. Power Corporation	844,703,861	25.69%
3	Camotes Island Power Generation Corporation	833,960,132	25.36%
4	PCD Nominee Corporation - Non Filipino	1,771,000	00.05%
5	Cynthia J. Javarez	1	00.00%
6	Garth F. Castaneda	1	00.00%
7	Jose Rommel C. Orillaza	1	00.00%
8	Leonardo A. Singson	1	00.00%
9	Manuel Paolo A. Villar	1	00.00%
10	Maria Isabel J. Rodriguez	1	00.00%
11	Timothy Joseph M. Mendoza	1	00.00%
	Total	3,288,669,000	100.00%
	Shares Owned by Foreigners	1,771,000	00.05%

## **Dividend Policy**

The Company has adopted a dividend policy in accordance with the provisions of the REIT Law which requires a REIT to distribute annually a total of at least 90% of its distributable net income as adjusted for unrealized gains and losses/expenses and impairment losses, and other items in accordance with generally accepted accounting standards (excluding proceeds from the sale of the Company's assets that are reinvested in the Company within one year from the date of the sale) as dividends to its shareholders. Such dividends shall be payable only from the unrestricted retained earnings, and the income distributable as dividends shall be based on the audited financial statements for the most recently completed fiscal year prior to the prescribed distribution.

The Company may declare either cash, property, or stock dividends. However, the declaration of stock dividends must be approved by at least majority of the entire membership of the Company's Board, including the unanimous vote of all its independent Directors, and stockholders representing not less than two-thirds (2/3) of the outstanding capital stock at a regular meeting or special meeting called for that purpose. Any such stock dividend declaration is also subject to the approval of the Securities and Exchange Commission (SEC) within five working days from receipt of the request for approval. If the SEC does not act on said request within such a period, the declaration shall be deemed approved.

The Company intends to declare and pay out dividends on a quarterly basis each year. On 11 July 2022, the BOD approved the declaration of cash dividends amounting to P2.0 million from its unrestricted retained earnings payable to stockholders of record as of 11 July 2022. The dividends were paid on 29 August 2022.

## **Item 6. Management's Discussion and Analysis or Plan of Operations and Financial Condition**

### **Financial Performance for the Period 4 March 2022 to 31 December 2022**

Revenue during the period which amounted to ₱355.2 million solely pertains to income from the lease of properties to the lessees who operate power plants on such leased properties. The amount of revenue recognized was in accordance with the relevant Philippine Financial Reporting Standards (PFRS). Under PFRS 16, the rental income includes the effect of straight-line basis of accounting over the lease term.

Cost of rentals amounted to ₱40.7 million or equivalent to 13.0% of rental income was mainly attributable to depreciation of generation assets which amounted to P30.1 million. Other components of cost of rentals are cost incurred with related parties including property management fee which amounted to ₱4.7 million or 1.5% of rental income and fund management fee which amounted to ₱1.5 million or 1.0% of rental income. Local taxes on rental revenue and cost of insurance on generation assets which amounted to ₱3.1 million and ₱1.3 million, respectively, accounts for the remaining cost of rentals.

Operating expenses amounted to ₱11.5 million for the period or equivalent to 3.2% of rental income. These mainly pertains to professional fees in relation to the initial public offering and administrative fees incurred during the period.

Operating profit for the period amounted ₱303.0 million. Based on appraisal of property, decrease on the value of investment properties amounted to ₱192.0 million. Finance cost on lease liability

during the period amounted to ₱0.3 million while interest on bank deposits amounted to ₱1,202. As a result, PREIT registered a net profit for the period which amounted to ₱139.2 million, after tax benefit which amounted to ₱28.5 million.

Items reported in Other Comprehensive Income pertains to revaluation of property and equipment which amounted to ₱12.7 million. Total comprehensive income for the period is at ₱151.9 million.

## **Financial Position as of 31 December 2022**

### **Assets**

The Company's total assets amounted to ₱8.9 billion. ₱397.6 million or 4.5% of the total assets pertains to current assets and ₱8.5 billion or 95.5% pertains to noncurrent assets.

#### *Cash*

The Company's cash which were mainly generated from financing activities and results of operations amounted to ₱4.6 million.

#### *Trade receivables (including non-current portion)*

The Company's trade receivables (including non-current portion) which amounted to ₱392.4 million pertains to rental income for the period.

#### *Prepayments and other current assets*

The Company's prepayments and other current assets which amounted to ₱0.6 million mainly pertains to Input Value Added Tax (VAT).

#### *Property and equipment – net*

The Company's net property and equipment amounted to ₱897.6 million. Movement to property and equipment pertain to depreciation for the period and revaluation increase.

#### *Investment properties*

The Company's investment properties, which comprise of lands (including land subject to right-of-use of asset) and buildings leased out to power plant operators, amount to ₱7.6 billion due to fair value adjustment for the period.

#### *Deferred tax assets*

The Company's deferred tax asset which amounted to ₱32.4 million mainly pertains to the tax effect of unrealized fair value loss on investment properties, impact of straight-line recognition of rental income, and revaluation surplus on property and equipment.

## Liabilities

The Company's total liabilities amounted to ₱131.0 million. ₱124.6 million or 95.1% of the total liabilities pertains to current liabilities and ₱6.5 billion or 4.9% pertains to noncurrent liability.

### *Trade and other payables*

The Company's trade and other payable amounted to ₱59.7 million mainly pertains to deferred output VAT on rental income, accrual of administrative expenses, and mandatory deductions to be remitted to the government.

### *Lease liability (including non-current portion)*

The Company's lease liability – including non-current portion amounted to ₱6.7 million. Movements to the account were due to amortization and repayments during the period 4 March 2022 to 31 December 2022.

### *Equity*

The Company's Equity stands at ₱8.8 billion.

For the period ended 31 May 2022, there were no seasonal aspects that had a material effect on the financial condition or results of operations of the Company. Neither were there any trends, events or uncertainties that have had or that are reasonably expected to have a material impact on net sales or revenues or income from continuing operations, except for the recovery as a result of the opening up of the economy. The Company is not aware of events that will cause a material change in the relationship between costs and revenues.

There are no significant elements of income or loss that did not arise from the Company's continuing operations.

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

There are no material commitments for capital expenditures.

## Key Financial Ratios

PREIT's key financial ratio as of 31 December 2022 are as follows.

	Key Ratio
Earnings per share	0.06
Current ratio	3.19
Debt to Equity	0.01
Return on Asset	0.0156
Return on Equity	0.0159

The key ratios provide directors and management with a measure on liquidity (Current Ratio), financial strength (Debt to Equity) and profitability (Earnings per Share, Return on Asset and Return on Equity).

## **External Audit Fees and Services**

Engagement fees for the services rendered by the Company's external audit, Punongbayan & Araullo, of the financial statements as of 31 December 2022 and for the period 4 March 2022 to 31 December 2022 amounted to ₱350,000.00. In 2022, engagement fees for interim audit conducted by Punongbayan & Araullo preparation of the initial public offering amounted to ₱690,000.00.

The Board of Directors, after consultation with the Audit Committee, recommends to the stockholders the engagement of the external auditors of the Company. The selection of external auditors is made on the basis of credibility, professional reputation, accreditation with the Philippine Securities and Exchange Commission, and affiliation with a reputable foreign partner. The professional fees of the external auditors of the Company are approved by the Company's Audit Committee after approval by the stockholders of the engagement and prior to the commencement of each audit season.

### **Item 7. Financial Statements**

Financial Statements meeting the requirements of SRC Rule 68, as amended, are attached hereto as Exhibit 1 and incorporated herein by reference.

### **Item 8. Changes In and Disagreements with Accountants on Accounting and Financial Disclosure**

There are no disagreements with the auditors on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure, which, if not resolved to their satisfaction, would have caused the auditors to reference thereto in their reports on the financial statements of the Company.

## PART III – CONTROL AND COMPENSATION INFORMATION

### Item 9. Board of Directors and Executive Officers

As of 31 December 2022 and date of this Annual Report, there are seven members of the Company’s Board of Directors, three of whom are independent directors. As provided by Revised SRC Rule 38, an independent director is a person who, apart from his fees and shareholdings, is independent of management and free from any business or other relationship which could, or could reasonably be perceived to, materially interfere with his exercise of independent judgment in carrying out his responsibilities as director.

The following are the names, ages, citizenship of the incumbent members of the Board of Directors and executive officers of the Company:

Name	Age	Citizenship	Position
Garth F. Castañeda	42	Filipino	Chairman and Independent Director
Timothy Joseph M. Mendoza	41	Filipino	President, Chief Executive Officer and Director
Cynthia J. Javarez	59	Filipino	Director
Manuel Paolo A. Villar	46	Filipino	Director
Jose Rommel C. Orillaza	55	Filipino	Chief Operating Officer and Director
Leonardo Singson	44	Filipino	Independent Director
Maria Isabel J. Rodriguez	39	Filipino	Independent Director
Maryknoll B. Zamora	51	Filipino	Treasurer and Chief Finance Officer
Robert Marlon T. Pereja	44	Filipino	Business Development Head
Vincent Kitto N. Jacinto	42	Filipino	Investor Relations Officer
Karen G. Empaynado	36	Filipino	Corporate Secretary

Below are summaries of the business experience and credentials of the Directors and the Company’s key executive officers:

**Garth F. Castañeda**, *Independent Director and Chairman*. Atty. Castañeda, graduated from the University of Sto. Tomas with a degree in Bachelor of Science in Accountancy in 2002. He received his Bachelor of Laws from the University of the Philippines in 2006. He is a Certified Public Accountant. In 2014, he worked as a Consultant in the Privatization Management Office in the Department of Finance. He previously worked as an Associate in Puno and Puno Law Offices, an Associate in Sycip Salazar Hernandez Gatmaitan and a Senior Tax Associate in SGV & Co. Atty. Castañeda is currently a Partner in SYMECS Law and acts as counsel for various companies including Metro Pacific Investments Corporation, SN Aboitiz Power Corporation, North Luzon Renewable Energy Corporation, NorthWind Power Development Corporation, Collab Asia Philippines, Inc., among others.

**Timothy Joseph M. Mendoza**, *Director, President and CEO*. Atty. Mendoza, graduated from the Ateneo de Manila University with a degree in Bachelor of Arts Major in Political Science Minor in Hispanic Studies in 2002. He received his Bachelor of Laws from the University of the Philippines in 2006, ranking 9th highest grade overall in the 2006 Bar Examinations. He joined the law firm of Picazo Buyco Tan Fider & Santos in 2006 as a Junior Associate and became a Partner from 2014 to 2017. From 2017 to 2020, he worked as Partner for Quisumbing Torres, a member firm of Baker McKenzie International as the head of the Banking and Finance Practice Group, Financial Institutions Group, FinTech Focus Group, and Restructuring and Insolvency Focus

Group. For the years 2018, 2019 and 2020, Atty. Mendoza was ranked as a Leading Lawyer for Banking and Finance by the Chambers and Partners Asia-Pacific. In 2020, he was also ranked as a Leading Lawyer for Corporate and Finance by the Chambers and Partners Global and a Rising Star for Banking and Financial Services by the AsiaLaw Leading Lawyers. For the years 2018 and 2019, he was cited as one of the Philippines' Top 100 lawyers in the A-List Top 100 Lawyers in the Philippines by the Asian Business Law Journal. Atty. Mendoza concurrently serves as the General Counsel of Prime Asset Ventures, Inc. and Corporate Secretary of its various subsidiaries. He is also a Professional Lecturer at the De La Salle University Tañada-Diokno College of Law and a member of the advisory committee at the Manila Central University.

**Cynthia J. Javarez**, *Director*. Ms. Javarez, graduated from the University of the East with a degree in Bachelor of Science in Business Administration, major in Accounting. She is a Certified Public Accountant. She completed a Management Development Program at the Asian Institute of Management in 2006. Ms. Javarez was previously the Chief Financial Officer of Polar Property Holdings Corp. until 2011 and the Tax & Audit Head in the MB Villar Group of Companies until 2007. She is the current President of Fine Properties, Inc, and Treasurer and Chief Risk Officer of Vista Land & Lifescapes, Inc. Ms. Javarez is also the Chairman of Prime Asset Ventures, Inc., Primewater Infrastructure Corp., Planet Cable, Inc., Streamtech System Technologies, Inc. and Dusit Hospitality Education Philippines, Inc.

**Manuel Paolo A. Villar**, *Director*. Mr. Villar, graduated from the Wharton School of the University of Pennsylvania, Philadelphia, USA with a Bachelor of Science in Economics and Bachelor of Applied Science in 1999. He was an Analyst for McKinsey & Co. in the United States from 1999 to 2001. He joined Vista Land in 2001 as Head of Corporate Planning then became its Chief Financial Officer in 2008. He was elected President and Chief Executive Officer of Vista Land and Lifescapes, Inc. in July 2011 and President of Vistamalls, Inc in June 2019. In addition, he is the CEO and Chairman of St. Augustine Gold and Copper Limited and Chairman of TVI Resources Development Philippines, Inc., Powersource Phils Development Corp. and the Chairman of Vista Land subsidiaries Camella Homes, Inc., Communities Philippines, Inc., Crown Asia Properties, Inc., Brittany Corporation, Vista Residences, Inc. Mr. Villar also is the majority shareholder of Prime Asset Ventures, Inc.

**Jose Rommel C. Orillaza**, *Director and Chief Operating Officer*. Mr. Orillaza, graduated from the Adamson University with a degree in Bachelor of Science in Civil Engineering in 1989. From 2004 to 2011, he was the Chief Technical Officer / Division Head of Casa Regalia, Inc. He previously worked as the Chief Technical Officer of Household Development Corp., Operations Head of Communities Philippines Inc., Technical Head of Crown Asia Properties, Inc. and Operations Head of Southwell Waterworks, Inc. Mr. Orillaza is currently the Operations Head of Kratos Res, Inc., and the Operations Head and President of Camotes Island Power Generation Corporation and S.I. Power Corporation.

**Maryknoll B. Zamora**, *Treasurer and Chief Finance Officer*. Ms. Zamora, graduated from the Polytechnic University of the Philippines with a degree in Bachelor of Accountancy in 1993. She obtained her Master of Business Administration degree from De La Salle University Graduate School of Business in 2001 and her Bachelor of Laws degree from Adamson University – College of Law in 2014. She is a Certified Public Accountant. From 2014 to 2018, she was the Head of Finance of Prime Asset Ventures, Inc. She previously worked as the Controller / Treasury and Investment Head, Corporate Information Officer and Investor Relationship Officer and Accounting and Admin Manager from 1997 to 2006 of Alcorn Gold Resources Corp. (formerly Alcorn Petroleum & Minerals Corp. And Now Cosco Corp.) She was also an Audit Supervisor in Pricewaterhouse Coopers Auditing Firm. Ms. Zamora is currently the Chief Finance Officer and

Treasurer of Prime Asset Ventures, Inc., Primewater Infrastructure Corp., Planet Cable, Inc., Streamtech System Technologies, Kratos Res, Inc., Camotes Island Power Generation Corporation and S.I. Power Corporation.

**Leonardo Singson**, *Independent Director*. Atty. Singson, graduated from the University of the Philippines – Diliman with a degree in Bachelor of Arts in Public Administration in 2002. He received his Bachelor of Laws from the University of the Philippines in 2006. From 2020 to 2021, he worked as Legal Counsel for GNPowder Ltd. Co. He was previously a Partner in Villaraza & Angangco Law where he was connected from March 2008 to 2020. Prior to this, he was a Senior Associate in SGV & Co. Atty. Singson is currently Of Counsel for Betita Cabilao Casuela Sarmiento Law

**Maria Isabel J. Rodriguez**, *Independent Director*. Ms. Rodriguez, graduated from the De La Salle University - Manila with a degree in Bachelor of Science in Accountancy in 2003. She is a Certified Public Accountant. She earned her post graduate certificate in Leadership and Management from the Asian Institute of Management and obtained an Advanced Professional Certificate in Transfer Pricing at the International Bureau of Fiscal Documentation in 2022. She previously worked as the Asia Strategic Business Unit - Tax Director of AES Transpower Pte. Ltd. – ROHQ and as a Tax Director of Sycip Gorres Velayo & Co. Ms. Rodriguez is currently a Credit Committee Member of the CRH USD Finance ZRT., Hong Kong Branch. She is also the current Treasurer of Republic Cement Land & Resources Inc. and a Tax Director at the Republic Cement Services Inc.

**Robert Marlon T. Pereja**, *Business Development Head*. Mr. Pereja, graduated from the De La Salle University with a degree in Bachelor Science in Engineering Management in 2001. He obtained his Master of Business Administration degree from De La Salle University Graduate School of Business in 2001 and a Certificate of Recognition from the Regis University of Denver Colorado in 2013. He previously worked as an Assistant Vice President of Manila Electric Company from 2016 to 2022, the Chief Operating Officer of MSpectrum, Inc. from 2020 to 2022, and an Account Executive of Petron Corporation from 2003 to 2012. Mr. Pereja is currently the Chief Operating Officer of PAVI Green Renewable Energy, Inc.

**Vincent Kitto N. Jacinto**, *Investor Relations Officer*. Mr. Jacinto, graduated from the Ateneo de Manila University with a degree in Bachelor Science in Management in 2002. He obtained his Master of Business Administration degree from Ateneo Graduate School of Business in 2006. He previously worked as a Product Development Officer and Senior Manager of Filinvest Land, Inc. from 2012 to 2015 and a Project Head / Business Development Assistant of Landco Pacific Corporation from 2002 to 2011. Mr. Jacinto is currently the Business Development Head of Prime Asset Ventures, Inc. and Vista Land & Landscapes, Inc.

**Karen G. Empaynado**, *Corporate Secretary*. Atty. Empaynado, graduated from the University of the Philippines - Diliman with a degree in Bachelor of Science in Business Economics in 2009. She received her Juris Doctor from the Ateneo de Manila Law School in 2016. She previously worked as an Associate for Picazo Buyco Tan Fider and Santos Law and as an Assistant Manager in Legal Corporate Banking Group of BDO Unibank, Inc. Atty. Empaynado is currently as an In-House Lawyer for Prime Asset Ventures, Inc.

### Employees

The Company has no significant employees other the senior management.



### Family Relationship

There are no known family relationships between the current members of the Board and key officers.

None of the directors, executive officers or persons nominated to be elected to the Company's Board are related up to the fourth civil degree, either by consanguinity or affinity.

### Involvement in Certain Legal Proceedings

As of date of this Annual Report, the Company has no knowledge and/or information that any of the Company's directors, officers or nominees for election as Directors is, presently or during the last five (5) years, involved in any material legal proceeding which will have any material effect on the Company, its operations, reputation, or financial condition.

## **Item 10. Executive Compensation**

The Company's By-Laws provides directors shall not receive any compensation, as such directors, except for reasonable per diem. Any compensation may be granted to Directors by vote of stockholders representing at least a majority of the outstanding capital stock at a regular or special meeting. In no case shall the total yearly compensation of Directors, as such directors, exceed 10% of the net income before income tax of the Company during the preceding year.

The Company's key officers, namely: Timothy Joseph M. Mendoza, Maryknoll B. Zamora, Karen G. Empaynado, and Robert Marlon T. Pereja, are also serving as officers of PAVI. They do not receive any compensation from the Company. The compensation of these officers is paid by PAVI or the relevant PAVI Group company. There are no other executive officers other than aforementioned individuals.

Independent directors of the Company were entitled to per diem for meetings attended for the year 2022. Details of the compensation for independent directors were as follows:

<b>Independent Directors</b>	<b>2022</b>	<b>2023 (Projected)</b>
Independent Director 1	158,333.33	258,333.35
Independent Director 2 and 3	Aggregate of 300,000.00	Aggregate of 300,000.00

There was no other compensation paid to the directors other than as indicated above. The Company does not pay PAVI or the relevant PAVI group any service fees.

### Standard Arrangements

There have not been, nor will be, any standard arrangements pursuant to which the Board of Directors are compensated, or are to be compensated, directly or indirectly, for any services provided as a director, for the last completed fiscal year and the ensuing year.

Employment Contract between the Company and Senior Management Officers

There are no special employment contracts between the Company and Senior Management.

Outstanding Options

As of 31 December 2022, there are no outstanding warrants or options in connection with the shares of the Company held by any of the directors or executive officers.

**Item 11. Security Ownership Of Certain Beneficial Owners and Management**

Owners of record of more than five percent (5%) of PREIT's shares of stock as of 31 December 2022 are as follows:

Title of Class	Name & Address of Record Owner & Relationship with Issuer	Name of Beneficial Owner & Relationship with Record Owner	Citizenship	Number of Shares Held	Percent (%)
Common	PCD Nominee Corp. (Filipino)  G/F MSE Bldg. Ayala Ave., Makati City  Stockholder	PCD participants acting for themselves or for their customers	Filipino	1,608,234,000	48.90%
Common	S.I. Power Corporation  Worldwide Corporate Center, Shaw Boulevard, Mandaluyong City Stockholder	S.I. Power Corporation	Filipino	844,703,861	25.69%
Common	Camotes Island Power Generation Corporation  8F VistaHub Campus Tower 1 Levi B. Mariano Ave. Brgy Ususan, Taguig NCR  Stockholder	Camotes Island Power Generation Corporation	Filipino	833,960,132	25.36%

PCD Nominee Corporation (Filipino) (**PCD**) is not related to the Company. Among the PCD participants, HDI Securities, Inc owns 1,483,180,000 shares representing 45.1% of the Company's outstanding capital stock.

Security Ownership of Directors as of 31 December 2022

Title of Class	Name of Beneficial Owner	Shares Owned and Nature of Beneficial Ownership	% of Total Outstanding Shares
Common	Garth F. Castañeda	1 (Direct)	0.00%
Common	Timothy Joseph M. Mendoza	1 (Direct)	0.00%
Common	Cynthia J. Javarez	801,001 (Direct)	0.02%
Common	Manuel Paolo A. Villar	1 (Direct)	0.00%
Common	Jose Rommel C. Orillaza	1 (Direct)	0.00%
Common	Leonardo A. Singson	1 (Direct)	0.00%
Common	Maria Isabel J. Rodriguez	1 (Direct)	0.00%

Security Ownership of Management as of 31 December 2022

Title of Class	Name of Beneficial Owner	Shares Owned and Nature of Beneficial Ownership	% of Total Outstanding Shares
Common	Timothy Joseph M. Mendoza	Same as above	
Common	Jose Rommel C. Orillaza	Same as above	
Common	Cynthia J. Javarez	Same as above	
Common	Maryknoll B. Zamora	1,000 (Direct)	0.00%
Common	Karen G. Empaynado	1,000 (Direct)	0.00%
Common	Robert Marlon T. Pereja	1,000 (Direct)	0.00%
Common	Vincent Kitto N. Jacinto	0	0.00%

Foreign Ownership

As of 31 December 2022, 1,771,000 common shares, or 0.05% of the Company's outstanding capital stock, are owned by foreigners. The Company's foreign ownership limit is 40%.

**Item 12. Certain Relationships and Related Party Transactions**

Related Parties	Nature of the Transaction	Value of the Transaction
S.I. Power Corporation	Income arising from leased properties	₱173,483,618
S.I. Power Corporation	Cash advances from parent company for accommodation of certain expenses and working capital requirements	₱64,086,279
S.I. Power Corporation	Liability arising from lease agreement entered with Parent Company	₱6,702,040
Camotes Island Power Generation Corporation	Income arising from leased properties	₱181,677,776

Related Parties	Nature of the Transaction	Value of the Transaction
Camotes Island Power Generation Corporation	Cash advances from parent company for accommodation of certain expenses and working capital requirements	₱541,444
VFund Management, Inc.	Fund management fee	Under the Fund Management Agreement, the Fund Manager will receive equivalent 0.5% of the Company's Rental Income less straight-line adjustments, exclusive of value-added taxes.
VProperty Management, Inc.	Property management fee	Under the Property Management Agreement, the Property Manager will receive an annual management fee equivalent to 1.5% of the Company's Annual Rental Income less straight-line adjustments, exclusive of value added taxes, provided that the total of such fee and the Fund Management Fee shall not exceed 1.0% of the Net Asset Value of the properties being managed.

## **PART IV – CORPORATE GOVERNANCE**

### **Item 13. Corporate Governance**

#### **Compliance**

The Board has adopted the Company's Manual on Corporate Governance which institutionalizes the principles of good corporate governance in the entire organization. The Company believe that it is a necessary component of sound strategic business management, hence, efforts are undertaken to create awareness within the organization. The Board of Directors, Management and officers commit themselves to the principles and best practices contained on the Manual on Corporate Governance (the "Manual") and acknowledge that the same shall guide the attainment of the corporate goals.

#### **Green Initiatives and Corporate Social Responsibility**

The Company adheres to and intends to implement the Environmental, Social and Corporate Governance ("ESG") policies established by the PAVI Group through its parent company, PAVI. The current ESG policy requires each member of the PAVI Group, including each of the Sponsors and the Company, to undertake initiatives aimed at growing local communities – through education, job creation, as well as stimulus/sustainable environment and livelihood programs.

In the course of its operations, the Company will also implement one or more, or a combination of these various initiatives in furtherance of the PAVI Group's ESG policy.

#### **Deviations from Manual and Sanctions Imposed**

There is no material deviation to the provision of the Manual on Corporate Governance in 2022. PREIT has substantially complied, and no sanctions were imposed on any director or officer on account of non-compliance with its Manual on Corporate Governance.

#### **Updates on Corporate Governance**

PREIT's Manual of Corporate Governance is compliant with SEC Memorandum Circular No. 19, Series of 2016. The Company will continue to adopt best practices in Corporate Governance as may be prescribed by the Commission.

## PART V – EXHIBIT AND SCHEDULES

### Item 14. Exhibits and Reports on SEC Form 17-A

Exhibit (incorporated by reference in this report)

Audited Financial Statements as of 31 December 2022

Reports on SEC Form 17-C (through official disclosures with the SEC and the PSE)

The Company filed the following reports on SEC Form 17-C during the year ended 31 December 2022.

DATE	REPORTS
December 16, 2022	Press Release for Initial Listing with the PSE
December 19, 2022	Price Stabilization Activities
December 19, 2022	Price Stabilization Activities
December 27, 2022	Price Stabilization Activities

Sustainability Report

A copy of the Company's Sustainability Report for the year 2022 shall be available in the Company's website on or before its Annual Stockholders' Meeting for the year 2023 at

<https://preit.com.ph/>

## 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 hereunto duly authorized.

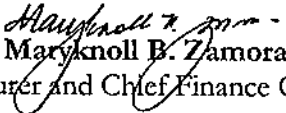
**PREMIERE ISLAND POWER REIT  
CORPORATION**

Issuer

4 May 2023

Date

  
**Timothy Joseph M. Mendoza**  
President

  
**Maryknoll B. Zamora**  
Treasurer and Chief Finance Officer

  
**Karen G. Empaynado**  
Corporate Secretary

SUBSCRIBED AND SWORN to before me this 04 MAY 2023, in Taguig City, Metro Manila, affiant exhibiting to me his/her valid ID, as follows

Name	Competent Evidence of Identity	Date & Place of Issue
Timothy Joseph M. Mendoza	N26-98-018797	LTO valid until 06/10/2024
Maryknoll B. Zamora	N01-99-234497	LTO valid until 12/20/2031
Karen G. Empaynado	P9147717B	DFA Manila - 03/09/2032

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Page No. *43*  
Book No. *3*  
Series 2023.



**ARIANE MAE V. VALLADA**  
Notary Public until 31 December 2023  
Appointment No. 8 / Roll No. 64605  
9th Floor, Vista Place, VistaHub Campus Tower 1  
Hon. Levi B. Mariano Avenue, Brgy. Ususan, Taguig City  
PTR No. A-5700952 / 01-06-2023 / Taguig City  
IBP No. 286315 / 01-12-2023 / Quezon City  
MCLE Compliance No. VII-0027590 / 04-14-2025



**DISCLOSURES FOR REIT COMPANIES**  
Pursuant to Section 6.2 of the Amended Listing Rules for REIT

**Summary of Real Estate Transaction for the period ending 31 December 2022**

On 31 May 2022, the Company and Sponsors executed a deed of assignment whereas the Sponsors cede, assign and transfer to the Company, in a manner absolute and irrevocable, the parcels of land located in Candanay, Siquijor, Lazi, Siquijor, Poro, Cebu and Pilar, Cebu, including the buildings located in the said parcels of land, to the REIT, in consideration for the issuance of REIT's shares. The property-for share swap transaction, forming part of the capital increase of the REIT, was also approved by the SEC on May 31, 2022. The requisite Certificates Authorizing Registration (CARs) authorizing the transfer of legal title to the Properties from the Sponsors to the Company were issued on September 2, 2022. The parcels of land include the land owned by the NPC to which the lease right was also assigned to the REIT as approved by the NPC. The lease has an original term of 20 years with renewal option, subject to mutual agreement of both parties, and an escalation rate of 20% every five years. By virtue of the Property-for-Share Swap, the Sponsors acquired further control of the Company, through an aggregate ownership interest of 100% of the total issued and outstanding capital stock of the Company.

PROPERTIES	Location	GROSS LEASABLE AREA (GLA)
<b>SIPCOR Properties</b>		
Land	Candanay, Siquijor	9,478 sq.m.
Land	Lazi, Siquijor	3,000 sq.m
Building	Candanay, Siquijor	353.2 sq.m.
Powerplant Assets	Candanay Siquijor	607 sq.m
<b>CAMPCOR Properties</b>		
Land	Camotes, Cebu	8,468 sq.m.
Land	Pilar, Cebu	7,938.5 sq.m.
Building	Camotes, Cebu	577.3 sq.m.
Building	Pilar, Cebu	244 sq.m

**Comparative summary of the financial performance of the REIT covering various time periods**

The comparative summary of the Company's financial performance for various time periods can be found in the SEC Form 17-A and in the Audited Financial Statements for the year ended 2022

**Summary of Real Estate Assets of the Company as of 31 December 2022**

PROPERTIES	APPRAISED VALUE (as of 31 December 2022)	GROSS LEASABLE AREA (GLA)	WALE	LEASED AREA	OCCUPANCY RATE
<b>SIPCOR Properties</b>					
Land – Candanay, Siquijor	1,261,810,000	9,478 sq.m.	8 years	9,478 sq.m.	100%
Land – Lazi, Siquijor	988,810,000	3,000 sq.m	9 years	3,000 sq.m	100%
Building - Candanay, Siquijor	100,730,000	353.2 sq.m.	9 years	353.2 sq.m.	100%
Powerplant Assets – Candanay Siquijor	897,580,000	607 sq.m	9 years	607 sq.m	100%
<b>CAMPCOR Properties</b>					
Land - Camotes, Cebu	1,498,310,000	8,468 sq.m.	10 years	8,468 sq.m.	100%
Land – Pilar, Cebu	1,598,240,000	7,938.5 sq.m.	10 years	7,938.5 sq.m.	100%
Building – Camotes, Cebu	878,510,000	577.3 sq.m.	10 years	577.3 sq.m.	100%
Building – Pilar, Cebu	1,244,560,000	244 sq.m	10 years	244 sq.m	100%

**Status of Implementation of the Reinvestment Plan**

Please see attached Reinvestment Plan Progress Report for the period ended 31 December 2022.



SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-C

CURRENT REPORT UNDER SECTION 17  
OF THE SECURITIES REGULATION CODE  
AND SRC RULE 17.2(c) THEREUNDER

1. 17 January 2023  
Date of Report (Date of earliest event reported)
2. SEC Identification Number 2022030044636-59
3. BIR Tax Identification No. 607-224-091-00000
4. PREMIERE ISLAND POWER REIT CORPORATION  
Exact name of issuer as specified in its charter
5. PHILIPPINES  
Province, country or other jurisdiction of incorporation
6.  (SEC Use Only)  
Industry Classification Code:  
  
1747  
Postal Code
7. 4<sup>th</sup> Floor Starmall IT Hub, CV Starr, Philamlife,  
Pamplona Dos, Las Piñas City  
Address of principal office
8. +63(2) 8734 5732 / +63(2) 8775 8072  
Issuer's telephone number, including area code
9. N/A  
Former name or former address, if changed since last report
10. Securities registered pursuant to Sections 8 and 12 of the SRC or Sections 4 and 8 of the RSA

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
<u>COMMON STOCK</u>	<u>3,288,669,000</u>

11. Indicate the item numbers reported herein:

Item 9 - Other Events

PREIT hereby submits its Annual Progress Report on the Application of Proceeds duly certified by our external auditors, in compliance with the disclosure requirements of the Philippine Stock Exchange, in relation to the Reinvestment Plan submitted in connection with the IPO of PREIT

---

**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 hereunto duly authorized.

**PREMIERE ISLAND POWER REIT CORPORATION**

**17 January 2023**

Issuer

Date



**Karen G. Empaynado**  
Corporate Secretary

January 13, 2023

**THE DISCLOSURE DEPARTMENT**  
**THE PHILIPPINE STOCK EXCHANGE, INC.**  
6/F PSE Tower, 5<sup>th</sup> Avenue corner 28<sup>th</sup> Street  
Bonifacio Global City  
Taguig City

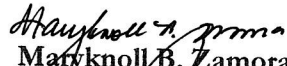
Attention: **MS. ALEXANDRA D. TOM-WONG**  
**Officer-In-Charge, Disclosure Department**

Dear Ma'am:

In compliance with the disclosure requirements of the Philippine Stock Exchange, please find the following:

1. Annual Progress Report on the Application of Proceeds from the Initial Public Offering of Premiere Island Power REIT Corporation as of and for the period ended December 31, 2022; and,
2. Report of Independent Auditors on Factual Findings.

**Premiere Island Power REIT Corporation**

  
**Markknoll B. Zamora**  
Chief Financial Officer

January 13, 2023

**THE PHILIPPINE STOCK EXCHANGE, INC.**

6/F PSE Tower, 5<sup>th</sup> Avenue corner 28<sup>th</sup> Street  
Bonifacio Global City, Taguig City

Attention: **Ms. France Alexandra D. Tom Wong**  
*Officer-In-Charge, Disclosure Department*

Re: **Premiere Island Power REIT Corporation**  
Annual Progress Report on the Application of Initial Public Offering  
(IPO) Proceeds with Certification by the Company's External Auditors

Gentlemen:

In connection with the IPO of **Premiere Island Power REIT Corporation** (the "Company") on December 15, 2022, we submit herewith our report on the application of the offering proceeds. The details of the disbursements as of and for the period ended December 31, 2022 are as follows:

<hr/>	
Offering Proceeds	
(1,610,000,000 shares at Php1.5 per share)	P 2,415,000,000
<hr/>	
Less: IPO-related expenses	
Underwriting and selling fees for the Offer Shares being sold by the Selling Shareholders	59,310,173
Fees paid to the PSE Trading Participants	1,020,405
Taxes paid by the Selling Shareholders	14,490,000
Crossing expenses	6,213,900
SEC registration filing and legal research fee	1,805,039
PSE filing fee (inclusive of value-added tax)	7,366,619
Professional Fees	
Accounting Fees	2,875,000
Stock transfer and receiving	883,743
Securities depository fee	75,105
Other expenses	681,406
<b>Total IPO-related expenses</b>	<hr/> 94,721,390 <hr/>
<b>Net Offering Proceeds</b>	<b>P 2,320,278,610</b>

As of December 31, 2022, the offering proceeds have not been utilized yet for the projects indicated in the Reinvestment Plan.

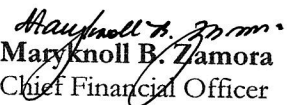


In compliance with the conditions of the Philippine Stock Exchange's Notice of Approval for the IPO, the undersigned hereby certifies the foregoing as true and correct based on available records.

Likewise enclosed is the certification from PREIT's external auditor, Punongbayan & Araullo, in connection with the Report.

We trust that you find everything in order.

Sincerely yours,

  
Maryknoll B. Zamora  
Chief Financial Officer

**ACKNOWLEDGMENT**

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

BEFORE ME, a Notary Public for and in TAGUIG CITY this 17 day of JAN 2023, the following persons exhibited to me their government-issued identification document as follows:

Name	Competent Evidence of Identity	Date & Place of Issue
<b>PREMIERE ISLAND POWER REIT CORPORATION</b>  Represented by:  MARYKNOLL B. ZAMORA	     Driver's License No. N01-99-234497	     LTO – Valid until 12/20/2031

who were identified by me through the foregoing competent evidence of identity to be the same persons who executed the foregoing agreement, and acknowledged to me that the same is their free act and deed and of the corporation represented.

Doc. No. 303 ;  
Page No. 62 ;  
Book No. II ;  
Series of 2023.



**ARIANE MAE V. VALLADA**  
Notary Public until 31 December 2023  
Appointment No. 8 / Roll No. 64605  
9th Floor, Vista Place, VistaHub Campus Tower 1  
Hon. Levi B. Mariano Avenue, Brgy. Ususan, Taguig City  
PTR No. A-538519 / 01-07-2022 / Taguig City  
IBP No. 172407 / 01-06-2022 / Quezon City  
MCLE Compliance No. VI-0031072 / 04-14-2022



# Report of Independent Auditors on Factual Findings

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

T +63 2 8988 2288

**The Board of Directors and Stockholders**  
**Premiere Island Power REIT Corporation**  
4<sup>th</sup> Floor Starmall IT Hub  
CV Starr Avenue, Philamlife Village  
Pamplona Dos, Las Piñas City

We have performed the procedures agreed with you and enumerated in the succeeding page with respect to the attached Annual Progress Report (the Report) as of and for the period ended December 31, 2022 on the application of proceeds from the initial public offering (Offering Proceeds) of Premiere Island Power REIT Corporation (the Company) on December 15, 2022. The procedures were performed solely to enable the Company to comply with the requirement of the Philippine Stock Exchange (PSE) to submit the Report relating to the application of the Offering Proceeds accompanied by an external auditor's report. Our engagement was undertaken, and our report is issued in accordance with Philippine Standard on Related Services 4400 (Revised), *Agreed-Upon Procedures Engagements*, applicable to agreed-upon procedures engagements.

We present below the summary of the breakdown and intended application of the Offering Proceeds based on the Company's Reinvestment Plan.

	Total Planned Use For One Year	Application of Offering Proceeds For the Period ended December 31, 2022	Balance of Offering Proceeds as of December 31, 2022	Disbursing Entity
Bataan Solar Farm 1	P 151,677,337	P -	P 151,677,337	SIPCOR
Camarines Norte Solar Farm 1	308,375,000	-	308,375,000	SIPCOR
Camarines Sur Solar Farm 1	370,000,000	-	370,000,000	SIPCOR
Camarines Sur Solar Farm 2	90,000,000	-	90,000,000	SIPCOR
Pangasinan Solar Farm 1	102,302,220	-	102,302,220	SIPCOR
Pangasinan Solar Farm 2	220,000,000	-	220,000,000	SIPCOR
Nueva Ecija Solar Farm	632,000,000	-	632,000,000	SIPCOR
Bulacan Solar Farm	315,000,000	-	315,000,000	SIPCOR
Isabela Solar Farm 1	<u>130,924,053</u>	<u>-</u>	<u>130,924,053</u>	SIPCOR
	<u>P 2,320,278,610</u>	<u>P -</u>	<u>P 2,320,278,610</u>	

As confirmed by management, there have been no disbursements yet as of and for the period ended December 31, 2022, other than those relating to the Initial Public Offering.

#### **Agreed-upon Procedures**

The procedures we performed are as follows:

1. Obtained and checked the mathematical accuracy of the following:
  - a.) The Report;
  - b.) Schedule of planned use of proceeds from the Offering Prospectus; and,
  - c.) Detailed schedule of disbursements of proceeds for the period ended December 31, 2022.
2. Agreed total amount of disbursements of the Offering Proceeds shown in the Report to the detailed schedule of disbursements of proceeds for the period ended December 31, 2022.
3. Compared the schedule of planned application of the Offering proceeds to the Reinvestment Plan as included in the Offering Prospectus.
4. Traced to and examined supporting documents of the disbursements in the schedule and agreed the total amount of disbursements per category in the Report.

#### **Results of the Performance of Agreed-Upon Procedures**

- With respect to item 1, we noted no exceptions on the mathematical accuracy of the Report and schedules.
- In relation to items 2 and 3, as discussed in the foregoing, management represented that no disbursements were made yet as of and for the period ended December 31, 2022. Per inquiry, management expects to commence the utilization of proceeds in the first quarter of 2023.
- We found no exceptions with respect to item 4.

Because the foregoing procedures do not constitute either an audit or review made in accordance with Philippine Standards on Auditing (PSA) or Philippine Standard on Review Engagements (PSRE), respectively, we do not express an assurance on the use of Offering Proceeds based on the said standards. Had we performed additional procedures, or had we performed an audit or review of the financial statements in accordance with PSA or PSRE, respectively, other matters might have come to our attention that would have been reported to you.

We have no responsibility to update this report for events or circumstances occurring after the date of this report.

Our report is solely for the purpose set forth in the first paragraph of this report and for your information and is not to be used for any other purpose or to be distributed to any other parties. This report relates only to the information and items specified above and does not extend to any financial statements of the Company, taken as a whole.

**PUNONGBAYAN & ARAULLO**

  
By: **Nelson J. Dinio**  
Partner

CPA Reg. No. 0097048  
TIN: 201-771-632  
PTR No. 8852338, January 3, 2023, Makati City  
SEC Group A Accreditation  
Partner – No. 97048-SEC (until financial period 2023)  
Firm – No. 0002 (until Dec. 31, 2024)  
BIR AN 08-002511-032-2022 (until Oct. 13, 2025)  
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Aug. 27, 2024)

January 13, 2023

**ACKNOWLEDGMENT**

REPUBLIC OF THE PHILIPPINES )  
 ) S.S.

BEFORE ME, a Notary Public for and in TAGUIG CITY this 17 JAN 2023 day of 2023, the following persons exhibited to me their government-issued identification document as follows:

Name	Competent Evidence of Identity	Date & Place of Issue
<b>PUNONGBAYAN &amp; ARAULLO</b>  Represented by:  NELSON J. DINIO	  <i>Driver's license</i> <i>No. CID-03-005346</i>	  <i>LTD valid until</i> <i>4/18/2023</i>

who were identified by me through the foregoing competent evidence of identity to be the same persons who executed the foregoing agreement, and acknowledged to me that the same is their free act and deed and of the corporation represented.

Doc. No. 304 ;  
Page No. 63 ;  
Book No. 11 ;  
Series of 2023.



**ARIANE MAE V. VALLADA**  
Notary Public until 31 December 2023  
Appointment No. 8 / Roll No. 64605  
9th Floor, Vista Place, VistaHub Campus Tower 1  
Hon. Levi B. Mariano Avenue, Brgy. Ususan, Taguig City  
PTR No. A-538519 / 01-07-2022 / Taguig City  
IBP No. 172407 / 01-06-2022 / Quezon City  
MCLE Compliance No. VI-0031072 / 04-14-2022



STATEMENT OF MANAGEMENT'S RESPONSIBILITY  
FOR FINANCIAL STATEMENTS

The management of Premiere Island Power REIT Corporation is responsible for the preparation and fair presentation of the financial statements, including the schedules attached therein, as of and for the year ended December 31, 2022, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

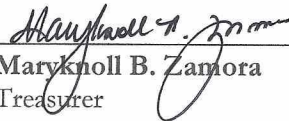
Punongbayan & Araullo, the independent auditors appointed by the stockholders, has audited the financial statements of the Company in accordance with Philippine Standards on Auditing, and in their its report to the stockholders, has expressed their its opinion on the fairness of presentation upon completion of such audit.



**Garth F. Castañeda**  
Chairman



**Timothy Joseph M. Mendoza**  
President



**Maryknoll B. Zamora**  
Treasurer

Signed this 27<sup>th</sup> day of April 2023

**STATEMENT OF MANAGEMENT'S RESPONSIBILITY  
FOR ANNUAL INCOME TAX RETURN**

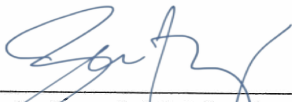
The Management of Premiere Island Power REIT Corporation is responsible for all information and representations contained in the Annual Income Tax Return for the year ended December 31, 2022. Management is likewise responsible for all information and representations contained in the financial statements accompanying the Annual Income Tax Return covering the same reporting period. Furthermore, the Management is responsible for all information and representations contained in all the other tax returns filed for the reporting period, including, but not limited, to the value added tax and/or percentage tax returns, withholding tax returns, documentary stamp tax returns, and any and all other tax returns.

In this regard, the Management affirms that the attached audited financial statements for the year ended December 31, 2022 and the accompanying Annual Income Tax Return are in accordance with the books and records of Premiere Island Power REIT Corporation are complete and correct in all material respects. Management likewise affirms that:

- (a) The Annual Income Tax Return has been prepared in accordance with the provisions of the National Internal Revenue Code, as amended, and pertinent tax regulations and other issuances of the Department of Finance and the Bureau of Internal Revenue;
- (b) any disparity of figures in the submitted reports arising from the preparation of financial statements pursuant to financial accounting standards and the preparation of the income tax return pursuant to tax accounting rules has been reported as reconciling items and maintained in the Bank's books and records in accordance with the requirements of Revenue Regulations No.8-2007 and other relevant issuances;
- (c) Premiere Island Power REIT Corporation has filed all applicable tax returns, reports and statements required to be filed under Philippine tax laws for the reporting period, and all taxes and other impositions shown thereon to be due and payable have been paid for the reporting period, except those contested in good faith.



**Garth F. Castañeda**  
Chairman



**Timothy Joseph M. Mendoza**  
President



**Marilynoll B. Zamora**  
Treasurer

Signed this 27<sup>th</sup> day of April 2023

SUBSCRIBED AND SWORN to before me this 04 MAY 2023, in Taguig City, Metro Manila, affiant exhibiting to me his/her valid ID, as follows

Name	Competent Evidence of Identity	Date & Place of Issue
Garth F. Castaneda	P6117273B	DFA NCR NE 01/18/2031
Timothy Joseph M. Mendoza	N26-98-018797	LTO 06/10/2024
Karen G. Empaynado	P9147717B	DFA Manila 03/09/2032

Doc No. *206*  
Page No. *43*  
Book No. *3*  
Series 2023.



*[Signature]*  
**ARIANE MAE V. VALLADA**  
Notary Public until 31 December 2023  
Appointment No. 8 / Roll No. 64605  
9th Floor, Vista Place, VistaHub Campus Tower 1  
Hon. Levi B. Mariano Avenue, Brgy. Ususan, Taguig City  
PTR No. A-5700952 / 01-06-2023 / Taguig City  
IBP No. 286315 / 01-12-2023 / Quezon City  
MCLE Compliance No. VII-0027590 / 04-14-2025



**P&A**  
**Grant Thornton**

**FOR SEC FILING**

Financial Statements and  
Independent Auditors' Report

**Premiere Island Power REIT Corporation**

For the Period March 4, 2022 to December 31, 2022



## Report of Independent Auditors

**Punongbayan & Araullo**

20<sup>th</sup> Floor, Tower 1  
The Enterprise Center  
6766 Ayala Avenue  
1200 Makati City  
Philippines

T +63 2 8988 2288

**The Board of Directors and Stockholders  
Premiere Island Power REIT Corporation  
(Formerly *Premiere Island Philippines Holding Corporation*)  
(A *Subsidiary of S.I. Power Corp.*)  
4<sup>th</sup> Starmall IT Hub CV Starr Ave.  
Philamlife Pamplona Dos Las Piñas  
Las Piñas City**

### ***Opinion***

We have audited the financial statements of Premiere Island Power REIT Corporation (the REIT), formerly Premiere Island Philippines Holding Corporation, which comprise the statement of financial position as at December 31, 2022 and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the period March 4, 2022 to December 31, 2022, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the REIT as at December 31, 2022, and its financial performance and its cash flows for the period March 4, 2022 to December 31, 2022 in accordance with Philippine Financial Reporting Standards (PFRS).

### ***Basis for Opinion***

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

### ***Emphasis of Matter***

As more fully discussed in Note 1 to the financial statements, the REIT was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on March 4, 2022. The REIT has started its commercial operations in June 2022.

### ***Key Audit Matters***

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

### ***Valuation of Investment Properties***

#### *Description of the Matter*

The REIT's investment properties, which relate to certain parcels of land, buildings and right-of-use asset, is carried in the financial statements at fair value model.

The fair value of investment properties was determined by an independent appraiser using the income approach. Under the income approach, the fair value of an asset is measured by calculating the present value of its economic benefits by discounting the expected cash flows at a rate of return that compensates the risks associated with a particular investment. The total fair value of investment properties as of December 31, 2022 is P7.6 billion, which represents 85% of the total assets of the REIT. The valuation of investment properties is significant to our audit because of the significance of the amount involved and because the measurement involves application of significant judgments and estimates.

The REIT's policy on measurement of investment properties is more fully described in Note 2 to the financial statements. The significant judgments applied and estimates used in measuring fair value are more fully described in Note 3 to the financial statements, while the methods used are fully described in Note 19 to the financial statements.

#### *How the Matter was Addressed in the Audit*

We have evaluated the competence, capabilities and objectivity of the appraiser by obtaining an understanding of their qualifications, experience and track record. We have also involved our internal valuation specialists in evaluating the appropriateness of the valuation models and the reasonableness of key assumptions used, such as the discount rate and growth rate used to estimate projected revenues to be generated, costs and expenses to be incurred related to operations. We have also tested the completeness and accuracy of key inputs used such as the lease rates and lease terms by agreeing the samples to supporting lease contracts.

### ***Revenue Recognition on Rental of Investment Properties***

#### *Description of matter*

In 2022, the REIT recognized revenue from rental of investment properties amounting to P355.2 million. Rental income on long-term leases is recognized on a straight-line basis over the term of the relevant lease agreements as disclosed in Note 2 to the financial statements.

We identified the revenue recognition from rentals as significant to our audit due to the inherent risk of material misstatement involved and the materiality of the amount of rental revenue and related receivables. An error in the REIT's understanding of the significant terms and conditions of the lease agreements and accounting treatment may result in error in revenue recognition i.e., overstatement or understatement of the reported rental revenues and the related receivables recognized therefrom.

The REIT's disclosures relating to revenues from rentals are disclosed in Notes 7, 13, and 16.

*How the matter was addressed in the audit*

Our audit procedures to address the risk of material misstatement relating to recognition of revenue from rentals include inspecting the lease agreements entered into with the REIT's lessees, and understanding the significant terms and conditions affecting the recognition of rental income, as disclosed in Note 16 to the financial statements. We determined, based on the significant terms and conditions of the lease agreements, whether the recognition of rental income is in compliance with the revenue recognition and measurement requirements under PFRS 16. We recomputed the amounts of rental income and the related receivables taking into consideration, among others, the lease payments, lease terms, periodic rent escalations, and effect of any modifications; and, we have verified whether rental income related to the existing lease agreements have been recognized in the proper accounting period.

***Other Information***

Management is responsible for the other information. The other information comprises the information included in the REIT's SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2022, but does not include the financial statements and our auditors' report thereon. The SEC Form 20-IS, SEC Form 17-A and Annual Report for the period March 4, 2022 to December 31, 2022 are expected to be made available to us after the date of this auditors' report.

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

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

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

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

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

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

### ***Auditors' Responsibilities for the Audit of the Financial Statements***

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the REIT's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the REIT's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the interim financial statements or, if such disclosures are inadequate, to modify our opinion.

Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the REIT to cease to continue as a going concern.

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

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

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

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

## **Report on Other Legal and Regulatory Requirements**

The supplementary information for the period March 4, 2022 to December 31, 2022 required by the Bureau of Internal Revenue (BIR) as disclosed in Note 24 to the financial statements is presented for purposes of additional analysis and is not required part of the basic financial statements prepared in accordance with PFRS. The BIR requires the information to be presented in the notes to financial statements. The supplementary information is not a required part of the basic financial statements prepared in accordance with PFRS; it is also not a required disclosure under Revised Securities Regulation Code Rule 68 of the SEC. Such supplementary information is the responsibility of management. Our opinion on the basic financial statements is not affected by the presentation of the information in a separate schedule.

The engagement partner on the audits resulting in this independent auditors' report is Nelson J. Dinio.

## **PUNONGBAYAN & ARAULLO**



**By: Nelson J. Dinio**  
Partner

CPA Reg. No. 0097048  
TIN 201-771-632  
PTR No. 9566632, January 3, 2023, Makati City  
SEC Group A Accreditation  
Partner - No. 97048-SEC (until financial period 2023)  
Firm - No. 0002 (until Dec. 31, 2024)  
BIR AN 08-002511-032-2022 (until Oct. 13, 2025)  
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Aug. 27, 2024)

April 27, 2023

**PREMIERE ISLAND POWER REIT CORPORATION**  
*(Formerly Premiere Island Philippines Holding Corporation)*  
*(A Subsidiary of S.I. Power Corp.)*  
**STATEMENT OF FINANCIAL POSITION**  
**DECEMBER 31, 2022**  
*(Amounts in Philippine Pesos)*

			<u>Notes</u>	
<b><u>A S S E T S</u></b>				
<b>CURRENT ASSETS</b>				
Cash	4	P		4,625,289
Trade and other receivables	5			392,386,454
Prepayments and other current assets	2			<u>604,953</u>
Total Current Assets				<u>397,616,696</u>
<b>NON-CURRENT ASSETS</b>				
Property and equipment - net	6			897,580,000
Investment properties	7			7,570,970,000
Deferred tax asset - net	12			<u>32,408,114</u>
Total Non-current Assets				<u>8,500,958,114</u>
<b>TOTAL ASSETS</b>			<b>P</b>	<b><u>8,898,574,810</u></b>
<b><u>LIABILITIES AND EQUITY</u></b>				
<b>CURRENT LIABILITIES</b>				
Trade and other payables	8	P		59,710,417
Due to related parties	13			64,627,723
Lease liabilities	9			<u>230,280</u>
Total Current Liabilities				124,568,420
<b>NON-CURRENT LIABILITY</b>				
Lease liabilities	9			<u>6,471,760</u>
Total Liabilities				<u>131,040,180</u>
<b>EQUITY</b>				
Capital stock				3,288,669,000
Additional paid-in-capital				5,328,952,851
Revaluation reserves - net	6, 12			12,683,703
Retained earnings				<u>137,229,076</u>
Total Equity				<u>8,767,534,630</u>
<b>TOTAL LIABILITIES AND EQUITY</b>			<b>P</b>	<b><u>8,898,574,810</u></b>

*See Notes to Financial Statements.*

**PREMIERE ISLAND POWER REIT CORPORATION**  
*(Formerly Premiere Island Philippines Holding Corporation)*  
*(A Subsidiary of S.I. Power Corp.)*  
**STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE PERIOD MARCH 4, 2022 TO DECEMBER 31, 2022**  
*(Amounts in Philippine Pesos)*

	Notes		
<b>RENTAL INCOME</b>	10	P	355,161,394
<b>COSTS OF RENTALS</b>	11		40,701,197
<b>GROSS PROFIT</b>			314,460,197
<b>OTHER OPERATING EXPENSES</b>	11		11,502,749
<b>OPERATING PROFIT</b>			302,957,448
<b>OTHER INCOME (CHARGES) - Net</b>			
Fair value loss on investment properties	7	(	191,960,000)
Finance cost	9	(	269,912)
Finance income	4		1,202
		(	192,228,710)
<b>PROFIT BEFORE TAX</b>			110,728,738
<b>TAX INCOME</b>	12		28,500,338
<b>NET PROFIT</b>			139,229,076
<b>OTHER COMPREHENSIVE INCOME</b>			
<b>Item that will not be reclassified subsequently to profit or loss</b>			
Revaluation increase in property and equipment	6		16,911,604
Tax expense	12	(	4,227,901)
			12,683,703
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>P</b>	<b>151,912,779</b>
<b>BASIC AND DILUTED EARNINGS PER SHARE</b>	15	<b>P</b>	<b>0.06</b>

\* The REIT was incorporated on March 4, 2022 and started its commercial operations in June 2022.

*See Notes to Financial Statements.*

**PREMIERE ISLAND POWER REIT CORPORATION**  
*(Formerly Premiere Island Philippines Holding Corporation)*  
*(A Subsidiary of S.I. Power Corp.)*  
**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE PERIOD MARCH 4, 2022 TO DECEMBER 31, 2022\***  
*(Amounts in Philippine Pesos)*

	<u>Capital Stock</u> (See Note 14)	<u>Additional Paid-in Capital</u> (See Note 14)	<u>Revaluation Reserves</u> (See Note 6)	<u>Retained Earnings</u> (See Note 14)	<u>Total</u>
Balance at January 1, 2022	P -	P -	P -	P -	P -
Issuances during the period	3,288,669,000	5,328,952,851	-	-	8,617,621,851
Dividends declared	-	-	-	( 2,000,000 )	( 2,000,000 )
Total comprehensive income for the period	<u>-</u>	<u>-</u>	<u>12,683,703</u>	<u>139,229,076</u>	<u>151,912,779</u>
Balance at December 31, 2022	<u><b>P 3,288,669,000</b></u>	<u><b>P 5,328,952,851</b></u>	<u><b>P 12,683,703</b></u>	<u><b>P 137,229,076</b></u>	<u><b>P 8,767,534,630</b></u>

\*The REIT was incorporated on March 4, 2022 and started its commercial operations in June 2022.

*See Notes to Financial Statements.*



**PREMIERE ISLAND POWER REIT CORPORATION**  
*(Formerly Premiere Island Philippines Holding Corporation)*  
*(A Subsidiary of S.I. Power Corp.)*  
**STATEMENT OF CASH FLOWS**  
**FOR THE PERIOD MARCH 4, 2022 TO DECEMBER 31, 2022**  
*(Amounts in Philippine Pesos)*

	Notes	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before tax	P	110,728,738
Adjustments for		
Fair value loss on investment properties	7	191,960,000
Depreciation	6	30,071,604
Finance cost - net	9	269,912
Operating profit before working capital changes		333,030,254
Increase in trade and other receivables	(	392,386,454 )
Increase in prepayments and other current assets	(	587,178 )
Increase in trade and other payables		51,305,068
Cash used in operations	(	8,638,310 )
Interest received	4	961
Income tax paid	12	( 240 )
Net Cash Used in Operating Activities	(	8,637,589 )
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Advances received from related parties	13	15,132,290
Dividends paid	14	( 2,000,000 )
Payment of lease liability	9	125,588
Proceeds from issuance of shares	14	5,000
Net Cash From Financing Activities		13,262,878
<b>NET INCREASE IN CASH</b>		<b>4,625,289</b>
<b>CASH AT BEGINNING OF PERIOD</b>		<b>-</b>
<b>CASH AT END OF PERIOD</b>	<b>P</b>	<b>4,625,289</b>

*Supplemental Information in Non-cash Financing and Investing Activities is disclosed in Note 23 to the Financial Statements.*

*See Notes to Financial Statements.*

**PREMIERE ISLAND POWER REIT CORPORATION**  
***(Formerly Premiere Island Philippines Holding Corporation)***  
***(A Subsidiary of S.I. Power Corp.)***  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022**  
***(Amounts in Philippine Pesos)***

**1. GENERAL INFORMATION**

***1.1 Corporate Information***

Premiere Island Power REIT Corporation (the REIT) was incorporated under Philippine law on March 4, 2022 under the name of Premiere Island Philippines Holding Corporation (PIPHC). Under its articles on incorporation, PIPHC is authorized to invest in, purchase, or otherwise acquire and own, sell, assign, transfer, mortgage, pledge, exchange, or otherwise dispose of real property and personal property of every kind and description. Since its incorporation on March 4, 2022, PIPHC did not have any business operation until the infusion by the Sponsors of assets under the Property-for-share swap (see Note 14).

On June 24, 2022, the BOD approved the following amendments on the Articles of Incorporation and By-Laws: (a) changing the corporate name to Premiere Island Power REIT Corporation; (b) changing the REIT's primary purpose to engage in the business of a real estate investment trust as provided under Republic Act (R.A.) No. 9856, The Real Estate Investment Trust Act of 2009 (the "REIT Act"), including its implementing rules and regulations, and other applicable laws; (c) increasing the number of the Board of Directors (BOD) from five to seven; (d) denying the stockholders' pre-emptive rights; (e) amendments on the PSE lock-up requirement; (f) corporate governance provisions for REITs and publicly listed companies; (g) qualifications of directors; (h) corporate governance revisions for independent directors; (i) changes on compensation clause; (j) constitute board committees including Executive Committee; Compensation and Remuneration Committee, Audit Committee, Related Party Transaction committee; (k) appointment of stock transfer agent; (l) schedule of regular annual meetings; (m) amendments on dividends; (n) the Fund Manager; and (o) the Property Manager. The Securities and Exchange Commission approved the amendments on November 9, 2022.

The REIT listed its common shares in the Philippine Stock Exchange (PSE) as a power REIT on December 15, 2022 (see Note 14). As of December 31, 2022, the REIT has 48.88% public ownership.

S.I. Power Corp. (SIPCOR or the Parent Company) holds 25.71% interest over the REIT while Camotes Island Power Generation Corporation (CAMPCOR) holds 25.39% ownership over the REIT. SIPCOR also holds 94.00% ownership interest over CAMPCOR. Accordingly, SIPCOR effectively holds 49.58% ownership of the REIT's total issued and outstanding capital stock, thereby making SIPCOR as the majority stockholder and the REIT's parent company. SIPCOR and CAMPCOR are both presently engaged in buying, acquiring, leasing, constructing, maintaining, and operating plants, work, systems, poles, poles wire, conduit, ducts and subway for the production, supply, distribution and sale of electricity.

Prime Asset Ventures, Inc. (PAVI or the Ultimate Parent) is the REIT's ultimate parent company. PAVI is presently engaged primarily to invest in, purchase or otherwise acquire and own, hold, use, sell, assign, transfer, lease, mortgage, pledge, exchange, develop or otherwise, dispose of real and personal property of every kind, and to grant loans and/or assume or undertake or guarantee or secure either on its general credit or on themortgage, pledge, deed of trust, assignment and/or other security arrangement of any or all of its property, its related parties or any third party, without engaging in the business of a financing company or lending investor.

The REIT's registered office address and principal place of business is located at 4th Starmall IT Hub CV Starr Ave., Philamlife Pamplona Dos Las Piñas, Las Piñas City. On the other hand, SIPCOR and PAVI's registered office, which is also their principal place of business, is located at Worldwide Corporate Center, Shaw Blvd., Mandaluyong City.

### ***1.2 Approval of the Financial Statements***

The financial statements of the REIT as of and for the period March 4, 2022 to December 31, 2022 were authorized for issue by the REIT's BOD on April 27, 2023.

## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

### ***2.1 First Time Adoption of Philippine Financial Reporting Standards***

This is the first set of financial statements prepared by the REIT in accordance with Philippine Financial Reporting Standards (PFRS). The accounting policies set out below and in the succeeding page have been applied in preparing the REIT's financial statements for the period March 4, 2022 to December 31, 2022.

### ***2.2 Basis of Preparation of Financial Statements***

#### ***(a) Statement of Compliance with Philippine Financial Reporting Standards***

The financial statements of the REIT have been prepared in accordance with Philippine Financial Reporting Standards (PFRS). PFRS are adopted by the Financial Reporting Standards Council (FRSC) from the pronouncements issued by the International Accounting Standards Board (IASB), 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 REIT presents all items of income, expense and other comprehensive income or loss in a single statement of comprehensive income.

The REIT presents a third statement of financial position as of 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 REIT's presentation and functional currency, and all values represent absolute amounts except when otherwise indicated.

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

### **2.3 Adoption of Amended PFRS Subsequent to 2022**

There are pronouncements effective for annual periods subsequent to 2022, which are adopted by the FRSC. Management will adopt the following relevant pronouncements in accordance with their transitional provisions; and, unless otherwise stated, none of these are expected to have significant impact on the REIT's financial statements.

- (i) PAS 1 (Amendments), *Presentation of Financial Statements – Classification of Liabilities as Current or Non-current* (effective from January 1, 2023)
- (ii) PAS 1 (Amendments), *Presentation of Financial Statements – Disclosure of Accounting Policies* (effective from January 1, 2023)
- (iii) PAS 8 (Amendments), *Accounting Estimates – Definition of Accounting Estimates* (effective from January 1, 2023)
- (iv) PAS 12 (Amendments), *Income Taxes – Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction* (effective from January 1, 2023)

### **2.4 Current versus Non-current classification**

The REIT presents assets and liabilities in the statement of financial position based on current or noncurrent classification. An asset is current when it is:

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

All other assets are classified as noncurrent.

A liability is current when:

- It is expected to be settled in normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within 12 months after the reporting period; or,
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The REIT classifies all other liabilities as noncurrent.

Deferred income tax assets and liabilities are classified as noncurrent assets and liabilities.

## ***2.5 Financial Instruments***

Financial assets and financial liabilities are recognized when the REIT becomes a party to the contractual provisions of the financial instrument.

### *(a) Financial Assets*

For purposes of classifying financial assets, an instrument is considered as an equity instrument if it is non-derivative and meets the definition of equity for the issuer in accordance with the criteria of PAS 32, *Financial Instruments: Presentation*. All other non-derivative financial instruments are treated as debt instruments.

#### *(i) Classification and Measurement of Financial Assets*

The classification and measurement of financial assets is driven by the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Currently, the relevant financial asset classification applicable to the REIT is financial assets at amortized cost.

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

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

Financial assets meeting these criteria are measured initially at fair value plus transaction costs. These are subsequently measured at amortized cost using the effective interest method, less allowance for expected credit loss.

The REIT's financial assets at amortized cost are presented as Cash and Trade and Other Receivables in the statement of financial position. For purpose of cash flows reporting and presentation, cash in bank pertains to demand deposits which are subject to insignificant risk of change in value.

Financial asset measured at amortized cost is included in current asset, except for those with maturities greater than 12 months after the end of reporting period, which are classified as non-current assets.

(ii) *Impairment of Financial Asset*

The REIT assesses expected credit losses (ECL) on a forward-looking basis associated with its financial assets carried at amortized cost. The measurement of ECL involves consideration of broader range of information that is available without undue cost or effort at the reporting date about past events, current conditions, and reasonable and supportable forecasts of future economic conditions (i.e., forward-looking information) that may affect the collectability of the future cash flows of the financial assets.

Measurement of the ECL is determined by a probability-weighted estimate of credit losses over the expected life of the financial instruments evaluated based on a range of possible outcome.

For cash in bank, the REIT applies low credit risk simplification and measures the ECL on the financial assets based on a 12-month ECL basis unless there has been a significant increase in credit risk since origination, in which case, the loss allowance will be based on lifetime ECL.

The key elements used in the calculation of ECL are as follows:

- *Probability of default* – It is an estimate of likelihood of a counterparty defaulting at its financial obligation over a given time horizon, either over the next 12 months or the remaining lifetime of the obligation.
- *Loss given default* – It is an estimate of loss arising in case where a default occurs at a given time. It is based on the difference between the contractual cash flows of a financial instrument due from a counterparty and those that the REIT would expect to receive, including the realization of any collateral or effect of any credit enhancement.
- *Exposure at default* – It represents the gross carrying amount of the financial instruments in the event of default which pertains to its amortized cost.

The REIT recognizes an impairment loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through an allowance for impairment account. Subsequent recoveries of amounts previously written off are credited against the same line item.

*(iii) Derecognition of Financial Assets*

The financial assets (or where applicable, a part of a financial asset or part of a group of financial assets) are derecognized when the contractual rights to receive cash flows from the financial instruments expire, or when the financial assets and all substantial risks and rewards of ownership have been transferred to another party. If the REIT neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the REIT recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the REIT retains substantially all the risks and rewards of ownership of a transferred financial asset, the REIT continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

*(b) Financial Liabilities*

Financial liabilities, which pertain to Trade and Other Payables and Due to Related Parties, are recognized initially at its fair value and subsequently measured at amortized cost, using effective interest method for maturities beyond one year, less settlement payments.

All interest-related charges, except any capitalized borrowing costs, are recognized as expense in profit or loss under Interest Expense in the statement of comprehensive income.

Financial liabilities are classified as current liabilities if payment is due to be settled within one year or less after the end of the reporting period (or in the normal operating cycle of the business, if longer), or the REIT does not have an unconditional right to defer settlement of the liability for at least twelve months after the end of the reporting period. Otherwise, these are presented as non-current liabilities.

Financial liabilities are derecognized from the statement of financial position only when the obligations are extinguished either through discharge, cancellation or expiration. Financial liabilities are also derecognized when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value. The difference between the carrying amount of the financial liability derecognized and the consideration paid or payable is recognized in profit or loss.

*(c) Offsetting of Financial Instruments*

Financial assets and financial liabilities are offset and the resulting net amount, considered as a single financial asset or financial liability, is reported in the statement of financial position when the REIT currently has legally enforceable right to set off the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously. The right of set-off must be available at the end of the reporting period, that is, it is not contingent on future event. It must also be enforceable in the normal course of business, in the event of default, and in the event of insolvency or bankruptcy; and, must be legally enforceable for both entity and all counterparties to the financial instruments.

## ***2.6 Prepayments and Other Assets***

Prepayments and other current assets pertain to other resources controlled by the REIT as a result of past events. They are recognized in the financial statements when it is probable that the future economic benefits will flow to the REIT and the asset has a cost or value that can be measured reliably.

Other recognized assets of similar nature, where future economic benefits are expected to flow to the REIT beyond one year after the end of the reporting period or in the normal operating cycle of the business, if longer, are classified as non-current assets.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (see Note 2.12).

## ***2.7 Property and Equipment***

Property and equipment are initially recognized at cost. The cost of an asset comprises its purchase price and directly attributable costs of bringing the asset to working condition for its intended use. Expenditures for additions, major improvements and renewals are capitalized, while expenditures for repairs and maintenance are charged to expense as incurred.

Following initial recognition at cost, property and equipment, are carried at revalued amount which is the fair value at the date of the revaluation, as determined by independent appraiser, less subsequent accumulated depreciation and any accumulated impairment losses.

Revalued amount is the fair market value determined based on appraisal by external professional appraiser once every two years or more frequently if market factors indicate a material change in fair value.

Any revaluation surplus is recognized in other comprehensive income and credited to the Revaluation Reserves account in the statement of changes in equity. Any revaluation deficit directly offsetting a previous surplus in the same asset is charged to other comprehensive income to the extent of any revaluation surplus in equity relating to this asset and the remaining deficit, if any, is recognized in profit or loss. Annually, an amount from the Revaluation Reserves account is transferred to Retained Earnings account for the depreciation relating to the revaluation surplus. Upon disposal of revalued assets, amounts included in Revaluation Reserves account relating to them are transferred to Retained Earnings account.

Depreciation of property and equipment (comprising of generation assets) is computed on the straight-line basis over the estimated useful lives of 22 years.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (see Note 2.12).

The residual values, estimated useful lives and method of depreciation of property and equipment are reviewed, and adjusted if appropriate, at the end of each reporting period.



## ***2.8 Investment Properties***

Properties that are held for long-term rental or for capital appreciation or both, and that are not occupied by the REIT, which comprises of right-of-use asset, land and buildings, are classified as investment properties.

Investment properties are initially measured at cost, including related transactions costs and borrowing costs. After initial recognition, investment properties are carried at fair value at each reporting date and are revalued at every year. Fair value is based on the income approach and is determined annually by an independent appraiser with sufficient experience with respect to both the location and the nature of the investment properties (see Note 19.3).

Any gain or loss resulting from either a change in the fair value of an investment property is immediately recognized in profit or loss as Fair value gains (losses) on investment properties account under the Other Income (Charges) account in the statement of comprehensive income.

Investment property is derecognized when either it has been disposed of, or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The right-of-use asset classified as investment property is derecognized when the REIT subleases the asset to another party and the lease is accounted for under finance lease (see Note 2.11). Any gains or losses on the retirement or disposal of an investment property are recognized in profit or loss in the year of retirement or disposal.

Transfers are made to investment property when there is a change in use, evidenced by ending of owner-occupation and commencement of an operating lease to another party. Transfers are made from investment property when and only when there is a change in use, evidenced by commencement of owner-occupation or commencement of a development with a view to sale.

## ***2.9 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.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the end of the reporting period, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. When time value of money is material, long-term provisions are discounted to their present values using a pretax rate that reflects market assessments and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate.

In those cases, where the possible outflow of economic resource as a result of present obligations is considered improbable or remote, or the amount to be provided for cannot be measured reliably, no liability is recognized in the financial statements. Similarly, probable inflows of economic benefits to the REIT that do not yet meet the recognition criteria of an asset are considered contingent assets; hence, are not recognized in the financial statements.

On the other hand, any reimbursement that the REIT can be virtually certain to collect from a third party with respect to the obligation is recognized as a separate asset not exceeding the amount of the related provision.

## ***2.10 Expense Recognition***

Expenses are recognized in profit or loss upon utilization of the goods or services or at the date these are incurred.

## ***2.11 Leases***

### ***(a) REIT as Lessee***

For any new contracts entered into, the REIT considers whether a contract is, or contains, a lease. A lease is defined as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration.

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

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

At lease commencement date, the REIT recognizes a right-of-use asset and a lease liability in the statement of financial position. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the REIT, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received). Subsequently, the REIT's right-of-use asset is carried at fair value at each reporting date and are revalued at every year; and as such, no amortization of right-of-use asset is recognized in the statement of comprehensive income (see Note 2.8). Fair value is based on the income approach and is determined annually by an independent appraiser with sufficient experience with respect to both the location and the nature of the investment properties. The REIT also assesses the right-of-use asset for impairment when such indicators exist (see Note 2.12).

On the other hand, the REIT measures the lease liability at the present value of the lease payments unpaid at the commencement date, discounted using the interest rate implicit in the lease if that rate is readily available or the REIT's incremental borrowing rate. Lease payments include fixed payments (including in-substance fixed) less lease incentives receivable, if any, amounts expected to be payable under a residual value guarantee, and payments arising from options (either renewal or termination) reasonably certain to be exercised.

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

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

*(b) REIT as Lessor*

Leases wherein the REIT substantially transfers to the lessee all risks and benefits incidental to ownership of the leased item are classified as finance leases and are presented as receivable at an amount equal to the REIT's net investment in the lease. Finance income is recognized based on the pattern reflecting a constant periodic rate of return on the REIT's net investment outstanding in respect of the finance lease.

Leases which do not transfer to the lessee substantially all the risks and benefits of ownership of the asset are classified as operating leases.

Lease income from operating leases is recognized in profit or loss on a straight-line basis over the lease term.

**2.12 Impairment of Non-financial Assets**

The REIT's non-financial assets are subject to impairment testing whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

For purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, assets are tested for impairment either individually or at the cash-generating unit level.

Impairment loss is recognized in profit or loss for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amounts which is the higher of its fair value less costs to sell and its value in use. In determining value in use, management estimates the expected future cash flows from each cash-generating unit and determines the suitable interest rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures are directly linked to the REIT's latest approved budget, adjusted as necessary to exclude the effects of asset enhancements. Discount factors are determined individually for each cash-generating unit and reflect management's assessment of respective risk profiles, such as market and asset-specific risk factors.

All assets are subsequently reassessed for indications that an impairment loss previously recognized may no longer exist. An impairment loss is reversed if the asset's or cash-generating unit's recoverable amount exceeds its carrying amount.

### ***2.13 Income Taxes***

Tax expense recognized in profit or loss comprises the sum of current tax and deferred tax not recognized in other comprehensive income or directly in equity, if any.

Current tax assets or current tax liabilities comprise those claims from, or obligations to, fiscal authorities relating to the current or prior reporting periods, that are uncollected or unpaid at the reporting period. They are calculated using the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the period. All changes to current tax assets or liabilities are recognized as a component of tax expense in profit or loss.

Deferred tax is accounted for using the liability method on temporary differences at the end of the reporting period between the tax base of assets and liabilities and their carrying amounts for financial reporting purposes. Under the liability method, with certain exceptions, deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences and the carry forward of unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deferred tax asset can be utilized. Unrecognized deferred tax assets are reassessed at the end of each reporting period and are recognized to the extent that it has become probable that future taxable profit will be available to allow such deferred tax assets to be recovered.

Deferred tax assets and deferred tax liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled provided such tax rates have been enacted or substantively enacted at the end of the reporting period.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. For purposes of measuring deferred tax liabilities and deferred tax assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted, that is, when the investment property is depreciable and is held within the business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

Most changes in deferred tax assets or deferred tax liabilities are recognized as a component of tax expense in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively. Deferred tax assets and deferred tax liabilities are offset if the REIT has a legally enforceable right to set off current tax assets against current tax liabilities and the deferred taxes relate to the same entity and the same taxation authority.

## ***2.14 Related Party Transactions and Relationships***

Related party transactions are transfers of resources, services or obligations between the REIT and its related parties, regardless whether a price is charged.

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties include: (a) individuals owning, directly or indirectly through one or more intermediaries, control or are controlled by, or under common control with the REIT; (b) associates; and, (c) individuals owning, directly or indirectly, an interest in the voting power of the REIT that gives them significant influence over the REIT and close members of the family of any such individual.

In considering each possible related party relationship, attention is directed to the substance of the relationship and not merely on the legal form.

Transactions amounting to 10% or more of the total assets based on the latest audited consolidated financial statements that were entered into with related parties are considered material under SEC Memorandum Circular No. 10, Series of 2019, *Rules on Material Related Party Transactions for Publicly-listed Companies*.

All individual material related party transactions shall be approved by at least two-thirds vote of the board of directors, with at least a majority of the independent directors voting to approve the material related party transactions. In case that a majority of the independent directors' vote is not secured, the material related party transaction may be ratified by the vote of the stockholders representing at least two-thirds of the outstanding capital stock. For aggregate related party transactions within a 12-month period that breaches the materiality threshold of 10% of the Group's total assets based on the latest audited consolidated financial statements, the same board approval would be required for the transaction(s) that meets and exceeds the materiality threshold covering the same related party.

Directors with personal interest in the transaction should abstain from participating in the discussions and voting on the same. In case they refuse to abstain, their attendance shall not be counted for the purposes of assessing the quorum and their votes shall not be counted for purposes of determining approval.

## ***2.15 Equity***

Capital stock represents the nominal value of shares that have been issued.

Additional paid-in capital (APIC) includes any premiums received on the issuance of capital. Any transaction costs associated with the issuance of shares are deducted from APIC, net of any related income tax benefits.

Revaluation reserves relate to fair value adjustments of Property and Equipment, net of tax (see Note 2.7).

Retained earnings represent current period results of operations as reported in the statement of comprehensive income.

### ***2.16 Earnings Per Share***

Basic earnings per share is computed by dividing net profit by the weighted average number of shares issued and outstanding, adjusted retrospectively for any share dividend declared, share split and reverse share split during the current year, if any.

Diluted earnings per share is computed by adjusting the weighted average number of ordinary shares outstanding to assume conversion of potential dilutive common shares. Currently, the REIT does not have potential dilutive shares outstanding; hence, the diluted earnings per share is equal to the basic earnings per share.

### ***2.17 Events After the End of the Reporting Period***

Any event after the end of the reporting period that provides additional information about the REIT's financial position at the end of the reporting period (adjusting event) is reflected in the financial statements. Events after the end of the reporting period that are not adjusting events, if any, are disclosed when material to the financial statements.

## **3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES**

The preparation of the REIT'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 Judgment in Applying Accounting Policies***

In the process of applying the REIT'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 and the renewal of the contract is not subject to mutual agreement of both parties.

The factors that are normally the most relevant are (a) if there are significant penalties should the REIT pre-terminate the contract, and (b) if any leasehold improvements are expected to have a significant remaining value, the REIT is reasonably certain to extend and not to terminate the lease contract. Otherwise, the REIT considers other factors including historical lease durations and the costs and business disruption required to replace the leased asset.

The REIT did not include the renewal period as part of the lease term for the lease due to the provision in its contract that requires mutual agreement of both parties on the terms and agreements of the renewal and termination of the lease contract.

The lease term is reassessed if an option is actually exercised or not exercised or the REIT becomes obliged to exercise or not exercise it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the REIT.

(b) *Distinction Among Investment Properties and Owner-occupied Properties*

The REIT determines whether a property should be classified as investment property or owner-occupied property. The REIT applies judgment upon initial recognition of the asset based on intention and also when there is a change in use. In making its judgment, the REIT considers whether the property generates cash flows largely independently of the other assets held by an entity. Owner-occupied properties generate cash flows that are attributable not only to property but also to other assets used in the production or supply process.

When a property comprises of a portion that is held to earn rental or for capital appreciation and another portion that is held for use in the REIT's main line of business or for administrative purposes, the REIT accounts for the portions separately if these portions can be sold separately (or leased out separately under finance lease). If the portions cannot be sold separately, the property is accounted for as investment property only if an insignificant portion is held for use in the REIT's main line of business or for administrative purposes. Judgment is applied in determining whether ancillary services are so significant that a property does not qualify as investment property. The REIT considers each property separately in making its judgment.

(c) *Distinction Between Operating and Finance Leases as Lessor*

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

Management has determined that its current lease agreements as lessor are operating leases.

(d) *Recognition of Provisions and Contingencies*

Judgment is exercised by management to distinguish between provisions and contingencies. Accounting policies on recognition and disclosure of provision are discussed in Note 2.9 and disclosures on relevant provisions and contingencies are presented in Note 16.

### **3.2 Key Sources of Estimation Uncertainty**

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

(a) *Fair Value Measurement of Investment Properties, and Property and Equipment*

The REIT's investment properties, composed of right-of-use asset, land and buildings, are measured using the fair value model while the REIT's property and equipment, composed of generation assets, are measured using revaluation model. In determining the fair value of these assets, the REIT engages the services of professional and independent appraisers applying the income approach. In determining the fair value under the income approach, significant estimates are made such as revenues generated, costs and expenses related to the operations and discount rate.

A significant change in these elements may affect prices and the value of the assets. The details of the fair values of relevant assets are disclosed in Notes 6, 7 and 19.

For investment properties, and property and equipment, with valuation conducted prior to the end of the current reporting period, management determines whether there are significant circumstances during the intervening period that may require adjustments or changes in the disclosure of fair value of those properties.

(b) *Estimation of Useful Lives of Property and Equipment*

The REIT estimates the useful lives of the property and equipment based on the period over which the assets are expected to be available-for-use. The estimated useful lives of the property and equipment 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 the property and equipment are analyzed in Note 6. Based on management's assessment as at December 31, 2022, there is no change in estimated useful lives of the property and equipment during those years. Actual results, however, may vary due to changes in estimates brought about by changes in factors mentioned above.

(c) *Estimation of Allowance for ECL*

The measurement of the allowance for ECL is an area that requires the use of significant assumptions about the future economic conditions and credit behavior (e.g., likelihood of customers/counterparties defaulting and the resulting losses). Explanation of the inputs, assumptions and estimation used in measuring ECL is further detailed in Note 17.2(b).

Based on management's assessment, the outstanding balances of receivables and contract asset as of December 31, 2022 are fully collectible (see Notes 5).



(d) *Impairment of Non-financial Assets*

In assessing impairment, management estimates the recoverable amount of each asset or a cash-generating unit based on expected future cash flows and uses an interest rate to calculate the present value of those cash flows. Estimation uncertainties relates to assumptions about future operating results and the determination of suitable discount rate. Also, the REIT's policy on estimating the impairment of non-financial assets is discussed in detail in Note 2.12.

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.

There were no impairment losses on the REIT's non-financial assets required to be recognized for the period March 4, 2022 to December 31, 2022 based on management's assessment.

**4. CASH**

Cash in bank amounted to P4.6 million as of December 31, 2022. Cash in bank generally earns interest based on daily bank deposit rates.

Interest earned from cash in bank for the period March 4, 2022 to December 31, 2022 amounted to P1,202. Interest earned is presented as Finance income under Other Income (Charges) section in the statement of comprehensive income.

**5. TRADE AND OTHER RECEIVABLES**

This account as of December 31, 2022 is composed of the following:

Trade receivables:

Billed	P 346,914,909
Accrued	45,415,940
Advances to employees	<u>55,605</u>

**P 392,386,454**

Accrued receivables pertain to receivables resulting from the straight-line method of recognizing rental income.

Billed receivables arise from the lease of land, building and generation assets by SIPCOR and CAMPCOR.

All trade and other receivables are subject to credit risk exposure. However, there was no impairment losses recognized for the reporting periods presented as management believes that the remaining receivables are fully collectible (see Note 17.2).

## 6. PROPERTY AND EQUIPMENT

On May 31, 2022, the REIT received the property and equipment (consisting of generation assets) from SIPCOR by way of assignment as a result of the property-for-share swap (see Note 14). The fair value of the property and equipment as at such date amounting to P910.7 million was determined by independent and SEC-accredited property appraisers.

The property and equipment received by the REIT from SIPCOR is recognized under revaluation model. The revaluation surplus, net of applicable deferred income taxes, is presented as part of the Revaluation Reserves account in the equity section of the statement of financial position.

The REIT recognized income arising from the lease of generation assets to SIPCOR amounting to P30.8 million is presented as part of Rental Income in the statement of comprehensive income (see Note 10). Related outstanding receivable is presented as part of Trade and Other Receivables in the statement of financial position (see Note 5).

The carrying amount of property and equipment as at December 31, 2022 is as follows:

Cost	P 910,740,000
Depreciation	( 30,071,604)
Revaluation	<u>16,911,604</u>
	<b><u>P 897,580,000</u></b>

The depreciation expense is presented as part of Costs of Rentals in the statement of comprehensive income. In 2022, the REIT did not recognize any impairment loss on the property and equipment.

Under cost model, the carrying value of the property and equipment as of December 31, 2022 amounted to P880.7 million.

The REIT did not have any fully depreciated property and equipment as of December 31, 2022. The information on the fair value measurement and disclosures related to the property and equipment are presented in Note 19.3.

## 7. INVESTMENT PROPERTIES

On May 31, 2022, the REIT, SIPCOR and CAMPCOR executed a deed of assignment whereas SIPCOR and CAMPCOR cede, assign and transfer to the REIT, in a manner absolute and irrevocable, the parcels of land located in Candanay, Siquijor, Lazi, Siquijor, Poro, Cebu and Pilar, Cebu, including the buildings located in the said parcels of land, to the REIT, in consideration for the issuance of REIT's shares (see Note 14). The parcels of land include the land owned by the National Power Corporation (NPC) to which the lease right was also assigned to the REIT as approved by the NPC (see Note 9).

The parcels of land, including the right-of-use asset on the lease right from the lease agreement with NPC, and the buildings are presented as Investment Properties in the statement of financial position. These parcels of land and buildings are recognized in reference to their fair values and the information on the fair value measurement and disclosures are presented in Note 19.3.

The breakdown of the REIT's investment properties as of December 31, 2022, which are held to earn rental, are as follows:

Land	P 4,085,360,000
Buildings	2,223,800,000
Right-of-use asset	<u>1,261,810,000</u>
	<b><u>P 7,570,970,000</u></b>

A reconciliation of the carrying amounts of investment properties as at December 31, 2022 is shown below.

	<u>Land</u>	<u>Buildings</u>	<u>Right-of-use asset</u>	<u>Total</u>
Initial measurement	P 4,166,270,000	P 2,270,810,000	P 1,325,850,000	P 7,762,930,000
Fair value loss	( 80,910,000)	( 47,010,000)	( 64,040,000)	( 191,960,000)
	<b><u>P 4,085,360,000</u></b>	<b><u>P 2,223,800,000</u></b>	<b><u>P 1,261,810,000</u></b>	<b><u>P 7,570,970,000</u></b>

The fair values of the investment properties were determined by independent and SEC-accredited property appraisers. The REIT's management engaged with an appraiser and the amounts stated above are the fair values as of December 31, 2022. The fair value loss on investment properties is presented under Other income (Charges) in the statement of comprehensive income.

As of December 31, 2022, the REIT has a total of seven assets presented below:

Located at Siquijor:

- One land leased at Candanay
- One land owned at Lazi
- One building and support facilities at Candanay

Located at Cebu:

- One land owned at Pilar
- One land owned at Poro
- One building and support facilities at Pilar
- One building and support facilities at Poro

The REIT recognized income amounting to P324.4 million from the lease of investment properties and is presented as part of Rental Income in the statement of comprehensive income (see Note 10). Related outstanding receivable is presented as part of Trade and Other Receivables in the statement of financial position (see Note 5).

Expenses such as taxes and licenses and property management fees incurred in relation to the rental services are recognized as incurred and are presented as part of Costs of Rentals in the statement of comprehensive income (see Note 11).

The REIT does not have contractual commitments for purchase of investment properties.

The operating lease commitments of the REIT as lessor are fully disclosed in Note 16.1.

## 8. TRADE AND OTHER PAYABLES

This account is composed of the following as of December 31, 2022:

Deferred output VAT	P	37,169,455
Accrued expenses		13,485,379
Payables to government		<u>9,055,583</u>
	<b>P</b>	<b><u>59,710,417</u></b>

Deferred output VAT is recognized by the REIT for uncollected billings for rentals. This will be reclassified to output VAT payable and offset against input VAT once collected.

Accrued expenses relates to unpaid administrative expenses as at year end.

## 9. LEASES

In 2022, SIPCOR assigned the lease of the land situated in Candanay, Siquijor owned by the NPC (Candanay Property) to the REIT. The lease has a term of 20 years with renewal option, subject to mutual agreement of both parties, and an escalation rate of 20% every five years. The assignment was approved by the NPC. The lease allows the REIT to sublet the asset to another party. The lease is either non-cancellable or may only be cancelled by incurring a substantive termination fee. The lease did not contain an option to purchase the underlying lease asset at the end of the lease.

On April 11, 2022, the REIT entered into a sublease agreement with SIPCOR for the same land situated in Candanay (Candanay Property) for a term of 8 years. Since the land is being subleased by the REIT to SIPCOR, the right-of-use asset is presented as part of Investment Properties in the statement of financial position (see Note 7).

Lease liability is presented in the statement of financial position as follows:

Current	P	230,280
Non-current		<u>6,471,760</u>
	<b>P</b>	<b><u>6,702,040</u></b>

The movements in the lease liability recognized in the statement of financial position are as follows:

Initial recognition	P	6,557,716
Amortization		269,912
Repayments	(	<u>125,588)</u>
Balance at end of the period	<b>P</b>	<b><u>6,702,040</u></b>

Interest expense related to lease liability is reported as Finance Cost in the statement of comprehensive income.

As at December 31, 2022, the REIT has no commitments to leases which had not commenced.

The maturity analysis of lease liabilities as at December 31, 2022 are as follows:

	<u>Within 1</u> <u>year</u>	<u>1 to 2</u> <u>years</u>	<u>2 to 3</u> <u>years</u>	<u>3 to 4</u> <u>years</u>	<u>4 to 5</u> <u>years</u>	<u>More than</u> <u>5 years</u>	<u>Total</u>
<b>December 31, 2022</b>							
Lease payments	P 678,000	P 813,600	P 813,600	P 813,600	P 813,600	P 5,965,109	P 9,897,509
Finance charge	(447,720)	(431,692)	(405,109)	(376,675)	(346,262)	(1,188,011)	(3,195,469)
Net present values	<b><u>P 230,280</u></b>	<b><u>P 381,908</u></b>	<b><u>P 408,491</u></b>	<b><u>P 436,925</u></b>	<b><u>P 467,338</u></b>	<b><u>P 4,777,098</u></b>	<b><u>P 6,702,040</u></b>

The cash outflow in respect of the lease for the period March 4, 2022 to December 31, 2022 amounted to P0.1 million.

## 10. RENTAL INCOME

The REIT derives its rental income from the lease of its investment properties and property and equipment (see Note 7).

On April 11, 2022, the REIT entered into various lease and sublease agreements with SIPCOR and CAMPCOR for the lease of properties for energy generation use (see Notes 9 and 13). The lease agreements commenced in June 2022.

The table below describes the lease agreements entered into by the REIT and their terms are as follows:

	<u>Lease Term</u>	<u>Renewable years</u> <u>upon mutual</u> <u>agreement</u>
Candanay property	8 years	10 years
Lazi property	9 years	10 years
SIPCOR building and generation assets	9 years	10 years
CAMPCOR land and building	10 years	10 years

The rental income derived from such leases amounted to P355.2 million. Breakdown of rental income reported in the statement of comprehensive income is shown below.

Rental income from SIPCOR:	
Right-of-use asset	P 105,400,099
Land	33,879,160
Generation assets (presented as property and equipment)	30,753,317
Building	<u>3,451,042</u>
	<u>173,483,618</u>
Rental income from CAMPCOR:	
Land	107,780,736
Building	<u>73,897,040</u>
	<u>181,677,776</u>
	<b><u>P 355,161,394</u></b>

The REIT's rental income are generated from the following investment properties and geographical regions:

		<u>Land</u>	<u>Buildings</u>	<u>Right-of-use asset</u>	<u>Generation assets</u>	<u>Total</u>
Siquijor	P	33,879,160	P 3,451,042	P 105,400,099	P 30,753,317	P 173,483,618
Cebu		<u>107,780,736</u>	<u>73,897,040</u>	<u>-</u>	<u>-</u>	<u>181,677,776</u>
		<b><u>P 141,659,896</u></b>	<b><u>P 77,348,082</u></b>	<b><u>P 105,400,099</u></b>	<b><u>P 30,753,317</u></b>	<b><u>P 355,161,394</u></b>

As of December 31, 2022, the rental receivable amounted to P392.4 million, which is reported as part of Trade and Other Receivables in the statement of financial position (see Note 5).

## 11. COSTS AND OPERATING EXPENSES

The details of this account are shown below.

	<u>Notes</u>	
Depreciation	6	P 30,071,604
Property and fund management fees	7	10,629,593
Taxes and licenses	7	4,932,869
Professional fees		3,171,103
General and administrative		2,446,711
Advertising		585,809
Miscellaneous		<u>366,257</u>
		<b><u>P 52,203,946</u></b>

These expenses are classified in the statement of comprehensive income as follows:

Costs of rentals	P 40,701,197
Operating expenses	<u>11,502,749</u>
	<b><u>P 52,203,946</u></b>

## 12. INCOME TAXES

The components of tax expense as reported in the statement of comprehensive income are as follows:

<i>Reported in profit or loss</i>	
Current tax expense:	
Regular corporate income tax at 25%	P 8,135,437
Final tax at 20%	<u>240</u>
	8,135,677
Deferred tax income arising from origination of temporary differences	( <u>36,636,015</u> )
	<b><u>(P 28,500,338)</u></b>
 <i>Reported in other comprehensive income -</i>	
Deferred tax expense arising from: recognition of revaluation surplus	
	<b><u>P 4,227,901</u></b>

A reconciliation of tax on pretax profit or loss computed at the applicable statutory rates to tax expense or income reported in the statement of comprehensive income for the period March 4, 2022 to December 31, 2022 is as follows:

Tax on pretax profit at 25%	P 27,682,185
Adjustment for income subjected to lower income tax rate	180
Tax effect of –	
Dividends from distributable income	( 56,250,000)
Non-deductible expenses	<u>67,297</u>
	<b><u>(P 28,500,338)</u></b>

The REIT claimed dividends as tax deduction which were declared on April 27, 2023 and payable on May 26, 2023 (see Note 22).

As per Rule 10 of the REIT Act, REITs may deduct against taxable income any dividends distributed as of the end of the taxable year and on or before the last day of the fifth month of the next taxable year.

The details of the deferred tax assets - net as of December 31, 2022 is shown below.

Fair value loss on investment properties	P	47,990,000
Straight-lining of rental income	(	11,353,985)
Revaluation surplus of property and equipment	(	<u>4,227,901</u> )
	<b>P</b>	<b><u>32,408,114</u></b>

The REIT claimed itemized deductions in computing for its income tax due for the period March 4, 2022 to December 31, 2022.

### 13. RELATED PARTY TRANSACTIONS

The REIT's related parties include the ultimate parent company, parent company, stockholders, key management personnel and others as defined in Note 2.14.

A summary of the REIT's transactions and outstanding balances, if any, with its related parties is presented below.

Related Party Category	Notes	December 31, 2022	
		Amount of Transaction	Outstanding Receivable (Payable)
<b>Parent Company</b>			
Rental income	5, 10	P 173,483,618	P 191,870,442
Due to related party	13.2	64,086,279	( 64,086,279)
Lease liabilities	9	6,702,040	( 6,702,040)
<b>Related party under common ownership</b>			
Rental income	5, 10	181,677,776	200,460,406
Due to related party	13.2	541,444	( 541,444)

#### 13.1 Lease Agreements

In 2022, the REIT entered into several operating lease agreements with SIPCOR and CAMPCOR covering real estate properties and generation assets located in Siquijor and Cebu for periods ranging from 8 to 10 years for fixed annual lease rate, subject to an escalation rate of 3%. The lease agreements are renewable upon mutual agreement of both parties (see Note 10).

The rentals earned from the Lease Agreements are presented as Rental Income in the statement of comprehensive income. The unsecured, noninterest-bearing outstanding balances related to such agreements are presented as part of Trade and Other Receivables in the statement of financial position.



### **13.2 Due to Related Parties**

In the normal course of business, the REIT obtains from and grants cash advances to its related parties, including the parent company and entities under common ownership, for accommodation of certain expenses, working capital requirements and other purposes.

The outstanding due to related parties presented in the statement of financial position as at December 31 amounted to P64.6 million. Such balance have no fixed repayment terms and are unsecured, noninterest-bearing and generally payable in cash upon demand, or through offsetting arrangements with the related parties.

The balance of Due to Related Parties includes payments to SEC and Bureau of Internal Revenue (BIR) registration and filing fees amounting to P16.6 million, documentary stamp tax (DST) on issuance of shares and DST on lease agreements amounting to P32.9 million and P4.9 million, respectively, and other expenses amounting to P9.7 million which were paid by the Parent company (SIPCOR) on behalf of the REIT. Also, in 2022, CAMPCOR paid certain regulatory fees to local government and advertising expenses on behalf of the REIT totalling to P0.5 million.

### **13.3 Key Management Personnel Compensation**

There were no key management personnel compensation incurred as the REIT's management and administrative functions were handled by the ultimate parent company at no cost or consideration to the REIT.

## **14. EQUITY**

### **14.1 Capital Stock**

Capital stock consists of the following as of December 31, 2022:

	<u>Shares</u>	<u>Amount</u>
Common shares		
Authorized	<u>7,500,000,000</u>	<u>P7,500,000,000</u>
Issued and outstanding		
Balance at beginning of period	-	P -
Issuance during the period	<u>3,288,669,000</u>	<u>3,288,669,000</u>
Balance at end of period	<u>3,288,669,000</u>	<u>P3,288,669,000</u>

On March 9, 2022, the REIT applied for the increase in authorized capital stock from P5,000 divided into 5,000 common shares with par value of P1.0 per share to P7.5 billion divided into 7,500,000,000 common shares with par value of P1.0 per share.

Under the terms of the capital increase, the REIT will issue a total of 3,288,664,000 common shares to SIPCOR and CAMPCOR in exchange for the transfer, assignment and conveyance by SIPCOR and CAMPCOR of all their rights, title and interests in certain properties (see Notes 6 and 7), free from liabilities and debts and free from all liens and encumbrances. The application was approved by the SEC on May 31, 2022.

Pursuant to the capital increase and the property-for-share swap transaction, the REIT issued 1,654,856,000 common shares to SIPCOR and 1,633,808,000 common shares to CAMPCOR. The REIT recognized additional paid-in capital on the excess over par value totalling to P5.3 billion, net of the stock issue costs totalling to P49.5 million, as a result of this transaction.

Under the terms of the property-for-share swap transaction, the REIT, as a lessor and/or sublessor of the properties assigned by SIPCOR and CAMPCOR, executed lease and sublease agreements with each of SIPCOR and CAMPCOR to enable the latter to use the assigned properties for their continuing power generation operations. The property-for share swap transaction, forming part of the capital increase of the REIT, was also approved by the SEC on May 31, 2022.

On December 15, 2022, following the initial public offering of the REIT's common shares, the shares of SIPCOR and CAMPCOR were reduced to 845,589,861 (25.71%) and 834,839,132 (25.39%) common shares, respectively. As at December 31, 2022, 1,607,431,000 (48.88%) common shares are owned by the public and the remaining 809,007 (0.02%) common shares are owned by REIT's directors.

As of December 31, 2022, there are 2,700 holders of at least one board lot of the listed shares, which closed at P1.60 per share as of that date.

#### ***14.2 Dividends***

On July 11, 2022, the BOD approved the declaration of cash dividends amounting to P2.0 million (less than P0.01 per share) from its unrestricted retained earnings payable to stockholders of record as of July 11, 2022. The dividends were paid on August 29, 2022.

#### ***14.3 Distributable Income***

The computation of the distributable income of the REIT for the period March 4, 2022 to December 31, 2022 is shown below.

Net profit	P	139,229,076
Fair value adjustment of investment property resulting to loss		191,960,000
Effect of straight-lining of rental income	(	45,415,940)
Deferred tax income	(	36,636,015)
Accretion of interest relating to lease liability		<u>144,324</u>
Distributable income	<b>P</b>	<b><u>249,281,445</u></b>

The REIT has adopted a dividend policy in accordance with the provisions of the REIT Act, pursuant to which the REIT's shareholders may be entitled to receive at least 90% of the REIT's annual distributable income. The REIT intends to declare and pay out dividends of at least 90% of distributable income on a quarterly basis each year.

For purposes of tax reporting, the REIT claimed distributable income declared as dividend as deduction against its taxable income as allowed per Rule 10 of the REIT Act (see Note 12).

## 15. EARNINGS PER SHARE

Basic and diluted earnings per share amounts were computed as follows:

Net profit for the period	P	139,229,076
Divided by weighted number of outstanding common shares		<u>2,302,069,800</u>
Basic and diluted earnings per share	<b>P</b>	<b><u>0.06</u></b>

The REIT has no potential dilutive common shares as of December 31, 2022.

## 16. COMMITMENTS AND CONTINGENCIES

### *16.1 Operating Lease Commitments – REIT as a Lessor*

On April 11, 2022, the REIT entered into several operating lease agreements with SIPCOR and CAMPCOR covering real estate properties for energy generation use located in Siquijor and Cebu for periods ranging from 8 to 10 years. Monthly rentals for the leases are equivalent to the higher of a guaranteed base lease or a percentage ranging from 0.50% to 26.90% of the lessee's annual revenue (see Notes 6 and 7). In 2022, rentals based on the guaranteed base lease are higher than the rentals calculated based on the variables rates except for the rental income from the Candanay Property (see Note 7). Rental income from such property amounted to P105.6 million in 2022, which is determined based on 26.59% of the revenue derived from such lease during the period March 4, 2022 to December 31, 2022.

On the same date, the REIT entered into an operating sublease agreement with SIPCOR covering lands owned by NPC located in Siquijor for a period of 8 years for a fixed annual lease rate, subject to an annual escalation rate of 3% (see Note 7).

The lease and the sublease agreements are renewable upon mutual agreement by both parties. The agreements took effect in June 2022.

The future minimum lease receivable under these agreements as of December 31, 2022 are shown below.

Within one year	P 608,848,418
After one year but not more than two years	608,848,418
After two years but not more than three years	608,848,418
After three years but not more than four years	608,848,418
After four years but not more than five years	608,848,418
More than five years	<u>2,210,994,133</u>
	<b><u>P 5,255,236,223</u></b>

The REIT is subject to risk incidental to the operation of its investment properties and property and equipment, which include, among others, changes in market rental rates and inability to collect rent from tenants due to bankruptcy or insolvency of tenants. All of the REIT's lease agreements are from related parties. If the expected growth does not meet management's expectations, the REIT may not be able to collect rent or collect at profitable rates. Management however deemed that the risk of non-collection is insignificant given the Company and its tenants are related parties under common control and hence can direct payments and collections between these parties (see Note 13).

### ***16.2 Others***

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

## **17. RISK MANAGEMENT OBJECTIVES AND POLICIES**

The REIT is exposed to a variety of financial risks in relation to its financial instruments. The REIT's financial asset and financial liability by category is disclosed in Note 18. The main types of risks are market risk, credit risk and liquidity risk.

The REIT's risk management is coordinated with its parent company, in close coordination with the BOD, and focuses on actively securing the REIT's short to medium-term cash flows by minimizing the exposure to financial risks. The REIT does not engage in trading of financial assets for speculative purposes. The relevant financial risks to which the REIT is exposed are discussed below.

### ***17.1 Market Risk***

As of December 31, 2022, the REIT is exposed to market risk through its cash in bank, which is subject to changes in market interest rates. However, management believes that the related interest rate risk exposure is not significant.

### **17.2 Credit Risk**

The REIT's credit risk is attributable to cash in bank. The REIT maintains defined credit policies and continuously monitors defaults of counterparties, identified either individually or by group, and incorporate this information into its credit risk controls. Where available at a reasonable cost, external credit ratings and/or reports on counterparties are obtained and used. The REIT's policy is to deal only with creditworthy counterparties.

The maximum credit risk exposure of financial assets as at December 31, 2022 is the carrying amount of the financial assets as shown in the statement of financial position (or in the detailed analysis provided in the notes to financial statements), as summarized below.

Cash	P 4,625,289
Trade and other receivables	<u>392,386,454</u>
	<b><u>P 397,011,743</u></b>

#### *(a) Cash*

The maximum credit risk exposure of financial asset is the carrying amount of the financial asset as shown in the statement of financial position which relates to cash in bank. The credit risk for cash in bank is considered negligible since the counterparty is a reputable bank with high quality external credit rating. Cash in bank are insured by the Philippine Deposit Insurance Corporation (PDIC) up to a maximum of P0.5 million for every depositor per banking institution.

#### *(b) Trade and other receivables*

The REIT applies the 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 REIT has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the other assets.

The REIT has just started its operation during the current period; hence, no historical information is available for the REIT. In addition, management considers the ECL on the REIT's trade and other receivables to be negligible taking into consideration the related parties' ability to repay at the reporting date.

There are no unimpaired past due receivables as of December 31, 2022.

### **17.3 Liquidity Risk**

As of December 31, 2022, the REIT's maximum liquidity risk is the carrying amounts of trade and other payables, due to related parties and lease liabilities in the statement of financial position amounting to P50.7 million, P64.6 million and P6.7 million, respectively. The REIT's financial liability representing due to related parties is payable upon demand.

The contractual maturity reflects the gross cash flows and the carrying value of the liability at the end of the reporting period

## 18. CATEGORIES, FAIR VALUES AND OFFSETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

### *18.1 Carrying Amounts and Fair Value by Category*

The carrying values and fair values of the categories of financial assets and financial liabilities presented in the statement of financial position are shown below.

	Notes	December 31, 2022	
		Carrying Values	Fair Values
<b>Financial assets</b>			
Cash	4	P 4,625,289	P 4,625,289
Trade and other receivables	5	<u>392,386,454</u>	<u>392,386,454</u>
		<b><u>P 397,011,743</u></b>	<b><u>P 397,011,743</u></b>
<b>Financial liabilities</b>			
Trade and other payables	8	P 50,654,834	P 50,654,834
Due to related parties	13	<u>64,627,723</u>	<u>64,627,723</u>
		<b><u>P 115,282,557</u></b>	<b><u>P 115,282,557</u></b>

See Note 2.5 for the description of the accounting policies for each category of financial instruments. A description of the REIT's risk management objectives and policies for financial instruments is provided in Note 17.

### *18.2 Offsetting of Financial Assets and Financial Liabilities*

Except for the offsetting of certain due to and due from related parties arising from the expenses paid by SIPCOR and CAMPCOR on behalf of the REIT, the REIT has not set off financial instruments and do not have relevant offsetting arrangements. Currently, all other financial assets and financial liabilities are settled on a gross basis; however, each party to the financial instrument (particularly related parties) will have the option to settle all such amounts on a net basis in the event of default of the other party through approval by both parties' BOD and shareholders.

## 19. FAIR VALUE MEASUREMENT AND DISCLOSURE

### *19.1 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 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.

### ***19.2 Financial Instruments Measured at Amortized Cost for which Fair Value is Disclosed***

The REIT has no financial instruments measured at fair value that are not carried at fair value but are required to be disclosed as at December 31, 2022. Accordingly, the REIT opted not to present its financial instruments in the fair value hierarchy anymore. Nevertheless, based on the management's review of its financial instruments measured at cost, except for cash, which is considered in Level 1, all the rest are determined to be Level 3.

For financial assets and financial liabilities with fair values included in Level 1, management considers that the carrying amounts of those short-term financial instruments approximate their fair values.

The fair values of the financial assets and financial liabilities included in Level 3, which are not traded in an active market, are determined based on the expected cash flows of the underlying net asset or liability based on the instruments where the significant inputs required to determine the fair value of such instruments are not based on observable market data.

### ***19.3 Fair Value Measurement of Non-financial Assets***

As of December 31, 2022, the REIT's investment properties and property and equipment amounting to P7.6 billion and P897.6 million, respectively, are classified under Level 3 of the hierarchy of fair value measurements.

The fair values of the REIT's investment properties (see Note 7) and property and equipment (see Note 6) are determined on the basis of the appraisals performed by Asian Appraisal Company, Inc., an independent appraiser, with appropriate qualifications and recent experience in the valuation of similar properties.

In estimating the fair value of these properties, management takes into account the market participant's ability to generate economic benefits by using the assets in their highest and best use. Based on management assessment, the best use of the REIT's investment properties and property and equipment are their current use. The appraisers used a discount rate and growth rate of 8.4% and 3.5%, respectively, to value the REIT's investment properties.

Fair value as determined by independent appraisers are based on the income approach. Under income approach, the fair value of an asset is measured by calculating the present value of its economic benefits by discounting expected cash flows at a rate of return that compensates the risks associated with the particular investment. The most common approach in valuing future economic benefits of a projected income stream is the discounted cash flows model. This valuation process of this model consists of the following: (a) estimation of the revenues generated; (b) estimation of the costs expenses related to the operations of the development; (c) estimation of an appropriate discount rate; and (d) discounting process using an appropriate discount rate to arrive at an indicative fair value. There has been no change in the valuation techniques used by the REIT during the period. Also, there were no transfers into or out of Level 3 fair value hierarchy.

## 20. CAPITAL MANAGEMENT OBJECTIVES, POLICIES AND PROCEDURES

The REIT's capital management objectives are to ensure the REIT's ability to continue as a going concern.

The REIT sets the amount of capital in proportion to its overall financing structure, i.e., equity and liabilities. The REIT manages the capital structure and makes adjustment to it in light of changes in economic conditions and the risk characteristics of the underlying assets. The REIT's total liabilities and total equity as of December 31, 2022 are presented below.

Total liabilities	P	131,040,180
Total equity		<u>8,767,534,630</u>
Debt-to-equity ratio	<b>P</b>	<b><u>0.01:1.00</u></b>

The REIT sets the amount of capital in proportion to its overall financing structure, i.e., equity and financial liabilities. The REIT 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.

Under REIT Act, the REIT is subject to external capital requirement to have a minimum paid-up capital of P300.0 million which was complied with as of the reporting period presented.

## 21. SEGMENT REPORTING

The REIT has determined that it operates as one operating segment. The REIT's only income-generating activity is the lease of its land, right-of-use asset, buildings and generation asset which is the measure used by the Chief Operating Decision Maker in allocating resources (see Notes 7 and 10).

The REIT derives its rental income exclusively from SIPCOR (49%) and CAMPCOR (51%), related parties under common control (see Notes 7, 10 and 13).



The disaggregation of rental income as to lessee and geographical area is also detailed in Note 10.

## **22. EVENTS AFTER THE END OF THE REPORTING PERIOD**

On April 27, 2023, the REIT declared dividends at P0.0682 per share, see Note 14.3.

The dividends are payable on May 26, 2023 and as such is allowed to be claimed as a deduction to net taxable income in accordance with the REIT Act (see Note 12).

## **23. SUPPLEMENTAL INFORMATION ON NON-CASH FINANCING AND INVESTING ACTIVITIES**

The following are significant non-cash transactions of the Company:

- In 2022, the REIT entered into a property-for-share swap transaction with SIPCOR and CAMPCOR. Both SIPCOR and CAMPCOR transferred, assigned and conveyed absolutely in favor of the REIT certain parcels of land, buildings and generation assets (see Notes 6 and 7) in exchange for P3.3 billion of the REIT's common shares (see Note 14).
- For the period March 4, 2022 to May 31, 2022, the SEC and BIR registration and filing fees amounting to P16.6 million and DST on issuance of shares amounting to P32.9 million were paid by SIPCOR on behalf of the REIT (see Notes 13 and 14).
- On May 31, 2022, the REIT recognized lease liability amounting to P6.6 million as a result of the assignment of lease agreement to the REIT by SIPCOR as approved by the National Power Corporation (see Note 9). The related right-of-use asset was also recognized as part of Investment Properties under the property-for-share swap transaction (see Note 7).
- On December 15, 2022, the REIT listed its common shares in the Philippine Stock Exchange. The proceeds from secondary offering amounting to P2.3 billion, net of P94.7 million initial offering expenses, were received by SIPCOR and CAMPCOR (Sponsors and assigned Disbursing Entities), as indicated in the REIT's Reinvestment Plan.

## 24. SUPPLEMENTARY INFORMATION REQUIRED BY THE BUREAU OF INTERNAL REVENUE

Presented below and in the succeeding page is the supplementary information on taxes, duties and license fees paid during the taxable year which is required by the BIR under Revenue Regulations No. 15-2010 to be disclosed as part of the notes to financial statements. This supplementary information is not a required disclosure under PFRS.

(a) *Output Value Added Tax (VAT)*

In 2022, the REIT did not have any output VAT as they are not engaged in any transaction which gives rise to recognition of such VAT. However, the REIT recognized a deferred output VAT amounting to P37.2 million from uncollected rental billings which formed part of Trade and Other Payables presented on the statement of financial position.

The tax bases for Rental Income are based on the REIT's uncollected billings for the year, hence, may not be the same as the amounts of revenues reported in the 2022 statement of comprehensive income.

(b) *Input VAT*

In 2022, the REIT declared a P0.5 million input VAT arising from the domestic purchases of goods other than capital. This is part of the Prepayments and Other Current Assets presented on the statement of financial position.

(c) *Taxes on Importation*

The REIT did not have any transactions which were subject to custom duties and tariff fees in 2022.

(d) *Excise Tax*

The REIT did not have any transaction in 2022 which is subject to excise tax.

(e) *Documentary Stamp Tax*

DST paid and accrued in 2022 is presented below.

DST for rentals:	
CAMPCOR	P 2,463,857
SIPCOR	<u>2,430,454</u>
	<b><u>P 4,894,311</u></b>

(f) *Taxes and Licenses*

The details of taxes and licenses are broken down as follows:

DST	P	4,894,311
Permits and licenses		36,722
Annual BIR registration		500
Others		<u>1,336</u>
	<b>P</b>	<b><u>4,932,869</u></b>

The REIT incurred a cost related to SEC registration and filing and DST on issuance of shares amounting to P49.5 million which is charged against APIC.

(g) *Withholding Taxes*

The REIT only accrued for an expanded withholding tax as of December 31, 2022 amounting to P0.2 million. This accrual is related to the professional services entered into by the REIT during the period.

(h) *Deficiency Tax Assessment and Tax Cases*

The REIT did not settle any tax assessments nor does it have any tax cases outstanding or pending in courts or bodies outside of the BIR in any of the open taxable years.



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

**Punongbayan & Araullo**  
20<sup>th</sup> Floor, Tower 1  
The Enterprise Center  
6766 Ayala Avenue  
1200 Makati City  
Philippines

T +63 2 8988 2288

**The Board of Directors and Stockholders  
Premiere Island Power REIT Corporation  
(Formerly Premiere Island Philippines Holding Corporation)  
(A Subsidiary of S.I. Power Corp.)  
4<sup>th</sup> Starmall IT Hub CV Starr Ave.  
Philamlife Pamplona Dos Las Piñas  
Las Piñas City**

We have audited, in accordance with Philippine Standards on Auditing, the financial statements of Premiere Island Power REIT Corporation (the REIT) for the period March 4, 2022 to December 31, 2022 and have issued our report thereon dated April 27, 2023. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The applicable supplementary information (see List of Supplementary Information) is presented for purposes of additional analysis in compliance with the requirements of the Revised Securities Regulation Code Rule 68 and is not a required part of the basic financial statements prepared in accordance with Philippine Financial Reporting Standards. Such supplementary information is the responsibility of the REIT's management. The supplementary information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

**PUNONGBAYAN & ARAULLO**

  
By: **Nelson J. Dinio**  
Partner

CPA Reg. No. 0097048  
TIN 201-771-632  
PTR No. 9566632, January 3, 2023, Makati City  
SEC Group A Accreditation  
Partner - No. 97048-SEC (until financial period 2023)  
Firm - No. 0002 (until Dec. 31, 2024)  
BIR AN 08-002511-032-2022 (until Oct. 13, 2025)  
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Aug. 27, 2024)

April 27, 2023

**PREMIERE ISLAND POWER REIT CORPORATION**  
**List of Supplementary Information**  
**December 31, 2022**

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

**PREMIERE ISLAND POWER REIT CORPORATION**  
**Schedule B**  
**Amounts Receivable from Directors, Officers, Employees, Related Parties**  
**and Principal Stockholders (Other than Related Parties)**  
**December 31, 2022**  
*(Amounts in Philippine Pesos)*

Name and designation of debtor	Balance at Beginning of year	Additions	Deductions		Ending Balance		Balance at end of year
			Amounts collected	Amounts written off	Current	Not current	
S.I. Power Corporation	P -	P 191,870,442	P -	P -	P 191,870,442	P -	P 191,870,442
Camotes Island Power Generation Corporation	-	200,460,406	-	-	200,460,406	-	200,460,406
Advances to employees	-	55,606	-	-	55,606	-	55,606
	P -	P 392,386,454	P -	P -	P 392,386,454	P -	P 392,386,454

*Note: These are presented as part of receivables account in the statements of financial position.*

**PREMIERE ISLAND POWER REIT CORPORATION**

**Schedule E**

**Indebtedness to Related Parties**

**December 31, 2022**

*(Amounts in Philippine Pesos)*

Name of Related Party	Balance at Beginning of Period	Balance at End of Period
<i>Parent Company -</i> S.I. Power Corporation	P -	P 64,086,279
<i>Related party under common ownership</i> Camotes Island Power Generation Corporation	-	541,444
Total indebtedness to related parties	<u>P -</u>	<u>P 64,627,723</u>

PREMIERE ISLAND POWER REIT CORPORATION  
Schedule G  
Capital Stock  
December 31, 2022

Title of Issue	Number of Shares Authorized	Number of Shares Issued and Outstanding as Shown Under the Related Statement of Financial Position Caption	Number of Shares Reserved for Options, Warrants, Conversion and Other Rights	Number of Shares Held By		
				Related Parties	Directors, Officers and Employees	Others
Common	7,500,000,000	3,288,669,000	-	1,680,428,993	809,007	1,607,431,000



**PREMIERE ISLAND POWER REIT CORPORATION**

*(A Subsidiary of S.I. Power Corp.)*

4th Starmall IT Hub CV Starr Ave.

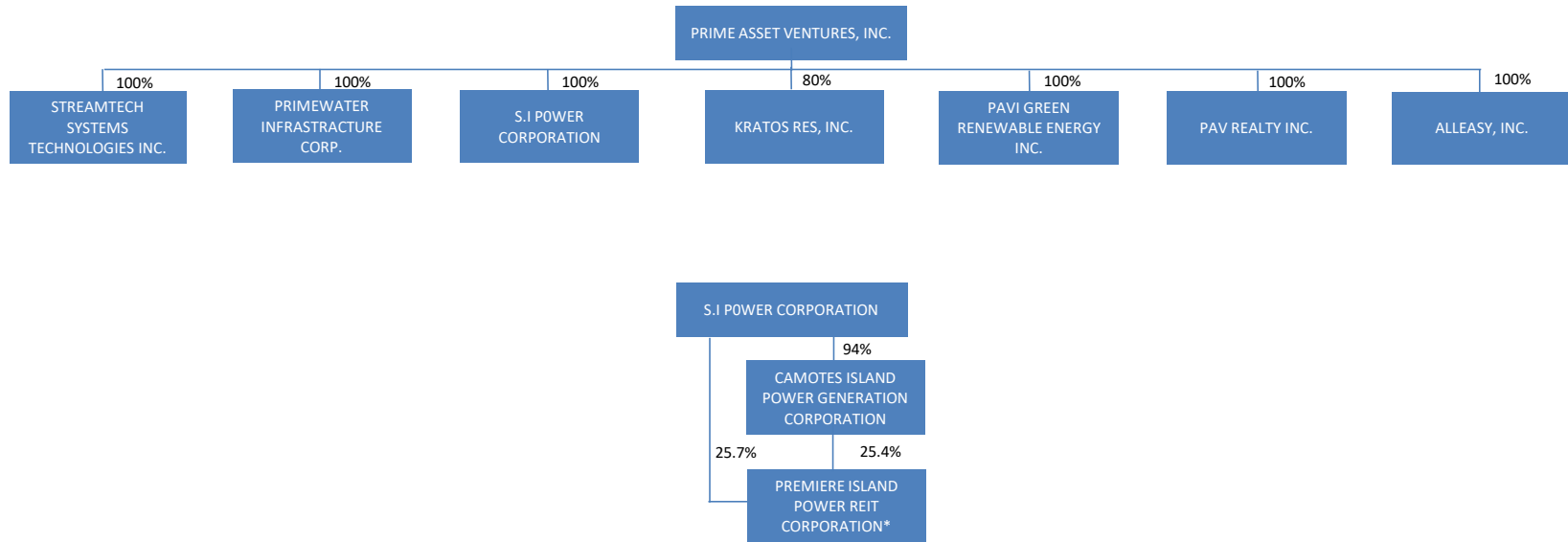
Philamlife Pamplona Dos Las Piñas, Las Piñas City

December 31, 2022

**Reconciliation of Retained Earnings Available for Dividend Declaration**

<b>Retained Earnings at Beginning of Period</b>	<u>P -</u>
<b>Net profit per audited financial statements</b>	139,229,076
<b>Add: Non-actual/unrealized loss</b>	
Fair value adjustment of investment property resulting to loss	191,960,000
Accretion of interest relating to lease liability	144,324
<b>Less: Non-actual/unrealized income</b>	
Effect of straight-lining of rental income	( 45,415,940 )
Deferred tax income related to deferred tax assets recognized in profit or loss during the period	( <u>36,636,015</u> )
<b>Net profit actually earned</b>	<u>249,281,445</u>
<b>Less: Dividend declared</b>	<u>2,000,000</u>
<b>Retained Earnings Available for Dividend Declaration at End of the Period</b>	<u><b>P 247,281,445</b></u>

**PREMIERE ISLAND POWER REIT CORPORATION**  
Map Showing the Relationship Between the Company and its Related Entities  
December 31, 2022



\*Premiere Island Power REIT Corporation was incorporated on March 4, 2022.



## Report of Independent Auditors on Components of Financial Soundness Indicator

Punongbayan & Araullo

20<sup>th</sup> Floor, Tower 1

The Enterprise Center

6766 Ayala Avenue

1200 Makati City

Philippines

T +63 2 8988 2288

The Board of Directors and Stockholders  
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Philamlife Pamplona Dos Las Piñas  
Las Piñas City

We have audited, in accordance with Philippine Standards on Auditing, the financial statements of Premiere Island Power REIT Corporation (the REIT) for the period March 4, 2022 to December 31, 2022 and have issued our report thereon dated April 27, 2023. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Supplementary Schedule on Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the REIT's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRS) and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for the purpose of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the basic financial statements prepared in accordance with PFRS. The components of these financial soundness indicators have been traced to the REIT's financial statements as at December 31, 2022 and no material exceptions were noted.

### PUNONGBAYAN & ARAULLO

  
By: **Nelson J. Dinio**  
Partner

CPA Reg. No. 0097048

TIN 201-771-632

PTR No. 9566632, January 3, 2023, Makati City

SEC Group A Accreditation

Partner - No. 97048-SEC (until financial period 2023)

Firm - No. 0002 (until Dec. 31, 2024)

BIR AN 08-002511-032-2022 (until Oct. 13, 2025)

Firm's BOA/PRC Cert. of Reg. No. 0002 (until Aug. 27, 2024)

April 27, 2023

**PREMIERE ISLAND POWER REIT CORPORATION**  
**Supplemental Schedule of Financial Soundness Indicators**  
**December 31, 2022**

Ratio	Formula	2022
Current ratio	Total Current Assets divided by Total Current Liabilities	3.19
	Total Current Assets	P 397,616,696
	Divide by: Total Current Liabilities	124,568,420
	Current ratio	3.19
Acid test ratio	Quick assets (Total Current Assets less Inventories and Other Current Assets) divided by Total Current Liabilities	2.82
	Total Current Assets	P 397,616,696
	Less: Other Current Assets	( 46,020,892)
	Quick Assets	351,595,804
	Divide by: Total Current Liabilities	124,568,420
Acid test ratio	2.82	
Solvency ratio	Total Liabilities divided by Total Assets	0.01
	Total Liabilities	P 131,040,180
	Divide by: Total Assets	8,898,574,810
	Solvency ratio	0.01
Debt-to-equity ratio	Total Liabilities divided by Total Equity	0.01
	Total Liabilities	P 131,040,180
	Divide by: Total Equity	8,767,534,630
	Debt-to-equity ratio	0.01
Assets-to-equity ratio	Total Assets divided by Total Equity	1.01
	Total Assets	P 8,898,574,810
	Divide by: Total Equity	8,767,534,630
	Assets-to-equity ratio	1.01
Return on equity	Net Profit divided by Total Equity	0.0159
	Net Profit	P 139,229,076
	Divide by: Total Equity	8,767,534,630
	Return on equity	0.0159
Return on assets	Net Profit divided by Total Assets	0.0156
	Net Profit	P 139,229,076
	Divide by: Total Assets	8,898,574,810
	Return on assets	0.0156
Book value per share	Total Equity divided by Outstanding Shares	2.67
	Total Equity	P 8,767,534,630
	Divide by: Outstanding Shares	3,288,669,000
	Book value per share	2.67
Earnings per share	Net Profit divided by Weighted Average Outstanding Shares	0.06
	Net Profit	P 139,229,076
	Divide by: Weighted Average Outstanding Shares	2,302,069,800
	Earnings per share	0.06