loss in the parent company financial statements. However, financing and income taxes are not allocated to operating segments.

Contingencies
Contingent liabilities are not recognized in the Parent Company financial statements. These are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are likewise not recognized in the parent company financial statements but are disclosed when an inflow of economic benefits is probable.

Events After the Reporting Period
Post year-end events that provide additional information about the Parent Company's position at the reporting period (adjusting events) are reflected in the parent company financial statements. Post year-end events that are not adjusting events are disclosed in the notes to the parent company financial statements when material.

3. Significant Accounting Judgments and Estimates

The Parent Company's financial statements, prepared in compliance with PFRSs, require the Parent Company to make judgments and estimates that affect amounts reported in the parent company financial statements and related notes. In preparing these financial statements, the Parent Company made its best judgments and estimates of certain amounts, giving due consideration to materiality. The Parent Company believes that the following represent a summary of these significant accounting judgments and estimates and the related impact and associated risks in the parent company financial statements.

Judgments

Determining the Classification and Valuation of Assets and Liabilities and Measurement of Revenues, Costs and Expenses Related to the Acquisition of the 153.1 MW Naga Power Plant Complex (NPPC). The legal developments as discussed in Note 26 required the Parent Company to exercise judgment relating to the classification and valuation of assets and liabilities, and measurement of revenues, costs and expenses in relation to the NPPC acquisition. Since the Supreme Court (SC) decisions did not specifically rule how the nullified transaction will be treated and settled between the Parent Company and PSALM, management, in consultation with external legal counsels, exercised its due judgment on how these decisions will be implemented. The Parent Company assessed that it is appropriate to recognize a receivable as of December 31, 2017 and 2016 and exercised judgments regarding the amount of claim to be recognized and the expected timing of when that claim will be collected. Thus, the Parent Company derecognized in 2015, the NPPC from property, plant and equipment and the prepaid rent, and recognized a noncurrent receivable from PSALM of ₱1.143 billion, which is equivalent to the purchase price of the NPPC and land lease rental paid by the Parent Company to PSALM in 2014.

After the Entry of Judgment on November 28, 2016, the date when the SC decisions became final and executory, the Parent Company in exercising its legal right of retention, continued operating the NPPC as the best way to preserve it pending turnover of the NPPC and settlement of possible claims and counterclaims between the Parent Company and PSALM. The Parent Company assessed that the income from the operation of NPPC is a necessary consequence of its operation of NPPC as the best way to preserve it in preparation for the eventual turnover to PSALM. The income from operation of the NPPC (net of directly related costs and expenses) amounted to ₱121.5 million in 2017 and was recognized as part "Other income" in the parent company statement of comprehensive income. The income in 2016 from operation of NPPC after November 28, 2016 is not material. Any adjustments arising from the final settlement will be taken up in the parent company financial statements as these are determined. In addition, prior to November 28, 2016, revenues recognized in 2016 and 2015 amounted to ₱390.2 million and ₱243.6 million, respectively; while the related cost and expenses recognized amounted to ₱372.9 million and ₱210.6 million, respectively.

Estimates

Estimating Allowance for Doubtful Accounts. The Parent Company maintains allowance for impairment losses at a level that management considers adequate to provide for potential uncollectability of receivables. The Parent Company evaluates specific accounts where the Parent Company has information that certain customer or third parties are unable to meet its financial obligations. Also included in the assessment are the dividends receivable, due from NPC/PSALM, due from related parties and noncurrent receivable (included under "Other noncurrent assets"). Factors, such as the Parent Company's length of relationship with the customers or other parties and the customers' or other parties' current credit status, are considered to ascertain the amount of reserves that will be recorded in the trade and other receivables, dividends receivable, due from NPC/PSALM, due from related parties and noncurrent receivable (included under "Other noncurrent assets") in the parent company statement of financial position. These reserves are re-evaluated and adjusted as additional information is received.

In addition to specific allowance against individually significant loans and receivables, the Parent Company also makes a collective assessment of allowance against exposures which, although not specifically identified as requiring a specific allowance, have a greater risk of default than when originally granted.

Allowance for doubtful accounts amounted to ₱1.4 million and nil as of December 31, 2017 and 2016, respectively. The carrying value of these receivables, net of allowance for doubtful accounts, amounted to ₱1,255.3 million and ₱1,704.5 million as of December 31, 2017 and 2016, respectively (see Notes 5, 6, 7 and 13).

Estimating Allowance for Materials and Supplies Obsolescence. The Parent Company provides allowance for obsolescence related to materials and supplies whenever the value of these materials and supplies becomes lower than cost due to damage, physical deterioration or obsolescence. The amounts and timing of the recorded expenses for any period would differ if the Parent Company made different judgments or utilized different estimates. An increase in allowance for obsolescence would increase recorded expenses and decrease current assets.

Allowance for obsolescence amounted to ₱85.5 million as of December 31, 2017 and 2016 (see Note 8). The carrying value of the materials and supplies, net of allowance for obsolescence, amounted to ₱318.5 million and ₱62.9 million as of December 31, 2017 and 2016, respectively (see Note 8). In 2016, reversal of allowance for obsolescence amounted to ₱9.2 million, and provision for obsolescence for inventories presented as property, plant and equipment amounted to ₱5.7 million.

Estimating Useful Lives of Property, Plant and Equipment. The Parent Company estimates the useful lives of property, plant and equipment based on the period over which the assets are expected to be available for use or lease term, whichever is shorter. The estimated useful lives of property, plant 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. In addition, the estimation of the useful lives of property, plant and equipment is based on collective assessment of internal technical evaluation and experience with similar assets. However, it is possible that future results of operations could be materially affected by changes in estimates brought about by changes in factors mentioned above. The amounts and timing of recording expenses for any period would be affected by changes in these factors and circumstances.

The Parent Company recognized depreciation expense amounting to ₱1.2 million, ₱1.0 million and ₱52.4 million in 2017, 2016 and 2015, respectively (see Note 21). As of December 31, 2017 and 2016, the aggregate net book values of property, plant and equipment amounted to ₱41.6 million and ₱38.6 million, respectively (see Note 12).

Estimating Impairment of Property, Plant and Equipment. Property, plant and equipment are reviewed and tested whenever there is an indication of impairment and are reassessed at least each reporting date. Factors such as significant underperformance of an asset relative to expected historical or projected future operating results, significant changes in the manner of use of the acquired assets, or significant negative industry or economic trends are considered by the Parent Company in assessing whether there is an indication that an asset's carrying amount may exceed its recoverable amount.

The Parent Company recognized impairment loss on amounting to ₱5.7 million in 2016 and nil in 2017 and 2015. As of December 31, 2017 and 2016, the aggregate net book values of property, plant and equipment amounted to ₱414.0 million and ₱275.0 million, respectively (see Note 12).

Estimating Impairment of Investments in Associates and Investments in Subsidiaries. The Parent Company assesses whether there are any indicators of impairment on investments in associates and subsidiaries at each reporting date. Investments in associates and subsidiaries are tested for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. The recoverable amount of investments in associates and investments subsidiaries is based on fair value less cost to sell. Fair value less cost to sell is determined to be the amount obtainable from the sale of the underlying net assets of the associate or subsidiary. The carrying amounts of investments in associates as of December 31, 2017 and 2016 amounted to ₱2,852.5 million (see Note 10). The carrying amounts of investments in subsidiaries as of December 31, 2017 and 2016 amounted to ₱341.2 million (see Note 11). Based on management's assessment, the Parent Company's investments in associates and investments in subsidiaries are fairly stated, thus no impairment loss was recognized in 2017, 2016 and 2015.

Estimating Asset Retirement Obligation. The Parent Company has a contractual obligation under the LLA with PSALM to dismantle installed assets and restore the leased premises to their original condition at the end of the lease term (see Notes 15 and 25). These estimated costs of dismantlement and restoration assume third party estimates. Such estimate was projected using an average inflation rate of 3.49% and was discounted using a rate of 3.89% representing the risk-free rate for the remaining years of the LLA.

The amount and timing of recorded expenses for any period would differ if different assumptions are used. An increase in computed ARO would increase the recorded asset, depreciation and noncurrent liability.

As of December 31, 2017 and 2016, the ARO has a carrying value of ₱22.6 million and ₱21.8 million, respectively (see Note 15).

Estimating Realizability of Deferred Income Tax Assets. The Parent Company reviews the carrying amounts of deferred income tax assets at each reporting date and reduces deferred income tax assets to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax assets to be utilized. However, there is no assurance that the Parent Company will utilize all or part of the deferred income tax assets. The Parent Company's assessment on the recognition of deferred income tax assets on deductible temporary differences is based upon the likely timing and level of future taxable profits determined from the tax planning strategies of the Parent Company. The Parent Company elected to avail of the Optional Standard Deduction (OSD) starting 2010 and plans to avail of such in certain number of years thereafter. Thus, certain deferred income tax assets were recognized on this basis. The Parent Company has deferred income tax assets amounting to ₱6.8 million and ₱6.5 million as of December 31, 2017 and 2016, respectively (see Note 22).

Determining Fair Value of Financial Assets and Financial Liabilities. PFRS requires that certain financial assets and liabilities be carried at fair value, which requires extensive use of accounting estimates and judgment. While significant components of fair value measurement were determined using verifiable objective evidence (i.e., foreign exchange rates, interest rates, volatility rates), the amount of change in fair value would differ if the Parent Company utilized a different valuation methodology. Any change in fair value of these financial assets and liabilities would affect the parent company statement of comprehensive income and the parent company statements of changes in equity.

Fair value of financial assets as of December 31, 2017 and 2016 amounted to ₱2,304.4 million and ₱2,325.0 million, respectively. Fair value of financial liabilities as of December 31, 2017 and 2016 amounted to ₱773.0 million and ₱982.0 million, respectively.

4. Cash and Cash Equivalents

This account consists of:

	2017	2016
Cash on hand and in banks	**₱786,755,352**	₱256,195,412
Short-term investments	**261,080,012**	362,976,496
	₱1,047,835,364	₱619,171,908

Cash in banks earn interest at the respective bank deposit rates. Short-term investments are made for varying periods of up to three months or less, depending on the immediate cash requirements of the Parent Company, and earn interest at the prevailing short-term investment rates. Total interest income amounted to ₱10.6 million, ₱16.9 million and ₱7.2 million in 2017, 2016 and 2015, respectively.

5. Related Party Transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party in making financial and operating decisions or the parties are subject to common control or common significant influence. The Parent Company, in the normal course of business, has significant transactions with related parties which principally consist of the following:

- Management services rendered to SPC Island Power Corporation (SIPC) where management fee earned by the Parent Company amounted to ₱0.4 million in 2017, 2016 and 2015 is included as part of "Others - net" in the parent company statements of comprehensive income.

- Extension of noninterest-bearing advances to SIPC for working capital requirements and receivables relating to the purchase of materials and supplies made by the parent company on behalf of SIPC and payment made by the Parent Company on behalf of SIPC for the settlement of penalties imposed on Mactan Electric Company, Inc. (MECO) for non-compliance to Energy Regulatory Commission (ERC) rules amounted to ₱452.3 million in 2016. Outstanding receivables related to these transactions amounted to ₱0.6 million and ₱450.8 million as of December 31, 2017 and 2016, respectively.

- Sale of excess inventory to SIPC amounted to ₱13.8 million in 2016 is included as part of "Trade and other receivables" in the parent company statement of financial position as of December 31, 2016 (see Note 6).

- Extension of short-term, noninterest-bearing advances to KEPCO SPC Power Corporation (KSPC), an associate, for the development of the 2x100 MW Circulating Fluidized Bed Combustion (CFBC) Boiler Coal-Fired Power Plant in Naga, Cebu. Outstanding advances to KSPC amounted to ₱0.7 million as of December 31, 2017 and 2016.

- Extension of noninterest-bearing advances to Bohol Light Company, Inc. (BLCI) for working capital requirements. Outstanding advances amounted to ₱0.1 million and ₱0.2 million as of December 31, 2017 and 2016, respectively.

- Rendering of management and other services to MECO amounting to ₱100.0 million, ₱54.5 million and ₱14.5 million in 2017, 2016 and 2015, respectively, is recorded as "Service income" in the parent company statements of comprehensive income.

- Cash dividends received from associates (KSPC and MECO) amounted to ₱1,028.3 million, ₱213.4 million and ₱704.2 million in 2017, 2016 and 2015, respectively (see Note 10).

- Cash dividends received from subsidiaries, SIPC, BLCI, SPC Electric Company, Inc.(SECI), SPC Malaya Power Corporation (SMPC), and SPC Light Company, Inc. (SLCI) amounted to ₱726.4 million, ₱506.2 million and ₱343.4 million in 2017, 2016 and 2015, respectively (see Note 11). Outstanding dividends receivable from subsidiaries amounted to nil and ₱39.5 million as of December 31, 2017 and 2016, respectively.

- Lease of office spaces from SPC Properties Development Corporation (SPDC) and SPEC Properties, Inc. (SPEC). The aggregate rental expense amounted to ₱3.9 million in 2017 and 2016 and ₱3.5 million in 2015 (see Note 19). Outstanding payable totaled to ₱0.7 million and ₱1.0 million as of December 31, 2017 and 2016, respectively.

- Extension/availment of noninterest-bearing advances to/from related parties for working capital requirements.

The results of these transactions are presented in the appropriate accounts in the Parent Company financial statements. The amounts of due from/due to related parties and trade and other receivables follow:

	2017			
Category	Amount/Volume	Outstanding Balance - Receivable (Payable)	Terms	Conditions
Subsidiaries				
Management services:				
SIPC	₱410,714	₱–	60-day; noninterest-bearing	Unsecured, no impairment
Extension (availment) of advances:				
SIPC	1,837,300	(1,367,089)	60-day; noninterest-bearing	Unsecured
	1,594,228	607,769	60-day; noninterest-bearing	Unsecured, no impairment
BLCI	208,425	116,950	60-day; noninterest-bearing	Unsecured, no impairment
	41,577	(41,857)	60-day; noninterest-bearing	Unsecured
SMPC	98,452	98,452	60-day; noninterest-bearing	Unsecured, no impairment
SECI	5,959	5,959	60-day; noninterest-bearing	Unsecured, no impairment
SLCI	5,599	5,599	60-day; noninterest-bearing	Unsecured, no impairment
CNPC	20,270	102,636	60-day; noninterest-bearing	Unsecured, no impairment
Dividend income (see Note 11):				
SIPC	699,999,860	–	Due and demandable	Unsecured, no impairment
BLCI	14,962,497	–	Due and demandable	Unsecured, no impairment
SECI	7,999,998	–	Due and demandable	Unsecured, no impairment
SLCI	2,000,000	–	Due and demandable	Unsecured, no impairment
SMPC	1,459,971	–	Due and demandable	Unsecured, no impairment
Associates				
Management services:				
MECO	100,006,366	–	60-day; noninterest-bearing	Unsecured, no impairment
Extension (availment) of advances:				
KSPC	–	719,579	60-day; noninterest-bearing	Unsecured, no impairment
Dividend income (see Note 10):				
KSPC	968,339,126	–	Due and demandable	Unsecured, no impairment
MECO	59,999,933	–	Due and demandable	Unsecured, no impairment
Affiliates (Companies Under Common Ownership)				
Lease of office space:				
SPEC	3,192,902	(553,201)	30-day; noninterest-bearing	Unsecured
SPDC	671,177	(111,863)	30-day; noninterest-bearing	Unsecured
Extension (availment) of advances:				
BWUI	644,308	553,870	60-day; noninterest-bearing	Unsecured, no impairment
SPDC	434,027	(66,951)	60-day; noninterest-bearing	Unsecured
	82,861	82,861	60-day; noninterest-bearing	Unsecured, no impairment

(Forward)

2017				
Category	Amount/Volume	Outstanding Balance - Receivable (Payable)	Terms	Conditions
Salcon International, Inc. (SII)	₱50,949	₱50,949	60-day; noninterest-bearing	Unsecured, no impairment
Salcon Philippines, Inc. (SPI)	46,170	46,170	60-day; noninterest-bearing	Unsecured, no impairment
SIPC Water Resources, Inc. (SWRI)	11,738	158,164	60-day; noninterest-bearing	Unsecured, no impairment
Western Panay Hydropower Corp. (WPHC)	11,238	63,504	60-day; noninterest-bearing	Unsecured, no impairment
Pure and Pam, Inc.	–	75,000	60-day; noninterest-bearing	Unsecured, no impairment
SPEC	66,391	66,391	60-day; noninterest-bearing	Unsecured, no impairment
KV Holdings, Inc.	3,649	3,649	60-day; noninterest-bearing	Unsecured, no impairment
Kepco Philippines Corp.	–	(497,043)	60-day; noninterest-bearing	Unsecured
Officers and employees	5,105,534	5,943,682	60-day; non-interest bearing	Unsecured, no impairment

2016				
Category	Amount/Volume	Outstanding Balance - Receivable (Payable)	Terms	Conditions
Subsidiaries				
Management services:				
SIPC	₱410,714	₱–	60-day; noninterest-bearing	Unsecured, no impairment
Extension (availment) of advances:				
SIPC	452,255,714	450,842,406	60-day; noninterest-bearing	Unsecured, no impairment
	3,421,611	(647,275)	60-day; noninterest-bearing	Unsecured
BLCI	345,708	199,472	60-day; noninterest-bearing	Unsecured, no impairment
	13,123	(13,123)	60-day; noninterest-bearing	Unsecured
CNPC	55,687	82,366	60-day; noninterest-bearing	Unsecured, no impairment
SMPC	38,388	66,000	60-day; noninterest-bearing	Unsecured, no impairment
SLCI	11,730	20,332	60-day; noninterest-bearing	Unsecured, no impairment
SECI	6,830	13,428	60-day; noninterest-bearing	Unsecured, no impairment
Sale of excess inventory (see Note 6):				
SIPC	13,803,765	13,803,765	Due and demandable	Unsecured, no impairment
Dividend income (see Note 11):				
SIPC	449,999,910	–	Due and demandable	Unsecured, no impairment
SLCI	19,999,997	19,999,997	Due and demandable	Unsecured, no impairment
BLCI	36,209,242	19,451,245	Due and demandable	Unsecured, no impairment
Associates				
Management services:				
MECO	54,549,214	–	60-day; noninterest-bearing	Unsecured, no impairment
Extension (availment) of advances:				
MECO	26,035	–	60-day; noninterest-bearing	Unsecured, no impairment
KSPC	–	719,579	60-day; noninterest-bearing	Unsecured, no impairment

(Forward)

		2016		
Category	Amount/Volume	Outstanding Balance - Receivable (Payable)	Terms	Conditions
Dividend income (see Note 10):				
KSPC	₱133,360,000	₱–	Due and demandable	Unsecured, no impairment
MECO	79,999,877	–	Due and demandable	Unsecured, no impairment
Affiliates (Companies Under Common Ownership)				
Lease of office space:				
SPEC	3,192,902	(798,225)	30-day; noninterest-bearing	Unsecured
SPDC	671,177	(167,794)	30-day; noninterest-bearing	Unsecured
Extension (availment) of advances:				
Kepco Philippines Corp	497,043	(497,043)	60-day; noninterest-bearing	Unsecured
SPDC	355,855	146,556	60-day; noninterest-bearing	Unsecured, no impairment
	129,643	(192,912)	60-day; noninterest-bearing	Unsecured
BWUI	171,444	18,239	60-day; noninterest-bearing	Unsecured, no impairment
SPEC	63,948	140,531	60-day; noninterest-bearing	Unsecured, no impairment
Salcon International, Inc. (SII)	44,279	90,669	60-day; noninterest-bearing	Unsecured, no impairment
Salcon Philippines, Inc. (SPI)	39,126	151,528	60-day; noninterest-bearing	Unsecured, no impairment
SIPC Water Resources, Inc. (SWRI)	21,653	146,427	60-day; noninterest-bearing	Unsecured, no impairment
Western Panay Hydropower Corp. (WPHC)	21,653	52,266	60-day; noninterest-bearing	Unsecured, no impairment
KV Holdings, Inc.	13,939	18,736	60-day; noninterest-bearing	Unsecured, no impairment
Pure and Pam, Inc.	–	75,000	60-day; noninterest-bearing	Unsecured, no impairment
Officers and employees	5,105,534	5,943,682	60-day; non-interest bearing	Unsecured, no impairment

Compensation and Benefits of Key Management Personnel

The Parent Company considers all senior officers as key management personnel. The compensation of key management personnel follows:

	2017	2016	2015
Short-term benefits	**₱30,238,987**	₱31,889,772	₱32,876,102
Pension expense	**337,679**	159,000	194,772
	₱30,576,666	₱32,048,772	₱33,070,874

6. Trade and Other Receivables

This account consists of:

	2017	2016
Receivable from:		
National Grid Corporation of the Philippines (NGCP)	**₱57,669,068**	₱32,337,524
Philippine Electricity Market Corp. (PEMC) (net of allowance for doubtful accounts of ₱1.4 million and nil in 2017 and 2016, respectively)	**23,759,928**	8,193,085
Contractors and suppliers	**4,711,000**	452,132
SIPC (see Note 5)	**–**	13,803,765
Others	**21,967,802**	13,063,390
	₱108,107,798	₱67,849,896

Receivables from NGCP pertain to service fees arising from the provision of ancillary services per contract between the Parent Company and NGCP effective September 26, 2015.

Receivables from PEMC pertain to sale of electricity generated and sold to the WESM.

Others consist of advances to officers and employees, insurance claims and accrued interest receivables from short-term investments.

Allowance for doubtful accounts pertains to trade receivables that are individually determined to be impaired at reporting date. These relate to debtor who has defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

7. Due from/Due to NPC/PSALM

This account consists of:

	Due from NPC/PSALM		Due to NPC/PSALM	
	2017	2016	**2017**	2016
Cost of fuel purchases and others (see Note 26)	**₱–**	₱–	**₱511,650,588**	₱312,155,975
Others	**1,175,128**	1,175,128	**–**	–
	₱1,175,128	₱1,175,128	**₱511,650,588**	₱312,155,975

Cost of fuel purchases and other adjustments substantially pertains to the cost of fuel used in the operation of the NPPC. Based on management's assessment of the timing when these are to be settled, cost of fuel purchases and other adjustments amounting to ₱511.7 million and ₱303.4 million as of December 31, 2017 and 2016, respectively, are presented as current liabilities, and ₱8.7 million as of December 31, 2016 is presented as a noncurrent liability (see Note 26).

Others mainly consist of outstanding amounts reimbursable by PSALM for other services rendered under OMSC.

8. Materials and Supplies

This account consists of:

	2017	2016
On hand - at NRV (net of allowance for obsolescence and impairment of ₱85.5 million in 2017 and 2016)	**₱315,966,917**	₱33,943,653
In transit - at cost	**2,557,385**	28,933,242
At lower of cost and NRV	**₱318,524,302**	₱62,876,895

Materials and supplies include fuel, lubricants, chemicals, spare parts, supplies and other consumables used in the operations, repairs and maintenance of plant, property and equipment.

The cost of materials and supplies recognized as part of "Others - net" amounted to ₱325.5 million in 2017 (see Note 26) and "Cost of services" amounted to ₱167.6 million and ₱134.9 million in 2016 and 2015, respectively, in the parent company statements of comprehensive income (see Note 18).

9. Prepayments and other current assets

This account consists of:

	2017	2016
Input VAT	**₱58,978,672**	₱10,160,596
Prepaid rent	**2,843,872**	2,378,872
Prepaid insurance	**2,095,486**	540,790
Deferred input tax	**863,866**	789,043
Others	**55,755,420**	33,299,189
	₱120,537,316	₱47,168,490

"Others" mainly consists of deferred input vat of fuel owned by PSALM used in the operations of NPPC but still to be invoiced to the Parent Company.

10. Investments in Associates

The Parent Company's associates, corresponding equity ownership and acquisition cost follow:

	Principal Activity	% of Ownership	2017	2016
KSPC	Power generation	40.0	**₱2,472,464,616**	₱2,472,464,616
MECO	Power distribution	40.0	**380,000,752**	380,000,752
			₱2,852,465,368	₱2,852,465,368

On October 12, 2016, the Parent Company exercised its pre-emptive rights over the additional shares issued by MECO and acquired 7,999,987 common shares, with a par value of ₱10 per share, or for a total consideration of ₱80.0 million.

KSPC

Summarized financial information pertaining to KSPC as of and for the years ended December 31 follows:

	2017	2016
Statements of financial position:		
Current assets	**₱2,982,862,285**	₱5,763,978,320
Noncurrent assets	**11,862,369,837**	12,560,352,284
Current liabilities	**645,576,392**	3,458,553,357
Noncurrent liabilities	**714,506,076**	1,522,615,119
Equity	**13,485,149,654**	13,343,162,128
Statements of comprehensive income:		
Revenue	**8,317,177,602**	6,750,634,088
Gross profit	**3,708,509,782**	3,045,977,315
Net income	**2,563,051,257**	2,566,070,825
Other comprehensive income (loss)	**(215,914)**	2,219,511
Total comprehensive income	**2,562,835,343**	2,568,290,336

KSPC declared and paid cash dividends to the Parent Company amounting to ₱968.3 million, ₱133.4 million and ₱624.2 million in 2017, 2016 and 2015, respectively (see Note 5).

MECO

Summarized financial information pertaining to MECO as of and for the years ended December 31 follows:

	2017	2016
Statements of financial position:		
Current assets	**₱2,539,970,643**	₱2,369,092,558
Noncurrent assets	**2,135,870,438**	1,980,366,090
Current liabilities	**699,418,468**	640,886,379
Noncurrent liabilities	**1,799,843,043**	1,640,916,262
Equity	**2,176,579,570**	2,067,656,007
Revaluation increment on property, plant and equipment, and others	**209,371,063**	230,501,121
Statements of comprehensive income:		
Revenue	**5,324,917,027**	5,093,225,666
Gross profit	**209,173,187**	380,367,434
Net income	**250,336,245**	341,866,639
Other comprehensive loss	**(479,591)**	(351,809)
Total comprehensive income	**249,856,654**	341,514,830
Income after adjustment of depreciation on appraisal increase and others	**280,522,042**	372,741,612

MECO declared and paid cash dividends to the Parent Company amounting to ₱60.0 million in 2017 and ₱80.0 million in 2016 and 2015 (see Note 5).

The carrying value of the investment in KSPC and MECO is reviewed at each reporting date whether the investment account is impaired. Based on management's assessment, no impairment was recognized in 2017, 2016 and 2015.

11. Investments in Subsidiaries

Details of the Parent Company's investments in subsidiaries as of December 31, 2017 and 2016 are as follows:

	Principal Activity	% of Ownership	Amount
SIPC	Power generation	100.0	₱274,999,995
BLCI	Power distribution	39.9	45,653,125
SLCI	Holding company	40.0	12,609,198
SECI	Holding company	40.0	7,565,518
CNPC	Power generation	100.0	249,995
SMPC	Power generation	40.0	99,998
			₱341,177,829

Cash dividends declared by the subsidiaries in the last three years are summarized as follows:

			Amount	
Declared By	Date of Declaration	Record Date	Gross (in millions)	Per Share
2017				
SIPC	November 20, 2017	December 6, 2017	₱700.0	₱28.0 (common)
SLCI	November 20, 2017	December 6, 2017	5.0	0.1586
BLCI	August 8, 2017	August 15, 2017	15.0	0.20
	December 6, 2017	December 15, 2017	22.5	0.30
SECI	November 20, 2017	December 6, 2017	20.0	1.0574
SMPC	November 20, 2017	December 6, 2017	3.65	14.60
2016				
BLCI	June 17, 2016	June 30, 2016	42.0	0.56
	December 12, 2016	December 19, 2016	48.8	0.65
SIPC	November 21, 2016	December 1, 2016	450.0	18.0 (common)
SLCI	December 13, 2016	December 2, 2016	50.0	1.59
2015				
BLCI	December 10, 2015	November 30, 2015	40.0	0.5
SMPC	December 15, 2015	December 28, 2015	68.5	274.6
SIPC	December 7, 2015	November 30, 2015	300.0	12.0 (common)

12. Property, Plant and Equipment

This account consists of:

2017	Buildings, Plant Machinery and Equipment	Motor Vehicles	Furniture and Office Equipment	Partitions and Air Conditioners	Construction in Progress	Total
Cost						
At January 1	₱98,148,109	₱20,172,619	₱15,413,139	₱6,419,812	₱236,397,777	₱376,551,456
Additions	–	3,899,107	218,477	–	136,060,701	140,178,285
Disposal	–	(1,077,200)	–	–	–	(1,077,200)
At December 31	98,148,109	22,994,526	15,631,616	6,419,812	372,458,478	515,652,541
Accumulated Depreciation and Impairment						
At January 1	60,792,951	19,990,675	14,780,658	5,947,660	–	101,511,944
Depreciation during the year (see Note 21)	–	715,522	322,684	142,578	–	1,180,784
Disposal	–	(1,077,200)	–	–	–	(1,077,200)
At December 31	60,792,951	19,628,997	15,103,342	6,090,238	–	101,615,528
Net Book Value	₱37,355,158	₱3,365,529	₱528,274	₱329,574	₱372,458,478	₱414,037,013

2016	Buildings, Plant Machinery and Equipment	Motor Vehicles	Furniture and Office Equipment	Partitions and Air Conditioners	Construction in Progress	Total
Cost						
At January 1	₱99,030,137	₱20,515,961	₱14,903,795	₱6,419,812	₱6,750,482	₱147,620,187
Additions	–	–	509,344	–	236,397,777	236,907,121
Disposal	(1,549,996)	(343,342)	–	–	–	(1,893,338)
Transfers/adjustments (see Note 13)	667,968	–	–	–	(6,750,482)	(6,082,514)
At December 31	98,148,109	20,172,619	15,413,139	6,419,812	236,397,777	376,551,456
Accumulated Depreciation and Impairment						
At January 1	56,642,947	20,334,017	14,017,558	5,709,797	–	96,704,319
Depreciation during the year (see Note 21)	–	–	763,100	237,863	–	1,000,963
Impairment (see Note 19)	5,700,000	–	–	–	–	5,700,000
Disposal	(1,549,996)	(343,342)	–	–	–	(1,893,338)
At December 31	60,792,951	19,990,675	14,780,658	5,947,660	–	101,511,944
Net Book Value	₱37,355,158	₱181,944	₱632,481	₱472,152	₱236,397,777	₱275,039,512

On June 30, 2016, PSALM turned over the Power Barge (PB) 104 to the Parent Company for rehabilitation prior to commercial operation. Pending completion of the rehabilitation and prior to the start of commercial operation, the total acquisition and rehabilitation costs amounted to ₱372.5 million and ₱236.4 million as of December 31, 2017 and 2016, respectively, and is presented as "Construction in progress" included under "Property, plant and equipment" in the parent company statements of financial position. The rehabilitation of the PB 104 is expected to be completed within the second quarter of 2018.

Provision for impairment losses of ₱5.7 million was recognized in 2016 to write down machinery and equipment to their net realizable value (see Note 19).

Cost of fully depreciated property, plant and equipment that are still being used by the Parent Company amounted to ₱51.6 million and ₱59.0 million as of December 31, 2017 and 2016, respectively.

13. Other Noncurrent Assets

This account consists of:

	2017	2016
Noncurrent receivable (see Note 26)	**₱1,143,240,000**	₱1,143,240,000
Software costs (net of accumulated amortization of ₱1.2 million and ₱0.6 million in 2017 and 2016, respectively) (see Note 21)	**4,866,011**	5,474,263
Available-for-sale investments	**1,300,000**	1,300,000
Others	**5,937,327**	12,398,956
	₱1,155,343,338	₱1,162,413,219

Available-for-sale financial assets pertain to the Parent Company's investments in proprietary golf club shares.

14. Trade and Other Payables

This account consists of:

	2017	2016
Trade	**₱232,908,105**	₱61,391,870
Nontrade	**33,965,831**	7,919,185
Accrued expenses	**24,732,144**	21,451,637
	₱291,606,080	₱90,762,692

Trade payables pertain to purchases of goods and services. These are noninterest-bearing and are normally settled on 30-60 days terms.

Accrued expenses includes accrued interest on bank loans, withholding taxes and terminal leave pay of certain employees who were rehired following the end of the Cooperation Period on March 25, 2012 (see Notes 1).

Nontrade payables include accrual for deferred output VAT (tax) of ₱26.4 million and nil as of December 31, 2017 and 2016, respectively.

15. Asset Retirement Obligation

As discussed in Notes 2, 3 and 25, the Parent Company has a contractual obligation under the LLA with PSALM to dismantle installed assets and restore the leased premises to their original condition at the end of the lease term. In this regard, the Parent Company established an obligation to recognize its estimated liability for asset retirement.

	2017	2016
At January 1	**₱21,788,601**	₱20,971,903
Accretion of interest	**848,503**	816,698
At December 31	**₱22,637,104**	₱21,788,601

The actual dismantlement and restoration cost could vary substantially from the above estimate because of new regulatory requirements, changes in technology, increased cost of labor, materials, and equipment and/or actual time required to complete all dismantlement and removal activities.

16. Long-term Debts

- On October 28, 2014, the Parent Company availed of a six-year-term ₱650.0 million loan from a local bank maturing on October 28, 2020:

			Principal	
Interest Rate	Payment Schedule	Collateral	**2017**	2016
Repriced every October 28 and April 28 based on PDST-R2 3 mos. plus all-in spread of 2%	Nine (9) equal semi-annual installments of ₱72,222,222 over a period of 4 years starting October 28, 2016	None	₱–	₱577,777,778
Less unamortized transaction costs			–	1,549,263
			–	576,228,515
Less current portion			–	144,444,447
			₱–	₱431,784,068

The loan proceeds were used to pay-off the ₱650.0 million short-term debt availed by the Parent Company in May 2014 that was used to finance the acquisition of the Naga Power Plant in September 2014 (see Note 26). The outstanding loan balance amounting to ₱431.8 million as of December 31, 2016 was prepaid on October 28, 2017. Interest expense from this loan amounted to ₱19.2 million, ₱26.0 million and ₱27.2 million in 2017, 2016 and 2015, respectively.

The loan agreement provides, among others, that the Parent Company shall not, without prior written consent of the creditor: incur additional loans; purchase its issued and outstanding shares of stocks; change, alter or modify or permit any changes, alteration or modification in the nature of its business on which it is presently conducted, or otherwise change, alter or modify the purpose for which the Parent Company was formed; declare or distribute dividends (see Note 17) or allow advances to its officers and/or stockholders or any of its subsidiaries or affiliates or return any capital to its stockholders. As of December 31, 2016, the Parent Company has complied with the debt covenants.

- In October 2009, the Parent Company availed of a seven-year-term US$4.0 million loan from a local bank maturing on October 28, 2016 for which the loan proceeds were used to partly finance the acquisition of the Panay and Bohol Diesel Power Plants by SIPC in 2009. The outstanding balance of the loan amounting to ₱31.5 million as of December 31, 2015 was fully paid on October 28, 2016. Interest expense from this loan amounted to ₱0.6 million and ₱1.5 million in 2016 and 2015, respectively.

17. Equity

Capital Stock

There were no changes in the Parent Company's authorized, issued and outstanding common shares as of December 31, 2017 and 2016:

Issued shares	**1,569,491,900**
Treasury shares, December 31	**(72,940,097)**
Issued and outstanding shares, December 31	**1,496,551,803**

On various dates in 2002 and 2012, the Parent Company registered with SEC its 1,569,491,900 common shares that were offered to the public at an issue price of ₱1.80 per share. Gross proceeds from this issuance of new shares amounted to ₱2.8 billion. As of December 31, 2017, the Parent Company has 782 stockholders including 73 depository participants counted as one stockholder each.

As of December 31, 2017 and 2016, the Parent Company complied with the Minimum Public Ownership requirement of the PSE for listed entities.

Dividends

On November 20, 2017, the BOD approved the declaration of cash dividends equivalent to ₱0.40 per share or for a total of ₱598.6 million to all stockholders of record as of December 6, 2017 payable on December 14, 2017.

On May 30, 2017, the BOD approved the declaration of cash dividends equivalent to ₱0.40 per share or for a total of ₱598.6 million to all stockholders of record as of June 14, 2017 payable on June 30, 2017.

On March 30, 2016, the BOD approved the declaration of cash dividends equivalent to ₱0.30 per share or for a total of ₱449.0 million to all stockholders of record as of April 18, 2016 payable on April 28, 2016.

On December 9, 2016, the BOD approved the declaration of cash dividends equivalent to ₱0.29 per share or for a total of ₱429.0 million to all stockholders of record as of December 26, 2016 payable on December 29, 2016.

On March 10, 2015, the BOD approved the declaration of cash dividends equivalent to ₱0.10 per share or for a total of ₱149.7 million to all stockholders of record as of April 17, 2015 payable on May 14, 2015.

As of December 31, 2017 and 2016, outstanding liability for dividends declared amounted to nil and ₱3.3 million, respectively.

Retained Earnings

Retained earnings are also restricted for dividend declaration to the extent of the acquisition price of the treasury shares amounting to ₱131.0 million as of December 31, 2017 and 2016.

The Parent Company's retained earnings exceeded its capital stock by ₱947.0 million as of December 31, 2017. The Parent Company plans to address excess retained earnings by declaring dividends in 2018.

Appropriation

On December 3, 2014, the Board of Directors (BOD) of the Parent Company approved a total appropriation to ₱850.0 million for the construction of a new CFBC Coal-Fired Power Plant with a capacity of 2x100 MW upon acquisition of the Naga Power Plant Complex (see Note 26).

On November 24, 2015, the BOD approved additional appropriation of ₱400.0 million from the unappropriated retained earnings of the Parent Company in compliance with the negative covenants provided in its loan agreement with a local bank executed on October 27, 2014.

On March 30, 2016, the BOD approved the reversal of appropriation amounting to ₱850.0 million and the appropriation of retained earnings of the Parent Company by the same amount for the construction of a CFBC coal-fired thermal power plant with a capacity of at least 300 MW in the province of Cebu or Visayas region within the years 2016-2020.

On November 20, 2017, the BOD of the Parent Company approved the following: (i) reversal of retained earnings appropriated on November 24, 2015 amounting to ₱400.0 million due to the full prepayment of the related long-term debt on October 28, 2017 (see Note 16) and the reinstatement of the same amount as unappropriated retained earnings; (ii) retention of previously approved appropriation of retained earnings amounting to ₱850.0 million for the construction of a CFBC coal-fired thermal power plant with a capacity of at least 300 MW in the province of Cebu or Visayas within the years 2018-2020; and (iii) appropriation of ₱500.0 million out of the unappropriated retained earnings of the Parent Company for the construction of two run-of-river hydro-electric power plant projects in Palawan with a capacity of 15.8 MW to commence within the years 2018-2019.

Earnings per Share

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

	2017	2016	2015
Net income	**₱1,807,227,712**	₱742,090,849	₱896,923,023
Weighted average number of common shares issued and outstanding	**1,496,551,803**	1,496,551,803	1,496,551,803
Basic/Diluted earnings per share	**₱1.21**	₱0.50	₱0.60

There are no potentially dilutive common stocks issued as of December 31, 2017, 2016 and 2015.

18. Plant Operations

This account consists of:

	2017	2016	2015
Fuel, lubricants and chemicals (see Note 8)	**₱–**	₱159,542,440	₱128,399,079
Personnel costs (see Note 20)	**–**	21,377,833	25,215,254
Spares, materials and supplies (see Note 8)	**–**	8,045,807	6,532,642
Repairs and maintenance	**–**	7,959,776	9,032,689
Purchased power	**–**	4,502,329	11,762,845
Depreciation (see Note 21)	**–**	–	51,172,423
Land lease rental (see Notes 21 and 25)	**–**	–	26,028,284
Others	**–**	3,884,650	6,453,676
	₱–	₱205,312,835	₱264,596,892

In 2017, the income from operation of the NPPC, net of directly related costs and expenses, was recognized as "Other income" in the parent company statement of comprehensive income (see Notes 3 and 26).

19. General and Administrative Expenses

This account consists of:

	2017	2016	2015
Personnel costs (see Note 20)	**₱41,868,350**	₱32,809,807	₱31,536,153
Shared expenses	**13,539,434**	12,603,473	12,952,984
Business development	**13,327,094**	56,444,451	30,281,539
Directors' fees	**11,374,126**	11,305,111	11,422,065
Professional fees	**7,756,962**	8,622,652	6,371,980
Rentals (see Notes 5, 21 and 25)	**6,478,511**	6,149,496	8,533,455
Insurance	**5,746,150**	1,626,361	4,965,622
Transportation and travel	**4,754,578**	4,395,121	4,309,084
Repairs and maintenance	**3,560,033**	3,721,460	3,679,626
Communications	**2,370,304**	2,478,424	2,548,515
Association dues	**1,857,594**	2,071,873	1,647,644
Depreciation and amortization (see Note 21)	**1,789,035**	1,609,214	1,236,597
Provisions (see Notes 6 and 12)	**1,400,000**	6,900,000	–
Taxes and licenses	**1,361,540**	8,682,564	17,491,222
Corporate social responsibility	**1,309,173**	888,421	587,969
Office supplies	**1,296,573**	1,145,146	1,391,354
Entertainment, amusement and recreation	**1,147,736**	1,169,873	1,765,364
Power and water	**965,634**	906,644	807,747
Freight and handling	**167,547**	163,356	229,013
Brokerage	**146,063**	183,293	200,364
Others	**4,228,307**	5,108,651	5,871,486
	₱126,444,744	₱168,985,391	₱147,829,783

20. Personnel Costs

This account consists of:

	2017	2016	2015
Salaries and wages	**₱21,288,182**	₱37,949,613	₱41,359,690
Retirement, separation and terminal leave pay (see Note 14)	**1,422,180**	1,302,851	735,025
Other employee benefits	**19,157,988**	14,935,176	14,656,692
	₱41,868,350	₱54,187,640	₱56,751,407

21. Depreciation and Amortization

This account consists of:

	2017	2016	2015
Depreciation of property, plant and equipment			
Plant operations (see Note 18)	**₱–**	₱–	₱51,172,423
General and administrative (see Note 19)	**1,180,784**	1,000,963	1,236,597
	1,180,784	1,000,963	52,409,020
Amortization of land lease Rental (see Note 25):			
Plant operations (see Note 18)	**–**	–	26,028,284
General and administrative (see Note 19)	**121,293**	121,293	2,593,980
	121,293	121,293	28,622,264
Amortization of software costs:			
General and administrative (see Note 19)	**608,251**	608,251	–
	₱1,910,328	₱1,730,507	₱81,031,284

On September 25, 2014, the Parent Company purchased the 153.1 MW Naga Power Plant consisting of the thermal and diesel power plants for which the Parent Company paid ₱463.3 million (see Note 26). These assets were depreciated over their estimated useful lives ranging from 3 months to 5 years, and contributed to the increase in depreciation in 2015.

22. Income Tax

	2017	2016	2015
Current	**₱41,372,309**	₱44,561,088	₱6,946,078
Deferred	**(254,551)**	(245,010)	1,768,358
	₱41,117,758	₱44,316,078	₱8,714,436

The reconciliation between the amounts of provision for income tax computed at the statutory tax rate to provision for income tax in the parent company statements of comprehensive income for the years ended December 31, 2017, 2016 and 2015 follows:

	2017	2016	2015
Provision for income tax computed at 30%	**₱554,503,641**	₱235,922,078	₱271,691,238
Adjustments to income tax resulting from:			
Nontaxable dividend income	**(526,428,416)**	(215,870,708)	(314,281,785)
Impact of OSD	**16,119,055**	29,361,213	50,475,725
Interest income already subjected to final tax	**(3,185,267)**	(5,055,778)	(2,156,287)
Unrecognized deferred income tax on depreciation expense	**–**	–	1,486,444
Others	**108,745**	(40,727)	1,499,101
	₱41,117,758	₱44,316,078	₱8,714,436

The Parent Company's deferred income tax assets relate to the asset retirement obligation amounting to ₱6.8 million and ₱6.5 million as of December 31, 2017 and 2016, respectively.

On July 7, 2008, R.A. 9504, which amended the provisions of the 1997 Tax Code, became effective. It includes provisions relating to the availment of the OSD. Corporations, except for nonresident foreign corporations, may now elect to claim standard deduction in an amount not exceeding 40% of their gross income. A corporation must signify in its returns its intention to avail of the OSD. If no indication is made, it shall be considered as having availed of the itemized deductions. The availment of the OSD shall be irrevocable for the taxable year for which the return is made. On November 26, 2008, the BIR issued Revenue Regulations 16-2008 for the implementing guidelines of the law.

In 2017, 2016 and 2015, the Parent Company availed of the OSD in the computation of its taxable income.

23. Pension Plan

Under the existing regulatory framework, Republic Act No. 7641, *The Retirement Pay Law*, requires a provision for retirement pay to qualified private sector employees in the absence of any retirement plan in the entity, provided, however, that the employees' retirement benefits under any collective bargaining and other agreements shall not be less than those provided under the law. The law does not require minimum funding of the plan.

The Parent Company has a funded, noncontributory defined benefit plan covering all regular and permanent employees. Benefits are based on the employee's final plan salary and years of service. The plan meets the minimum retirement benefit specified under the law.

The following tables summarize the components of pension expense recognized in the parent company statements of comprehensive income and amounts recognized in the parent company statements of financial position.

The components of pension expense recognized under "General and administrative" in the parent company statements of comprehensive income follow:

	2017	2016
Current service cost	**₱1,394,719**	₱1,376,761
Interest cost (income) on benefit obligation	**27,461**	(22,910)
	₱1,422,180	₱1,353,851

Remeasurement effects recognized under "Other comprehensive income" in the parent company statements of comprehensive income amounted to ₱0.9 million and nil in 2017 and 2016, respectively.

Changes in the present value of the defined benefit obligation follow:

	2017	2016
At January 1	**₱11,879,726**	₱10,251,796
Current service cost	**1,394,719**	1,376,761
Interest cost	**291,053**	251,169
Actuarial loss (gain) due to:		
Experience adjustments	**2,147,339**	–
Changes in demographic assumptions	**(2,442,587)**	–
Changes in financial assumptions	**1,814,300**	–
At December 31	**₱15,084,550**	₱11,879,726

Changes in the fair value of plan assets are as follows:

	2017	2016
At January 1	**₱10,758,874**	₱10,484,795
Contributions to the retirement fund	**917,640**	–
Interest income included in net interest cost	**263,592**	274,079
Gains on return on plan assets	**599,508**	–
At December 31	**₱12,539,614**	₱10,758,874

Changes in the amounts recognized in the parent company statements of financial position for pension liability follows:

	2017	2016
At January 1	**₱1,120,852**	(₱232,999)
Pension expense for the year	**1,422,180**	1,353,851
Remeasurement loss on employee benefits	**919,544**	–
Contribution to the retirement fund	**(917,640)**	–
At December 31	**₱2,544,936**	₱1,120,852

The fair value of plan assets by each class as at December 31 follows:

	2017	2016
Available for sale securities	**₱10,439,504**	₱9,655,872
Deposits in banks	**1,473,531**	1,004,765
Accrued interest income	**105,018**	103,011
Others	**526,634**	–
Total assets	**12,544,687**	10,763,648
Total liabilities	**5,073**	4,774
Fair value of plan assets	**₱12,539,614**	₱10,758,874

The principal assumptions used in determining pension obligation for the Parent Company's plan as of December 31 are shown below:

	2017	2016
Discount rate	**5.70%**	2.45%
Future salary increase	**6.00%**	–

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the present value of the defined benefit obligation of the most recent actuarial valuation report, as of the end of the reporting period, assuming all other assumptions were held constant:

	Increase (Decrease)	Present Value Change of Defined Benefit Obligation
Discount rate	+100 basis points	(₱550,751)
	−100 basis points	618,660
Salary increase rate	+100 basis points	680,054
	−100 basis points	(619,056)

The weighted average duration of the benefit payments is approximately 12.26 years as of December 31, 2017. The expected benefit payment assumes that all actuarial assumptions will materialize. Shown below is the maturity analysis of the undiscounted benefit payments as of December 31, 2017:

Plan year:	
Less than one year	₱8,880,677
More than one year to five years	4,860,194
More than five years to 10 years	4,027,486
More than 10 years to 15 years	7,471,579
More than 15 years to 20 years	588,075
More than 20 years	11,067,698
	₱36,895,709

24. Financial Risk Management Objectives and Policies

The Parent Company's principal financial instruments comprise of long-term debt and cash and cash equivalents. The Parent Company has various other financial assets and liabilities such as trade and other receivables, trade and other payables, due from/due to NPC/PSALM, due from/due to related parties and noncurrent receivable included as part of "Other noncurrent assets" in the parent company statements of financial position.

The main risks arising from the Parent Company's financial instruments are interest rate risk, liquidity risk, foreign currency risk and credit risk.

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

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

Interest Rate Risk
Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Parent Company's exposure to risk of changes in market interest rates relates primarily to the Parent Company's long-term debt obligations with floating interest rates.

As of December 31, 2016, the Parent Company's policy is to manage its interest cost using the variable-rate debts.

As of December 31, 2017, the Parent Company does not have a financial liability that is exposed to interest rate risk since all the outstanding short and long-term debts have been paid as of October 28, 2017 (see Note 16).

The following table sets out the maturity profile and the interest rate of the Parent Company's financial liabilities that are exposed to interest rate risk:

	Interest rate	Term	Peso Equivalent
Long-term debt:			
2016	4.01%	2–7 years	₱577,777,778

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Parent Company's income before income tax (through the impact on floating rate borrowings). There is no other impact on the Parent Company's equity other than those already affecting the profit and loss.

	Increase (Decrease) in Basis Points	Effect on Income Before Income Tax
2016	+500	(₱580,667)
	−500	580,667

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

The tables below summarize the maturity profile of the Parent Company's financial assets and liabilities at December 31 based on contractual undiscounted payments:

	2017			
	Total	**Current**	**1 to 30 Days**	**Over 30 Days**
Financial Assets				
Loans and receivables				
Cash and cash equivalents	**₱1,047,835,364**	**₱1,047,835,364**	**₱–**	**₱–**
Trade and other receivables	**108,107,798**	**59,042,740**	**8,065,986**	**40,999,072**
Due from NPC/PSALM	**1,175,128**	**–**	**–**	**1,175,128**
Due from related parties	**2,757,502**	**469,336**	**52,988**	**2,235,178**
	1,159,875,792	**1,107,347,440**	**8,118,974**	**44,409,378**
AFS financial asset:				
Quoted equity security	**1,300,000**	**1,300,000**	**–**	**–**
	1,161,175,792	**1,108,647,440**	**8,118,974**	**44,409,378**
Financial Liabilities				
Other financial liabilities:				
Trade and other payables*				
Trade	**232,908,105**	**131,773,640**	**91,711,010**	**9,423,455**
Non-trade	**7,519,376**	**727,161**	**–**	**6,792,215**
Accrued expenses	**18,944,517**	**12,027,346**	**423,819**	**6,493,352**
	259,371,998	**144,528,147**	**92,134,829**	**22,709,022**
Due to NPC/PSALM	**511,650,588**	**–**	**–**	**511,650,588**
Due to related parties	**1,972,940**	**534,854**	**263,382**	**1,174,704**
	772,995,526	**145,063,001**	**92,398,211**	**535,534,314**
Net Financial Assets (Liabilities)	**₱388,180,266**	**₱963,584,439**	**(₱84,279,237)**	**(₱491,124,936)**

**Excluding Statutory Payables*

	2016			
	Total	Current	1 to 30 Days	Over 30 Days
Financial Assets				
Loans and receivables				
Cash and cash equivalents	₱619,171,908	₱619,171,908	₱–	₱–
Trade and other receivables	67,849,896	40,420,586	13,329,418	14,099,892
Dividends receivable	39,451,242	39,451,242	–	–
Due from NPC/PSALM	1,175,128	–	–	1,175,128
Due from related parties	452,783,534	450,347,646	249,283	2,186,605
	1,180,431,708	1,149,391,382	13,578,701	17,461,625
AFS financial asset:				
Quoted equity security	1,300,000	1,300,000	–	–
	1,181,731,708	1,150,691,382	13,578,701	17,461,625
Financial Liabilities				
Other financial liabilities:				
Trade and other payables*				
Trade	61,391,870	49,215,351	2,730,560	9,445,959
Non-trade	7,919,185	1,295,472	–	6,623,713
Accrued expenses	17,346,584	3,849,372	1,916,771	11,580,441
	86,657,639	54,360,195	4,647,331	27,650,113
Due to NPC/PSALM	303,442,871	1,246,418	29,356,357	272,840,096
Due to related parties	1,350,353	950,148	62,780	337,425
Dividends payable	3,259,265	–	–	3,259,265
Long-term debt	629,907,778	–	5,839,830	624,067,948
	1,024,617,906	56,556,761	39,906,298	928,154,847
Net Financial Assets (Liabilities)	₱157,113,802	₱1,094,134,621	(₱26,327,597)	(₱910,693,222)

**Excluding Statutory Payables*

Foreign Currency Risk
Cash flow foreign currency risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Fair value foreign currency risk is the risk that the fair value of a financial instrument will fluctuate due to changes in foreign exchange rates.

The Parent Company follows a policy to manage its currency risk by closely monitoring its cash flow position and by providing forecast on exposures in US dollar currency.

The following table demonstrates the sensitivity to a reasonably possible change in the US dollar exchange rate, with all other variables held constant, of the Parent Company's income before income tax (due to changes in the fair value of monetary assets and liabilities). Philippine Dealing System (PDS) closing rates used is ₱49.93 and ₱49.72 on December 31, 2017 and 2016, respectively. There is no other impact on the Parent Company's equity other than those already affecting the profit and loss.

	Increase (Decrease) in US Dollar Rate	Effect on Income Before Income Tax
2017	**+1**	**₱1,522,864**
	-1	**(1,522,864)**
2016	+1	₱1,258,170
	-1	(1,258,170)

Foreign currency-denominated Monetary Assets and Liabilities
The foreign currency-denominated monetary assets and liabilities and their Philippine Peso equivalents follow:

	U.S. Dollar		Peso Equivalent	
	2017	2016	**2017**	2016
Cash and cash equivalents	**$3,115,082**	$2,758,919	**₱155,536,034**	₱137,173,453
Trade and other payables	**(5,000)**	(228,408)	**(249,650)**	(11,356,446)
Net foreign currency-denominated monetary asset	**$3,110,082**	$2,530,511	**₱155,286,384**	₱125,817,007

As a result of the translation of these foreign currency-denominated assets and liabilities, the Parent Company reported a net unrealized foreign exchange loss of ₱1.0 million and ₱0.2 million in 2017 and 2016, respectively, and net unrealized foreign exchange gain of ₱2.4 million in 2015.

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

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

With respect to the Parent Company's credit risk arising from the financial assets which comprise cash and cash equivalents, trade and other receivables, dividends receivable, due from NPC/PSALM, due from related parties and the noncurrent receivable, the Parent Company exposure to credit risk arises from default of the counterparty.

The Parent Company's credit risk from cash and cash equivalents is mitigated by the Philippine Deposit Insurance Corporation's (PDIC) insurance coverage on the cash in bank. The Parent Company's maximum exposure equals to the carrying amount of its financial assets, excluding cash on hand, and is offset by the PDIC insurance coverage. The offset relates to balances where there is a legally enforceable right of offset in the event of counterparty default and where, as a result, there is a net exposure for credit risk management purposes. However, as there is no intention to settle these balances on a net basis under normal circumstances, they do not qualify for net presentation for accounting purposes.

		2017	
	Maximum exposure	**Offset**	**Exposure to credit risk**
Loans and Receivables			
Cash and cash equivalents (excluding cash on hand)	**₱1,047,728,905**	**(₱3,379,930)**	**₱1,044,348,975**
Trade and other receivables	**108,107,798**	**–**	**108,107,798**
Due from NPC/PSALM	**1,175,128**	**–**	**1,175,128**
Due from related parties	**2,757,502**	**–**	**2,757,502**
Noncurrent receivable (included in "Other noncurrent assets")	**1,143,240,000**	**–**	**1,143,240,000**
	2,303,009,333	**(3,379,930)**	**2,299,629,403**
AFS Financial Asset	**1,300,000**	**–**	**1,300,000**
	₱2,304,309,333	**(₱3,379,930)**	**₱2,300,929,403**

		2016	
	Maximum exposure	Offset	Exposure to credit risk
Loans and Receivables			
Cash and cash equivalents (excluding cash on hand)	₱619,052,569	(₱3,378,847)	₱615,673,722
Trade and other receivables	67,849,896	–	67,849,896
Dividends receivable	39,451,242	–	39,451,242
Due from NPC/PSALM	1,175,128	–	1,175,128
Due from related parties	452,783,534	–	452,783,534
Noncurrent receivable (included in "Other noncurrent assets")	1,143,240,000	–	1,143,240,000
	2,323,552,369	(3,378,847)	2,320,173,522
AFS Financial Asset	1,300,000	–	1,300,000
	₱2,324,852,369	(₱3,378,847)	₱2,321,473,522

As of December 31, 2017 and 2016, the Parent Company's significant concentration of credit risk pertains to its trade and other receivables amounting to ₱108.1 million and ₱67.8 million, respectively, and impaired financial assets, determined based on probability of collection, have been adequately covered with allowance.

The following tables set out the aging analysis of the Parent Company's past due but not impaired financial assets as of December 31:

			2017				
		Neither Past	Past Due but Not Impaired				
	Total	Due nor Impaired	1 to 30 Days	31 to 60 Days	61 to 90 Days	Over 90 Days	Impaired
Loans and Receivables							
Cash and cash equivalents (excluding cash on hand)	₱1,047,728,905	₱1,047,728,905	₱–	₱–	₱–	₱–	₱–
Trade and other receivables							
Contractors and suppliers	4,711,000	–	–	–	–	4,711,000	–
Others	104,796,798	59,042,740	8,065,986	4,130,827	6,144,244	26,013,001	1,400,000
	109,507,798	59,042,740	8,065,986	4,130,827	6,144,244	30,724,001	1,400,000
Due from NPC/PSALM	1,175,128	–	–	–	–	1,175,128	–
Due from related parties	2,757,502	469,336	52,988	486,337	365,372	1,383,469	–
Noncurrent receivable (included in "Other noncurrent assets")	1,143,240,000	–	–	–	–	1,143,240,000	–
	2,304,409,333	1,107,240,981	8,118,974	4,617,164	6,509,616	1,176,522,598	1,400,000
AFS Financial Asset							
Quoted equity security	1,300,000	1,300,000	–	–	–	–	–
	₱2,305,709,333	₱1,108,540,981	₱8,118,974	₱4,617,164	₱6,509,616	₱1,176,522,598	₱1,400,000

			2016				
		Neither Past	Past Due but Not Impaired				
	Total	Due nor Impaired	1 to 30 Days	31 to 60 Days	61 to 90 Days	Over 90 Days	Impaired
Loans and Receivables							
Cash and cash equivalents (excluding cash on hand)	₱619,052,569	₱619,052,569	₱–	₱–	₱–	₱–	₱–
Trade and other receivables							
Contractors and suppliers	452,132	428,632	–	–	23,500	–	–
Others	67,397,764	39,991,954	13,329,418	890,641	107,694	13,078,057	–
	67,849,896	40,420,586	13,329,418	890,641	131,194	13,078,057	–
Dividends receivable	39,451,242	39,451,242	–	–	–	–	–
Due from NPC/PSALM	1,175,128	–	–	–	–	1,175,128	–
Due from related parties	452,783,534	450,347,645	249,283	213,521	404,551	1,568,534	–
Noncurrent receivable (included in "Other noncurrent assets")	1,143,240,000	1,143,240,000	–	–	–	–	–
	2,323,552,369	2,292,512,042	13,578,701	1,104,162	535,745	15,821,719	–
AFS Financial Asset							
Quoted equity security	1,300,000	1,300,000	–	–	–	–	–
	₱2,324,852,369	₱2,293,812,042	₱13,578,701	₱1,104,162	₱535,745	₱15,821,719	₱–

Financial assets classified as neither past due nor impaired are assessed by the Parent Company to be highly probable of collection, taking into consideration the parties involved and its collection experience.

The tables below summarize the credit quality of the Parent Company's neither past due nor impaired financial assets as of December 31:

			2017			
		Neither Past Due nor Impaired				Individually
	Total	High Grade	Standard	Substandard	Past Due	Impaired
Loans and Receivables						
Cash and cash equivalents (excluding cash on hand)	₱1,047,728,905	₱1,047,728,905	₱–	₱–	₱–	₱–
Trade and other receivables						
Contractors and suppliers	4,711,000	–	–	–	4,711,000	–
Others	104,796,798	–	59,042,740	–	44,354,058	1,400,000
	109,507,798	–	59,042,740	–	49,065,058	1,400,000
Dividends receivable	–	–	–	–	–	–
Due from NPC/PSALM	1,175,128	–	–	–	1,175,128	–
Due from related parties	2,757,502	–	469,336	–	2,288,166	–

(Forward)

	2017					
		Neither Past Due nor Impaired				Individually
	Total	**High Grade**	**Standard**	**Substandard**	**Past Due**	**Impaired**
Noncurrent receivable (included in "Other noncurrent assets")	**₱1,143,240,000**	**₱–**	**₱–**	**₱–**	**₱1,143,240,000**	**₱–**
	2,304,409,333	**1,047,728,905**	**59,512,076**	**–**	**1,195,768,352**	**1,400,000**
AFS Financial Asset						
Quoted equity security	**1,300,000**	**1,300,000**	**–**	**–**	**–**	**–**
	₱2,305,709,333	**₱1,049,028,905**	**₱59,512,076**	**₱–**	**₱1,195,768,352**	**₱1,400,000**

	2016					
		Neither Past Due nor Impaired				Individually
	Total	High Grade	Standard	Substandard	Past Due	Impaired
Loans and Receivables						
Cash and cash equivalents (excluding cash on hand)	₱619,052,569	₱619,052,569	₱–	₱–	₱–	₱–
Trade and other receivables						
Contractors and suppliers	452,132	–	428,632	–	23,500	–
Others	67,397,764	–	39,991,954	–	27,405,810	–
	67,849,896	–	40,420,586	–	27,429,310	–
Dividends receivable	39,451,242	–	39,451,242	–	–	–
Due from NPC/PSALM	1,175,128	–	–	–	1,175,128	–
Due from related parties	452,783,534	–	450,347,645	–	2,435,889	–
Noncurrent receivable (included in "Other noncurrent assets")	1,143,240,000	1,143,240,000	–	–	–	–
	2,323,552,369	1,762,292,569	530,219,473	–	31,040,327	–
AFS Financial Asset						
Quoted equity security	1,300,000	1,300,000	–	–	–	–
	₱2,324,852,369	₱1,763,592,569	₱530,219,473	₱–	₱31,040,327	₱–

The Parent Company grades its financial assets as follows:

- *Cash and Cash Equivalents.* These are assessed as high grade since these are deposited in reputable banks which have good bank standing, thus credit risk is minimal.
- *Due from NPC/PSALM.* These are assessed as high grade since these receivables arose from the contract provisions of the OMSC and/or collectible from government institution.
- *Receivable from Contractors and Suppliers and Others.* Grading of financial assets is determined individually based on the Parent Company's collection experience with the counterparty.
- *Due from Related Parties.* These are assessed as standard, although recoverability of these receivables is certain, as these are given secondary priority as to settlement by the related parties compared to third party obligations.
- *Dividends Receivable.* These are assessed as standard, although recoverability of these receivables is certain, as these are given secondary priority as to settlement by the related parties compared to third party obligations.
- *Available-for-sale Investments.* This is assessed as high grade since recoverability of this investment is certain.

Fair Value of Financial Assets and Financial Liabilities

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

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

- *Cash and Cash Equivalents, Trade and Other Receivables and Trade and Other Payables.* The carrying amounts of cash and cash equivalents, trade and other receivables and trade and other payables approximate their value due to the relatively short-term maturity of these financial instruments.

- *AFS Investments.* Market values have been used to determine the fair value of listed AFS investments.

- *Noncurrent receivable (included in "Other noncurrent assets").* The fair value of noncurrent receivable is based on the net present value of cash flows using the prevailing market rate of interest. As of December 31, 2017 and 2016, the carrying value of the noncurrent receivable approximates its fair value.

- *Long-term Debt.* The fair value of borrowings with floating interest rate is based on the discounted net present value of cash flows using an effective discount rate of 4.15% and 4.53% as of December 31, 2016 and 2015, respectively.

As of December 31, 2017 and 2016, the carrying values of the Parent Company's financial instruments, except for the long-term debt, approximate its fair values due to their relatively short-term maturity. Fair value of the long-term debt amounted to nil and ₱587.3 million as of December 31, 2017 and 2016, respectively, while carrying value amounted to nil and ₱576.2 million as of December 31, 2017 and 2016, respectively.

Fair Value Hierarchy
The Parent Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;
- Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and,
- Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

As of December 31, 2017 and 2016, the Parent Company considers its AFS financial assets with fair values of ₱1.3 million under Level 1 classification. The long term debt, that has a fair values of nil and ₱587.3 million as of December 31, 2017 and 2016, respectively, is under Level 3 classification.

During the years ended December 31, 2017, 2016 and 2015, there were no transfers between Level 1 and Level 2 fair value measurements and no transfers into and out of Level 3 fair value measurements.

Capital Management
The Parent Company manages its capital structure and makes adjustments to it in the light of changes in economic conditions. To maintain or adjust the capital structure, the Parent Company may adjust the dividend payment to stockholders, return capital to stockholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended December 31, 2017, 2016 and 2015.

The Parent Company considers its equity as capital and is not subject to any externally imposed capital requirements. As of December 31, 2017 and 2016, the Parent Company's equity amounted to ₱5,521.5 million and ₱4,912.4 million, respectively.

25. Other Matters

Electricity Power Industry Reform Act (EPIRA) of 2001
On June 8, 2001 the EPIRA was signed into law and took effect on June 26, 2001. The law provides, among others, for the privatization of the assets of NPC, the creation of PSALM to accept transfers of all assets and assume all outstanding obligations of NPC, and the restructuring of the electric power industry sector as a whole. The law also provides for the mandate and framework to introduce competition in the electricity market and penalize anti-competitive behaviour. The IRR of the EPIRA was approved by the Joint Congressional Power Commission on February 27, 2002.

The EPIRA and its covering IRR provide for significant changes in the power industry including the following: (i) Competition in the retail supply of electricity; (ii) Open access to the transmission and distribution systems; (iii) Establishment of a Wholesale Electricity Spot Market (WESM); (iv) Unbundling of the generation, transmission and distribution rates; and (v) Removal of existing cross-subsidies provided by industrial and commercial users to residential customers.

An important milestone in the Philippine power industry was reached when the WESM began commercial operations on June 23, 2006. In the Visayas region, WESM started operations on December 26, 2010. The establishment of the WESM is one of the preconditions to retail competition and open access required by the EPIRA.

Ancillary Services Procurement Agreement (ASPA)
On May 26, 2015, the Parent Company entered into an ASPA with National Grid Corporation of the Philippines (NGCP) and took effect on September 26, 2015 after getting the provisional approval of ERC. The Parent Company and NGCP executed the ASPA for the supply of dispatchable reserve and reactive power support for a period of five (5) years under a non-firm arrangement.

Land Lease Agreements (LLA)
The Parent Company entered into LLAs with PSALM (as Lessor) in furtherance of and as an ancillary contract to the respective Asset Purchase Agreement (APA) entered with PSALM, governing the sale of the PSALM assets as follows:

- *LBGTs.* On January 29, 2010, the Parent Company executed the LLA with a term of 10 years from Closing Date, which may be renewed or extended for another period of 10 years or the remaining corporate life of PSALM, whichever is shorter, upon the mutual written agreement of the parties. The rentals which were paid in full on Closing Date amounted to ₱1.2 million.

- *153.1 MW Naga Power Plant (consisting of CTPP 1, CTPP 2 and CDPP 1) (see Note 26).* On September 25, 2014, the Parent Company executed the LLA with a term of 25 years from Closing Date, which may be renewed or extended for another period of 25 years or the remaining corporate life of PSALM, whichever is shorter, upon the mutual written agreement of the parties. The rentals which were paid in full in 2014 amounted to ₱712.5 million.

Under the LLA, the Parent Company shall use and occupy the leased premises primarily for the operation, management, expansion and maintenance of the power plants, and shall not assign or transfer any of its right under the LLA or sublease all or any part of the leased premises without the prior consent of PSALM.

The LLAs cover an option to purchase optioned assets within the leased premises that may be offered by the Lessor. The purchase price (on a per square meter basis) shall be equivalent to the highest of the following valuations and/or amounts: (i) the assessment of the Provincial Assessor; (ii) the assessment of the Municipal or City Assessor; and (iii) the zonal valuation of the Bureau of Internal Revenue. The unused rentals corresponding to the area of the optioned assets over which the option was exercised shall be deducted from the purchase price.

The current portion of the remaining prepaid rent amounting to ₱0.1 million as of December 31, 2017 and 2016 is presented as part of "Prepayments and other current assets" in the parent company statements of financial position and the noncurrent portion amounting to ₱0.1 million and ₱0.3 million as of December 31, 2017 and 2016, respectively, is presented as part of "Other noncurrent assets" in the parent company statements of financial position.

Rent expense under the LLAs amounted to ₱0.1 million in 2017 and 2016 and ₱2.6 million in 2015 (see Notes 19 and 21).

The Parent Company, at its own expense, shall be solely responsible for obtaining all the necessary authorizations, licenses and permits for any alterations, additions, facilities, improvements and installations introduced on the leased premises by or for the benefit of the Parent Company.

Pursuant to the provisions of the LLA, within a period of 180 days from the termination of the LLA or expiration of the lease term, the Parent Company are obliged to perform activities to facilitate clean-up, return and surrender of the leased premises (see Notes 2, 3 and 15).

<u>Tax Reform for Acceleration and Inclusion Act (TRAIN)</u>
Republic Act (RA) No.10963 or the Tax Reform for Acceleration and Inclusion Act (TRAIN) was signed into law on December 19, 2017 and took effect January 1, 2018, making the new tax law enacted as of the reporting date. Although the TRAIN changes existing tax law and includes several provisions that will generally affect businesses on a prospective basis, the management assessed that the same will not have any significant impact on the financial statement balances as of the reporting date.

26. Acquisition of the 153.1 MW Naga Power Plant Complex (NPPC)

Prior to the expiration of the OMSC on September 25, 2014, the Parent Company purchased the NPPC after exercising its "right-to-top" (RTT) the winning bid, which right was pursuant to the LLA with PSALM that was executed when the LBGTs were acquired by the Parent Company in 2010. Pursuant to the APA executed by the Parent Company and PSALM covering the purchase of the assets consisting of the thermal and diesel power plants (CTPP 1 and CTPP 2, and CDPP 1), the Parent Company paid PSALM a total of ₱463.3 million. The Parent Company and PSALM also entered into an LLA, as an ancillary contract to the APA, covering the land where the purchased assets are located, and paid in full the total lease rentals amounting to ₱712.5 million. Following the issuance of Notice of Award on July 28, 2014 and after completing all the conditions for Closing, PSALM turned over the NPPC to the Parent Company on September 25, 2014, coinciding with the termination of the OMSC.

More than one year after PSALM awarded the NPPC to the Parent Company, the Supreme Court (SC) declared the APA and the LLA for the sale of the NPPC to be null and void per decision promulgated on September 28, 2015.

On December 1, 2015, the Parent Company filed its Motion for Reconsideration of the SC Decision dated September 28, 2015. In said Motion for Reconsideration, the Parent Company stressed that, as the owner of the LBGT and the lease on the land on which the LBGT stands, it has an interest in the whole of the Complex and not just within the leased premises. This is due to the fact that the Parent Company's payment for the LBGT necessarily includes payment for the RTT, the LBGT and the land subject of the LBGT-LLA which forms part of the Complex, and the Parent Company shares in the use, upkeep and maintenance of the Co-Use Facilities within the Complex, thus, showing that the Parent Company's interest extends to the whole of the Complex.

On December 9, 2015, the SC resolved to deny the Motion for Reconsideration. Thus, a Motion For Leave to File and Admit the Attached Urgent Motion for Second Reconsideration and/or Referral to the En Banc was filed by the Parent Company on February 2, 2016. However, on April 6, 2016, the SC issued a Resolution where it resolved among others to deny the said Motion For Leave and noted without action, the attached Urgent Motion for Second Reconsideration and /or Referral to En Banc, in view of the denial of the Motion for Leave. Accordingly, an amount equivalent to ₱1.143 billion (i.e., amount paid by the Parent Company to PSALM in 2014, net of withholding tax) was recognized as other noncurrent receivable as of December 31, 2016 and 2015. On October 5, 2016, the SC granted the manifestation/motion of Therma Power Visayas, Inc. (TPVI) dated March 16, 2016 praying for the reinstatement of the notice of award in favor of TPVI dated April 30, 2014. The Parent Company then filed an Urgent Motion For Reconsideration with Alternative Motion to Refer to the En Banc, on November 2, 2016. In a Resolution dated November 28, 2016, the SC denied the same. Another Urgent Motion For Reconsideration was filed by the Parent Company on December 9, 2016. This was followed up by the filing on January 19, 2017 of a Supplemental Motion/Petition for Referral to the En Banc which argued that there was a violation of SPC's substantive right to due process in reinstating the Notice of Award in favour of TPVI and a violation of procedural due process in lifting the Entry of Judgment of September 28, 2015.

On February 21, 2017, the Parent Company received the Entry of Judgment through its legal counsel certifying that the September 28, 2015 Decision and October 5, 2016 Resolution have become final and executory on November 28, 2016 and were recorded in the Books of Entries of Judgments.

On April 26, 2017, the SC issued a final resolution denying both the Motion for Reconsideration and the Supplemental Motion/Petition for Referral to the En Bank filed on December 9, 2016 and January 19, 2017, respectively. In its final resolution, the SC confirmed that the September 28, 2015 Decision and the October 5, 2016 Resolution became final on November 28, 2016.

After receipt of the Notice of the Second Entry of Judgment in February 2017, the Parent Company was anticipating a speedy turnover of the NPPC. However, serious negotiations never transpired to date through no fault of the Parent Company.

Considering that the NPPC has been in the possession of the Parent Company even after November 28, 2016, it has to operate the plant as the best way to preserve it in preparation for the eventual turn-over to PSALM.

By virtue of a legal right of retention, the Parent Company remains a possessor in good faith and will continue to retain the NPPC and the concomitant obligation to preserve it pending the return of the purchase price as well as reimbursement of expenses for the necessary and useful improvements it made on the NPPC.

The Parent Company believes that how the matter will be fully settled between the Parent Company and PSALM could be finalized over two years. Any adjustments arising from the settlement will be reflected in the Parent Company financial statements as they are determined.

27. Notes to Parent Company Statements of Cash Flows

Noncash transactions in 2015

The Parent Company entered into the following non-cash transactions in 2015 related to the recognition of the noncurrent receivable amounting to ₱1.143 billion as discussed in Note 26:

- Transfer of property, plant and equipment to noncurrent receivable (included in "Other noncurrent assets") amounting to ₱307.8 million.
- Transfer of prepaid rent to noncurrent receivable (both included in "Other noncurrent assets") amounting to ₱645.6 million.
- Additions to noncurrent receivable (included in "Other noncurrent assets") with corresponding recognition of other income amounting to ₱189.9 million.

Changes in Liabilities Arising from Financing Activities

	January 1, 2017	Dividend Declaration	Amortization of Transaction Costs	Cash Flows	December 31, 2017
Non-current interest-bearing loans and borrowings, excluding obligations under finance leases and hire purchase contracts	₱576,228,515	₱–	₱1,549,263	(₱577,777,778)	₱–
Dividends payable	3,259,265	(1,197,241,441)	–	(1,200,500,706)	–
Total liabilities from financing activities	₱579,487,780	(₱1,197,241,441)	₱1,549,263	(₱1,778,278,484)	₱–

28. Supplementary Information Required Under Revenue Regulation (RR) 2015-2010

In compliance with the requirements set forth by RR 15-2010, hereunder are the information on taxes, duties and license fees paid or accrued during the taxable year:

VAT
The National Internal Revenue Code of 1997 also provides for the imposition of VAT on sales of goods and services. Accordingly, the Parent Company's sales are subject to output VAT while its importations and purchases from other VAT-registered individuals or corporations are subject to input VAT. The VAT rate is 12.0%.

a. Net Sales/Receipts and Output VAT declared in the Parent Company's VAT returns filed for the period:

	Net Sales/ Receipts	Output VAT
Vatable sales:		
Sale of services	₱477,322,455	₱57,278,694
Sale of goods	675,331	81,040
	477,997,786	57,359,734
Zero-rated sales	34,089,759	–
	₱512,087,545	57,359,734

b. Input VAT

At January 1	₱23,408,863
Current year's domestic purchases/payments or importations for:	
Goods other than for resale or manufacture	61,520,999
Capital goods subject to amortization	467,893
Services lodged under general and administrative expenses and other accounts	9,184,179
	94,581,934
Claims for tax credit/refund and other adjustments	(35,603,262)
At December 31	₱58,978,672

Details of the Parent Company's importations are shown below:

Dutiable value	₱36,831,830
Customs duties	845,568
Brokerage charges	266,569
Total landed cost	₱37,943,967

Excise Taxes
The Parent Company did not have local nor imported excisable items.

Other Taxes and Licenses
All other local taxes, including real estate taxes, license and permit fees were lodged under the taxes and licenses account under "General and administrative expenses" in the parent company statement of comprehensive income:

Details consist of the following:

Included in general and administrative expenses:	
Business tax	₱1,306,180
License and permits fees	2,143
Others	53,217
	₱1,361,540

Withholding Taxes
Details of withholding taxes in 2017 follow:

Withholding taxes on compensation and benefits	₱10,617,220
Expanded withholding taxes	9,350,802
Final withholding taxes	5,213,405
Creditable withholding taxes	2,074,199
Creditable 5% final withholding VAT	154,695
	₱27,410,321

Tax Assessments and Cases
The Parent Company does not have pending tax cases outside the administration of the BIR as of December 31, 2017.