The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced 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.

Deferred income tax assets and 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, based on tax rates (and tax laws) that have been enacted or substantively enacted as at the reporting date.

Related Party Transactions

Transactions with related parties are accounted for based on the nature and substance of the agreement, and financial effects are included in the appropriate asset, liability, income and expense accounts.

Provisions

Provisions are recognized when the Parent Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Where the Parent Company expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense.

Foreign Currency-Denominated Transactions

The Parent Company's financial statements are presented in Philippine Peso, the Parent Company's functional currency. Transactions in foreign currencies are initially recorded in the functional currency rate prevailing at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are restated at the functional currency rate of exchange ruling at the reporting date. All differences are directly charged against or credited to current operations.

Nonmonetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Nonmonetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Earnings per Share

Basic earnings per common share is determined by dividing net income by the weighted average number of common shares outstanding, after retroactive adjustment for any stock dividend and stock splits declared during the year.

Diluted earnings per common share is calculated by dividing the net income for the year attributable to the ordinary equity holders of the Parent Company by the weighted average number of common shares outstanding during the year plus the weighted average number of ordinary shares that would be issued for any outstanding common stock equivalents.

Segment Reporting
For management purposes, the Parent Company is organized into business units based on their services and has only one single operating segment as of December 31, 2018 and 2017. No operating segments have been aggregated to form the Parent Company's single operating segment. Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit or 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
In the process of applying the Parent Company's accounting policies, management has made judgments, apart from those involving estimations, which have the most significant effect on the amounts recognized in the parent company's financial statements.

Revenue Recognition upon adoption of PFRS 15. The Parent Company recognizes revenue when it satisfies an identified performance obligation by transferring a promised good or service to a customer. A good or service is considered to be transferred when the customer obtains control. The Parent Company determines, at contract inception, whether it will transfer control of a promised good or service over time. If the Parent Company does not satisfy a performance obligation over time, the performance obligation is satisfied at a point in time.

The Parent Company revenue from power generation and are to be recognized over time, since customers simultaneously receive and consume the benefits as the Parent Company supplies power.

Significant judgments in revenue recognition under PFRS 15 are as follows:

- *Identifying Performance Obligations.* The Parent Company identifies performance obligations by considering whether the promised goods or services in the contract are distinct goods or services. A good or service is distinct when the customer can benefit from the good or service on its own or together with other resources that are readily available to the customer and the Parent Company's promise to transfer the good or service to the customer is separately identifiable from the other promises in the contract.

  The Parent Company assesses performance obligations as a series of distinct goods and services that are substantially the same and have the same pattern of transfer if i) each distinct good or services in the series are transferred over time and ii) the same method of progress will be used (i.e., units of delivery) to measure the entity's progress towards complete satisfaction of the performance obligation.

  For power generation and ancillary services where capacity and energy dispatched are separately identified, these two obligations are to be combined as one performance obligation since these are not distinct within the context of the contract as the buyer cannot benefit from the contracted capacity alone without the corresponding energy and the buyer cannot obtain energy without contracting a capacity.

  The combined performance obligation qualifies as a series of distinct goods or services that are substantially the same and have the same pattern of transfer since the delivery of energy every month are distinct services which are all recognized over time and have the same measure of progress.

- *Identifying Methods for Measuring Progress of Revenue Recognized Over Time.* The Parent Company determines the appropriate method of measuring progress which is either through the use of input or output methods. Input method recognizes revenue on the basis of the entity's efforts or inputs to the satisfaction of a performance obligation while output method recognizes revenue on the basis of direct measurements of the value to the customer of the goods or services transferred to date.

  For power generation and ancillary services, the Parent Company determined that the output method is the best method in measuring progress since actual electricity is supplied to customers. The Parent Company recognizes revenue based on:

  - For the variable energy payment, actual kilowatt hours consumed which are billed on a monthly basis.
  - For fixed capacity payments, the Parent Company allocates the transaction price on a straight-line basis over the contract term. The allocated fixed payments are also billed on a monthly basis.

- *Determining Method to Estimate Variable Consideration and Assessing the Constraint.* The Parent Company includes some or all the amounts of variable consideration estimated but only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved. The Parent Company considers both the likelihood and magnitude of the revenue reversal in evaluating the extent of variable consideration the Parent Company will subject to constraint. Factors such as i) highly susceptibility to factors outside the Parent Company's influence, ii) timing of resolution of the uncertainty, and iii) having a large number and broad range of possible considerations amount are considered.

Some contracts with customers provide unspecified quantity of energy, provisional ERC rates, and prompt payment discounts that give rise to variable consideration. In estimating the variable consideration, the Parent Company applies the expected value method in estimating the variable consideration given the large number of customer contracts that have similar characteristics and the range of possible outcomes.

Before including any amount of variable consideration in the transaction price, the Parent Company considers whether the amount of variable consideration is constrained. The Parent Company determined that the estimates of variable consideration are to be fully constrained based on its historical experience (i.e., prompt payment discounts), the range of possible outcomes (i.e., unspecified quantity of energy), and the unpredictability of other factors outside the Parent Company's influence (i.e., provisional ERC rates).

- *Allocation of variable consideration.* Variable consideration may be attributable to the entire contract or to a specific part of the contract. For power generation, power and ancillary services revenue streams which are considered as series of distinct goods or services that are substantially the same and have the same pattern of transfer, the Parent Company allocates the variable amount that is no longer subject to constraint to the satisfied portion (i.e., month) which forms part of the single performance obligation, and forms part of the monthly billing of the Parent Company.

Assessment of Classification of Noncurrent Asset Held for Sale. On May 28, 2018, the BOD announced its decision to sell the LBGT and was consequently classified as a disposal group held for sale. As of December 31, 2018, the Parent Company is actively searching for potential buyers of the disposal group. The Parent Company considered the disposal group to meet the criteria to be classified as held for sale as of December 31, 2018 for the following reasons:

- The disposal group is available for immediate sale and can be sold to the buyer in its current condition.
- The actions to complete the sale were initiated and expected to be completed within one year from the date of initial classification.
- There is an active plan to locate potential buyers.

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 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 NPPC is a necessary consequence of its operation 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 ₱76.1 million and ₱121.5 million in 2018 and 2017, respectively, and were recognized as part "Other income" in the parent company statement of comprehensive income. The income in 2016 from the operation of NPPC after November 28, 2016 was not material.

Pursuant to the Memorandum of Agreement (MOA) subsequently made and entered into between PSALM and the Parent Company dated July 9, 2018 to implement the SC decision, a Joint Certificate of Turnover was signed by the parties on July 13, 2018 for the return of the NPPC to PSALM, return of the bid/purchase price of NPPC to SPC and settlement of fuel payable as provided in the MOA.

Estimates and Assumptions

Estimating Allowance for Impairment Losses (prior to adoption of PFRS 9). 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 impairment amounted to ₱3.8 million and ₱1.4 million as of December 31, 2018 and 2017, respectively. The carrying value of these receivables, net of allowance for impairment, amounted to ₱411.3 million and ₱1,255.3 million of December 31, 2018 and 2017, respectively (see Notes 5, 6, 7 and 13).

Estimating Expected Credit Losses on Trade and Other Receivables, Due from NPC/PSALM and Due from Related Parties using Simplified Approach (upon adoption of PFRS 9). The Parent Company uses the provision matrix to calculate ECLs for these receivables. The Parent Company calculates provision rates based on days past due for a group of various customer or debtor segments that have similar loss patterns (i.e., customer type).

The provision matrix is initially based on the Parent Company's historical observed loss rates. The Parent Company will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., inflation rates) are expected to increase over the next year which can lead to an increased number of defaults, the historical loss rates are adjusted. At every reporting date, the historical observed loss rates are updated and changes in the forward-looking estimates are analyzed.

The assessment of the correlation between historical observed loss rates, forecast economic conditions and ECLs is a significant estimate which involves qualitative and quantitative thresholds in place. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Parent Company's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

The Parent Company incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL.

The Parent Company has identified and documented key drivers of credit risk and credit losses of each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses.

Predicted relationship between the key indicators and default and loss rates on various portfolios of financial assets have been developed based on analyzing historical data over the past 3 years. The methodologies and assumptions including any forecasts of future economic conditions are reviewed regularly.

The Parent Company has not identified any uncertain event that it has assessed to be relevant to the risk of default occurring but where it is not able to estimate the impact on ECL due to lack of reasonable and supportable information.

An increase in the Parent Company's allowance for expected credit losses of trade and other receivables, due from NPC/PSALM and due from related parties will increase the Parent Company's recorded expenses and decrease current assets. As of December 31, 2018, allowance for expected credit losses amounted to ₱3.8 million (see Notes 5, 6 and 7). These receivables, net of allowance for expected credit losses, amounted to ₱411.3 million as of December 31, 2018 (see Note 6).

Estimating Allowance for Materials and Supplies Obsolescence. The Parent Company provides allowance for losses 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 losses would increase recorded expenses and decrease current assets.

Allowance for losses amounted to nil and ₱85.5 million as of December 31, 2018 and 2017, respectively (see Note 8). The carrying value of the materials and supplies, net of allowance for losses, amounted to ₱56.5 million and ₱318.5 million as of December 31, 2018 and 2017, respectively (see Note 8).

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 ₱12.4 million, ₱1.2 million and ₱1.0 million in 2018, 2017 and 2016, respectively (see Note 21). As of December 31, 2018 and 2017, the aggregate net book values of property, plant and equipment amounted to ₱411.5 million and ₱414.0 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 amounting to ₱14.3 million and ₱5.7 million in 2018 and 2016, and nil in 2017. As of December 31, 2018 and 2017, the aggregate net book values of property, plant and equipment amounted to ₱411.5 million and ₱414.0 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, 2018 and 2017 amounted to ₱2,852.5 million (see Note 10). The carrying amounts of investments in subsidiaries as of December 31, 2018 and 2017 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 2018, 2017 and 2016.

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, 2018 and 2017, the ARO has a carrying value of nil and ₱22.6 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 measured on this basis. The Parent Company has deferred income tax assets amounting to nil and ₱6.8 million as of December 31, 2018 and 2017, 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, 2018 and 2017 amounted to ₱2,619.2 million and ₱1,161.2 million, respectively. Fair value of financial liabilities as of December 31, 2018 and 2017 amounted to ₱46.6 million and ₱773.0 million, respectively.

4. Cash and Cash Equivalents

This account consists of:

	2018	2017
Cash on hand and in banks	**₱354,234,824**	₱786,755,353
Short-term investments	**1,847,153,269**	261,080,011
	₱2,201,388,093	₱1,047,835,364

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 earned amounted to ₱41.2 million, ₱10.6 million and ₱16.9 million in 2018, 2017 and 2016, 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 2018, 2017 and 2016 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. Outstanding receivables related to these transactions amounted to ₱351.4 million and ₱0.6 million as of December 31, 2018 and 2017, respectively.

- 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, 2018 and 2017.

- Extension of noninterest-bearing advances to Bohol Light Company, Inc. (BLCI) for working capital requirements. Outstanding advances amounted to ₱0.2 million and ₱0.1 million as of December 31, 2018 and 2017, respectively.

- Rendering of management and other services to MECO, an associate, amounting to ₱120.0 million, ₱100.0 million and ₱54.5 million in 2018, 2017 and 2016, respectively, is recorded as "Service income" in the parent company statements of comprehensive income.

- Cash dividends received from associates (KSPC and MECO) amounted to ₱1,409.8 million, ₱1,028.3 million and ₱213.4 million in 2018, 2017 and 2016, 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

  ₱387.6 million, ₱726.4 million and ₱506.2 million in 2018, 2017 and 2016, respectively (see Note 11).

- Lease of office spaces from SPC Properties Development Corporation (SPDC) and SPEC Properties, Inc. (SPEC). The aggregate rental expense amounted to ₱4.0 million in 2018 and ₱3.9 million in 2017 and 2016 (see Note 19). Outstanding payable totaled to ₱1.3 million and ₱0.7 million as of December 31, 2018 and 2017, 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:

	2018			
Category	Amount/Volume	Outstanding Balance - Receivable (Payable)	Terms	Conditions
Subsidiaries				
Management services:				
SIPC*	₱410,714	₱34,911	60-day; noninterest-bearing	Unsecured, no impairment
Extension (availment) of advances:				
SIPC**	351,360,827	351,360,827	60-day; noninterest-bearing	Unsecured
SIPC***	2,572,106	(2,462,677)	60-day; noninterest-bearing	Unsecured, no impairment
BLCI**	923,212	249,379	60-day; noninterest-bearing	Unsecured, no impairment
BLCI***	27,833	(69,690)	60-day; noninterest-bearing	Unsecured
SMPC**	18,148	18,148	60-day; noninterest-bearing	Unsecured, no impairment
SECI**	6,694	12,652	60-day; noninterest-bearing	Unsecured, no impairment
SLCI**	6,793	6,793	60-day; noninterest-bearing	Unsecured, no impairment
CNPC**	19,566	122,202	60-day; noninterest-bearing	Unsecured, no impairment
Dividend income (see Note 11):				
SIPC	349,999,930	–	Due and demandable	Unsecured
BLCI	15,959,996	–	Due and demandable	Unsecured
SECI	5,599,999	–	Due and demandable	Unsecured
SLCI	15,999,997	–	Due and demandable	Unsecured
Associates				
Management services:				
MECO	120,007,156	–	60-day; noninterest-bearing	Unsecured
Extension (availment) of advances:				
KSPC**	–	719,579	Due and demandable	Unsecured, no impairment
MECO**	1,950	1,950	60-day; Noninterest-bearing	Unsecured no Impairment
Dividend income (see Note 10):				
KSPC	1,329,823,954	–	Due and demandable	Unsecured, no impairment
MECO	79,999,911	–	Due and demandable	Unsecured, no impairment
Affiliates (Companies Under Common Ownership)				
Lease of office space:				
SPEC****	3,319,206	(1,106,402)	30-day; Noninterest-bearing; Annual escalation of 3% as agreed by the parties	Unsecured
SPDC****	691,317	(230,439)	30-day; Noninterest-bearing; 3% annual escalation as agreed by the parties	Unsecured
Extension (availment) of advances:				
Bohol Water Utilities, Inc. (BWUI)**	21,973,706	15,218,235	60-day; noninterest-bearing	Unsecured, no impairment
SPDC**	81,464	164,325	60-day; noninterest-bearing	Unsecured
SPDC***	268,304	(89,658)	60-day; noninterest-bearing	Unsecured, no impairment

(Forward)

Category	2018 Amount/Volume	Outstanding Balance - Receivable (Payable)	Terms	Conditions
Salcon International, Inc. (SII)**	₱47,673	₱98,621	60-day; noninterest-bearing	Unsecured, no impairment
Salcon Philippines, Inc. (SPI)**	41,350	87,520	60-day; noninterest-bearing	Unsecured, no impairment
SIPC Water Resources, Inc. (SWRI)**	17,862	176,026	60-day; noninterest-bearing	Unsecured, no impairment
Western Panay Hydropower Corp. (WPHC)**	17,362	80,866	60-day; noninterest-bearing	Unsecured, no impairment
Pure and Pam, Inc.**	–	75,000	60-day; noninterest-bearing	Unsecured, no impairment
SPEC**	67,231	133,623	60-day; noninterest-bearing	Unsecured, no impairment
KV Holdings, Inc.**	4,923	4,923	60-day; noninterest-bearing	Unsecured, no impairment
Kepco Philippines Corp.***	–	(497,043)	60-day; noninterest-bearing	Unsecured no impairment
Officers and employees*	2,429,188	4,853,571	60-day; non-interest bearing	Unsecured, no impairment

* *Under "Trade and other receivables"*
** *Under "Due from related parties"*
*** *Under "Due to related parties"*
**** *Under "Trade and other payables"*

Category	2017 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
SIPC**	1,594,228	607,769	60-day; noninterest-bearing	Unsecured, no impairment
BLCI**	208,425	116,950	60-day; noninterest-bearing	Unsecured, no impairment
BLCI***	41,577	(41,857)	60-day; noninterest-bearing	Unsecured
SMPC**	98,452	98,452	60-day; noninterest-bearing	Unsecured, no impairment
SECI**	5,958	5,958	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
BLCI	14,962,497	–	Due and demandable	Unsecured
SECI	7,999,998	–	Due and demandable	Unsecured
SLCI	2,000,000	–	Due and demandable	Unsecured
SMPC	1,459,971	–	Due and demandable	Unsecured
Associates				
Management services:				
MECO	100,006,366	–	60-day; noninterest-bearing	Unsecured,
Extension (availment) of advances:				
KSPC**	–	719,579	Due and demandable	Unsecured, no impairment

(Forward)

Category	2017 Amount/Volume	Outstanding Balance - Receivable (Payable)	Terms	Conditions
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; Annual escalation of 3% as agreed by the parties	Unsecured
SPDC****	671,177	(111,863)	30-day; Noninterest-bearing; Annual escalation of 3% as agreed by the parties	Unsecured
Extension (availment) of advances:				
BWUI**	644,308	553,871	60-day; noninterest-bearing	Unsecured, no impairment
SPDC***	434,027	(66,951)	60-day; noninterest-bearing	Unsecured
SPDC**	82,861	82,861	60-day; noninterest-bearing	Unsecured, no impairment
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

* *Under "Trade and other receivables"*
** *Under "Due from related parties"*
*** *Under "Due to related parties"*
**** *Under "Trade and other payables"*

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:

	2018	2017	2016
Short-term benefits	**₱31,961,364**	₱30,238,987	₱31,889,772
Pension expense	**309,811**	337,679	159,000
	₱32,271,175	₱30,576,666	₱32,048,772

6. Trade and Other Receivables

This account consists of:

	2018	2017
Receivable from:		
National Grid Corporation of the Philippines (NGCP)	**₱11,396,811**	₱57,669,068
Philippine Electricity Market Corp. (PEMC) (net of allowance for impairment of ₱3.8 million and ₱1.4 million in 2018 and 2017, respectively)	**4,738,466**	23,759,928
Contractors and suppliers	**5,181,718**	4,711,000
SIPC (see Note 5)	**34,911**	–
Others	**20,275,558**	21,967,802
	₱41,627,464	₱108,107,798

Receivable from customers arises from generation and sale of energy, and from provision of ancillary services.

Others mainly consist of advances to suppliers and contractors for refund in relation to services that will no longer be availed by the Parent Company, officers and employees, insurance claims and accrued interest receivables from short-term investments.

Allowance for impairment losses pertains to trade receivables that are individually determined to be impaired at reporting date. These relate to debtors who are either in significant financial difficulties, have defaulted on payments or whose accounts are under dispute and legal proceedings. These receivables are not secured by any collateral or credit enhancements.

Additional allowance for impairment loss amounting to ₱2.4 million and ₱1.4 million were provided in 2018 and 2017, respectively (see Note 19).

The following table shows the movement in the allowance for impairment:

	2018	2017
At January 1	**₱1,400,000**	₱–
Provision (see Note 19)	**2,375,422**	1,400,000
At December 31	**₱3,775,422**	₱1,400,000

7. Due from and Due to NPC/PSALM

This account consists of:

	Due from NPC/PSALM		Due to NPC/PSALM	
	2018	2017	**2018**	2017
Cost of fuel purchases and others (see Note 26)	**₱–**	₱–	**₱–**	₱511,650,588
Others	**1,175,128**	1,175,128	**–**	–
	₱1,175,128	₱1,175,128	**₱–**	₱511,650,588

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 as of December 31, 2017 were presented as current liabilities (see Note 26).

Others mainly consist of outstanding amounts reimbursable by PSALM for other services rendered under Operation and Maintenance Service Contracts (OMSC).

8. Materials and Supplies

This account consists of:

	2018	2017
On hand - at NRV (net of allowance for inventory losses of nil and ₱85.5 million as of December 31, 2018 and 2017, respectively)	**₱40,990,502**	₱315,966,917
In transit - at cost	**15,493,793**	2,557,385
At lower of cost and NRV	**₱56,484,295**	₱318,524,302

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

The cost of materials and supplies recognized as other charges amounted to ₱135.6 million and ₱325.7 million in 2018 and 2017, respectively (see Note 26) and "Cost of services" amounted to ₱13.2 million, nil and ₱167.6 million in 2018, 2017 and 2016, respectively, in the parent company statements of comprehensive income (see Note 18).

9. Prepayments and Other Current Assets

This account consists of:

	2018	2017
Input VAT	**₱39,833,905**	₱58,978,672
Prepaid rent	**2,378,872**	2,843,872
Prepaid insurance	**3,861,642**	2,095,486
Deferred input tax	**919,740**	863,866
Others	**1,235,259**	55,755,420
	₱48,229,418	₱120,537,316

As of December 31, 2017, "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. Payment was received in 2018 upon the turnover of NPPC (see Note 26).

10. Investments in Associates

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

	Principal Activity	% of Ownership	2018	2017
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

KSPC

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

	2018	2017
Statements of financial position:		
Current assets	**₱3,438,166,969**	₱3,026,153,666
Noncurrent assets	**11,186,531,787**	11,862,369,837
Current liabilities	**895,386,982**	688,867,772
Noncurrent liabilities	**730,253,027**	714,506,077
Equity	**12,999,058,746**	13,485,149,654
Statements of comprehensive income:		
Revenue	**8,812,187,718**	8,317,177,602
Gross profit	**3,559,735,642**	3,708,509,782
Net income	**2,841,290,406**	2,563,051,257
Other comprehensive income (loss)	**775,628**	(215,914)
Total comprehensive income	**2,842,066,034**	2,562,835,343

KSPC declared and paid cash dividends to the Parent Company amounting to ₱1,329.8 million, ₱968.3 million and ₱133.4 million in 2018, 2017 and 2016, respectively (see Note 5).

MECO

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

	2018	2017
Statements of financial position:		
Current assets	**₱2,655,644,061**	₱2,539,970,643
Noncurrent assets	**2,903,998,249**	2,135,870,438
Current liabilities	**932,821,162**	699,418,468
Noncurrent liabilities	**2,348,278,665**	1,799,843,043
Equity	**2,278,542,483**	2,176,579,570
Revaluation increment on property, plant and equipment, and others	**188,241,004**	209,371,063
Statements of comprehensive income:		
Revenue	**6,350,888,911**	5,324,917,027
Gross profit	**338,144,507**	209,173,187
Net income	**292,053,994**	250,336,245
Other comprehensive loss	**1,678,140**	(479,591)
Total comprehensive income	**293,732,134**	249,856,654
Income after adjustment of depreciation on appraisal increase and others	**322,239,793**	280,522,042

MECO declared and paid cash dividends to the Parent Company amounting to ₱80.0 million, ₱60.0 million and ₱80.0 million in 2018, 2017 and 2016, respectively (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 2018, 2017 and 2016.

11. Investments in Subsidiaries

Details of the Parent Company's investments in subsidiaries as of December 31, 2018 and 2017 are as follows:

		% of Ownership			
	Principal Activity	Direct	Indirect	Total	Amount
SIPC	Power generation	100.00%		100.00%	₱274,999,995
BLCI	Power distribution	39.90%	13.76%	53.66%	45,653,125
SLCI	Holding company	40.00%	24.00%	64.00%	12,609,198
SECI	Holding company	40.00%		40.00%	7,565,518
CNPC	Power generation	100.00%		100.00%	249,995
SMPC	Power generation	40.00%		78.40%	99,998
					₱341,177,829

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

Declared By	Date of Declaration	Record Date	Amount: Gross (in millions)	Amount: Per Share
2018				
SIPC	November 28, 2018	December 12, 2018	₱350.0	₱14.0 (common)
SLCI	November 28, 2018	December 20, 2018	40.0	1.27
BLCI	April 12, 2018	April 16, 2018	30.0	0.40
	December 10, 2018	December 14, 2018	10.0	0.13
SECI	November 28, 2018	December 20, 2018	14.0	0.74
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

12. Property, Plant and Equipment

This account consists of:

	2018					
	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**	**₱22,994,526**	**₱15,631,616**	**₱6,419,812**	**₱372,458,478**	**₱515,652,541**
Additions	**14,440,009**	**1,300,000**	**799,966**	**65,517**	**30,016,375**	**46,621,867**
Transfers	**387,585,973**	**–**	**–**	**–**	**(387,585,973)**	**–**
Transfer to NCA held for sale	**(68,716,152)**	**–**	**–**	**–**	**–**	**(68,716,152)**
Disposals	**(26,425,171)**	**(3,661,688)**	**(6,055,107)**	**–**	**–**	**(36,141,966)**
At December 31	**405,032,768**	**20,632,838**	**10,376,475**	**6,485,329**	**14,888,880**	**457,416,290**
Accumulated Depreciation and Impairment						
At January 1	**60,792,951**	**19,628,997**	**15,103,342**	**6,090,238**	**–**	**101,615,528**
Depreciation during the year (see Note 21)	**10,766,277**	**1,149,256**	**352,949**	**143,670**	**–**	**12,412,152**
Impairment	**14,266,880**	**–**	**–**	**–**	**–**	**14,266,880**
Other adjustments	**3,606,770**	**–**	**–**	**–**	**–**	**3,606,770**
Transfer to NCA held for sale	**(50,503,152)**	**–**	**–**	**–**	**–**	**(50,503,152)**
Disposals	**(25,836,722)**	**(3,661,688)**	**(6,009,594)**	**–**	**–**	**(35,508,004)**
At December 31	**13,093,004**	**17,116,565**	**9,446,697**	**6,233,908**	**–**	**45,890,174**
Net Book Value	**₱391,939,764**	**₱3,516,273**	**₱929,778**	**₱251,421**	**₱14,888,880**	**₱411,526,116**

	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

Acquisition and Rehabilitation of Power Barge (PB) 104

On June 30, 2016, PSALM turned over the 32MW PB 104 to the Parent Company for the rehabilitation prior to commercial operation. Units 1, 2 and 3 with total rated capacity of 24 MW started commercial operation on August 1, 2018 while Unit 4 (8MW) is still under rehabilitation as of December 31, 2018. Total acquisition and rehabilitation costs charged to "Property, plant and equipment" in the parent company statement of financial position amounted to ₱402.5 million, including ₱14.9 million under "Construction in progress" as of December 31, 2018.

As of December 31, 2018, the Certificate of Compliance (COC) for Units 2 and 3 are still pending while the COC for Unit 1 was issued on December 19, 2018.

Noncurrent Assets Held for Sale

On its resolution dated May 28, 2018, the BOD announced its decision to sell a group of assets, including machineries and equipment, and spare parts inventories. In March 2019, the Parent Company engaged the services of an appraiser to determine the disposal group's fair value less cost to sell as follows:

	Carrying Amount at Reporting Date Before Reclassified as Held for Sale	Impairment Losses (see Note 3)	Carrying Amount After Impairment Losses (see Note 3)*
Machineries and equipment	₱32,479,880	₱14,266,880	₱18,213,000
Inventories	–	–	–
	₱32,479,880	₱14,266,880	₱18,213,000

**Based on fair values as determined by an independent appraiser.*

As of December 31, 2018, the Parent Company considers its noncurrent assets held for sale with fair value of ₱18.2 million under Level 3 classification (see Note 2). In valuing the noncurrent assets held for sale, the Parent Company used the Sales Comparison Approach, using price per net weight as its key valuation. The Sales Comparison Approach is a comparative approach to value that considers the sales of similar or substitute properties and related market data and establishes a value estimate by processes involving comparison.

For the Sales Comparison Approach, a significant increase (decrease) in price per net weight, in isolation, would result to a higher (lower) fair value.

The Parent Company has determined that the highest and best use of its noncurrent assets held for sale is its current use.

The ARO related to the disposal group has been remeasured to ₱2.2 million, resulting to reversal of ARO amounting to ₱21.3 million. The ARO is presented as liabilities directly associated with noncurrent asset held for sale in the parent company statements of financial position (see Note 15).

Cost of fully depreciated property, plant and equipment that are still being used by the Parent Company amounted to ₱35.9 million and ₱51.6 million as of December 31, 2018 and 2017, respectively.

13. Other Noncurrent Assets

This account consists of:

	2018	2017
Investment in proprietary club shares	**₱6,500,000**	₱1,300,000
Software costs (net of accumulated amortization of ₱1.8 million and ₱1.2 million in 2018 and 2017, respectively) (see Note 21)	**4,257,760**	4,866,011
Noncurrent receivable (see Note 26)	**–**	1,143,240,000
Others	**6,602,953**	5,937,327
	₱17,360,713	₱1,155,343,338

As of December 31, 2017, investment in proprietary club shares has a carrying value of ₱1.3 million. Upon adoption of PFRS 9 effective January 1, 2018, the Parent Company recognized transition adjustments of ₱3.7 million directly charged to the Parent Company's beginning other comprehensive income and ₱1.5 million recognized as "Unrealized valuation gain on financial asset at FVOCI" in the 2018 parent company statement of comprehensive income.

Others mainly pertains to Investment in Casureco IV amounting to ₱5.5 million and other assets amounting to ₱1.0 million

14. Trade and Other Payables

This account consists of:

	2018	2017
Trade	**₱27,684,826**	₱232,908,105
Nontrade	**20,112,597**	33,965,831
Accrued expenses	**17,182,243**	24,732,144
	₱64,979,666	₱291,606,080

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

Nontrade payables include accrual for deferred output tax of ₱14.1 million and ₱26.4 million as of December 31, 2018 and 2017, respectively, and various accounts with nontrade suppliers and contractors.

Accrued expenses includes accrued interest on bank loans, withholding taxes and terminal leave pay of certain employees who were rehired following the termination of the ROMM Agreement on March 25, 2012 (see Note 20).

15. Asset Retirement Obligation

As discussed in Notes 2 and 3, 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.

	2018	2017
At January 1	**₱22,637,104**	₱21,788,601
Accretion of interest	**881,545**	848,503
Changes in ARO (see Note 12)	**(21,284,649)**	–
Transfer of ARO to liability directly associated with NCA held for sale	**(2,234,000)**	–
At December 31	**₱–**	₱22,637,104

Changes in ARO in 2018 represent mainly the reversal of the Parent Company's ARO as a result of remeasuring it being part of the disposal group held for sale (see Note 12).

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.

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 on September 2014 (see Note 26). The outstanding loan balance was prepaid on October 28, 2017. Interest expense from this loan amounted to ₱19.2 million and ₱26.0 million in 2017 and 2016, respectively.

In October 2009, the Parent Company availed of a seven-year-term loan amounting to US$4.0 million from a local bank to partly finance the acquisition of the Panay and Bohol Diesel Power Plants by SIPC. The loan was fully paid on October 28, 2016. Interest expense from this loan amounted to ₱0.6 million in 2016.

17. Equity

Capital Stock

There were no changes in the Parent Company's authorized, issued and outstanding common shares as of December 31, 2018 and 2017:

Issued shares	1,569,491,900
Treasury shares	(72,940,097)
Issued and outstanding shares	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, 2018, the Parent Company has 717 stockholders including 82 depository participants counted as one stockholder each.

As of December 31, 2018 and 2017, the Parent Company complied with the Minimum Public Ownership requirement of the PSE for listed entities.

Dividends

On April 4, 2019, the BOD of the Parent Company approved the declaration of interim cash dividends equivalent to ₱0.40 per share or for a total of ₱598.6 million to all stockholders of records as of April 23, 2019 payable on April 30, 2019.

On November 28, 2018, 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 12, 2018 payable on December 19, 2018.

On May 28, 2018, 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 11, 2018 payable on June 27, 2018.

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.

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, 2018 and 2017.

To comply with the requirements of Section 43 of the Corporation Code, the Parent Company plans to address excess retained earnings by declaring dividends in 2019. On April 4, 2019, the BOD of the Parent Company approved the declaration of interim cash dividends equivalent to ₱0.40 per share or for a total of ₱598.6 million to all stockholders of record as of April 23, 2019 payable on April 30, 2019.

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 Board of Directors (BOD) of the Parent Company approved the reversal of appropriation amounting to ₱850.0 million and the appropriation of retained earnings 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 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.

On November 28, 2018, the BOD of the Parent Company approved the following: (i) reversal of ₱850.0 million appropriation for the construction of a CFBC coal-fired thermal power plant with a capacity of at least 300 MW due to the adverse Supreme Court decision that led to the return of the Naga Power Plant Complex to PSALM pursuant to a Memorandum of Agreement and Certificate of Turnover executed between the Parent Company and PSALM on July 9, 2018 and July 13, 2018, respectively (see Note 31); (ii) reversal of ₱500.0 million appropriation for two run-of-river hydro-electric power plant projects in Palawan due to unsuccessful conclusion of final studies/negotiations; and (iii) appropriation of ₱1.5 billion out of the unappropriated retained earnings of the Parent Company for the acquisition of a 100% ownership interest in a power generation company and for 1Bohol Power Project that will serve the long-term power requirements of three distribution utilities in Bohol within the years 2024–2033.

However, in January 2019, the Parent Company lost in its bid to acquire the power generation company. Consequently, on April 4, 2019, the Parent Company's BOD approved the reversal of a portion of its 2018 appropriation amounting to ₱1.0 billion.

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

	2018	2017	2016
Net income	**₱1,951,016,504**	₱1,807,227,712	₱742,090,849
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	**₱1.30**	₱1.21	₱0.50

There are no potentially dilutive common stocks issued as of December 31, 2018, 2017 and 2016.

Capital Management
The Parent Company considers its total equity, excluding other comprehensive income, as its core capital and is not subject to any externally imposed capital requirements. As of December 31, 2018 and 2017, the Parent Company's equity amounted to ₱6,276.5 million and ₱5,522.8 million, respectively.

18. Plant Operations

This account consists of:

	2018	2017	2016
Depreciation (see Note 21)	**₱10,766,277**	₱–	₱–
Fuel, lubricants and chemicals (see Note 8)	**10,413,648**	–	159,542,440
Personnel costs (see Note 20)	**7,109,384**	–	21,377,833
Repairs and maintenance	**3,035,718**	–	7,959,776
Spares, materials and supplies (see Note 8)	**2,774,851**	–	8,045,807
Purchased power	**806,698**	–	4,502,329
Taxes and licenses	**61,382**	–	166,151
Others (see Note 25)	**1,768,705**	–	3,718,499
	₱36,736,663	₱–	₱205,312,835

In 2018 and 2017, the income from operation of the NPPC, net of directly related costs and expenses, were 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:

	2018	2017	2016
Personnel costs (see Note 20)	**₱33,266,113**	₱41,868,350	₱32,809,807
Business development	**21,893,463**	13,327,094	56,444,451
Provisions (see Notes 6 and 12)	**16,642,302**	1,400,000	6,900,000
Shared expenses	**13,257,495**	13,539,434	12,603,473
Directors' fees	**11,360,826**	11,374,126	11,305,111
Professional fees	**10,552,117**	7,756,962	8,622,652
Transportation and travel	**9,587,449**	4,754,578	4,395,121

(Forward)

	2018	2017	2016
Corporate social responsibility	**₱8,762,866**	₱1,309,173	₱888,421
Insurance	**8,075,139**	5,746,150	1,626,361
Repairs and maintenance	**6,528,864**	3,560,033	3,721,460
Rentals (see Notes 5, 21 and 25)	**6,163,371**	6,478,511	6,149,496
Communications	**3,044,938**	2,370,304	2,478,424
Entertainment, amusement and recreation	**2,271,945**	1,147,736	1,169,873
Depreciation and amortization (see Note 21)	**2,254,126**	1,789,035	1,609,214
Association dues	**1,874,423**	1,857,594	2,071,873
Power and water	**1,224,342**	965,634	906,644
Office supplies	**1,161,853**	1,296,573	1,145,146
Taxes and licenses	**326,665**	1,361,540	8,682,564
Freight and handling	**160,611**	167,547	163,356
Brokerage	**152,634**	146,063	183,293
Others	**5,262,385**	4,228,307	5,108,651
	₱163,823,927	₱126,444,744	₱168,985,391

20. Personnel Costs

This account consists of:

	2018	2017	2016
Salaries and wages	**₱27,295,465**	₱21,288,182	₱37,949,613
Pension (see Note 14)	**1,595,819**	1,422,180	1,302,851
Other employee benefits	**11,484,213**	19,157,988	14,935,176
	₱40,375,497	₱41,868,350	₱54,187,640

21. Depreciation and Amortization

This account consists of:

	2018	2017	2016
Depreciation of property, plant and equipment			
Plant operations (see Note 18)	**₱10,766,277**	₱–	₱–
General and administrative (see Note 19)	**1,645,875**	1,180,784	1,000,963
	12,412,152	1,180,784	1,000,963
Amortization of land lease Rental (see Note 25):			
General and administrative (see Note 19)	**121,293**	121,293	121,293
	121,293	121,293	121,293
Amortization of software costs:			
General and administrative (see Note 19)	**608,251**	608,251	608,251
	₱13,141,696	₱1,910,328	₱1,730,507

22. Income Tax

	2018	2017	2016
Current	**₱57,226,550**	₱41,372,309	₱44,561,088
Deferred	**6,791,130**	(254,551)	(245,010)
	₱64,017,680	₱41,117,758	₱44,316,078

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, 2018, 2017 and 2016 follows:

	2018	2017	2016
Provision for income tax computed at 30%	**₱604,510,255**	₱554,503,641	₱235,922,078
Adjustments to income tax resulting from:			
Nontaxable dividend income	**(539,215,136)**	(526,428,416)	(215,870,708)
Impact of OSD	**12,363,564**	16,119,055	29,361,213
Interest income already subjected to final tax	**(12,357,353)**	(3,185,267)	(5,055,778)
Others	**(1,283,650)**	108,745	(40,727)
	₱64,017,680	₱41,117,758	₱44,316,078

The Parent Company's deferred income tax assets relate to the asset retirement obligation amounting to nil and ₱6.8 million as of December 31, 2018 and 2017, 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 2018, 2017 and 2016, 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:

	2018	2017
Current service cost	**₱1,450,758**	₱1,394,719
Net interest cost on benefit obligation	**145,061**	27,461
	₱1,595,819	₱1,422,180

Remeasurement effects recognized under "Other comprehensive income" in the parent company statements of comprehensive income amounted to ₱4.2 million, ₱0.9 million and nil in 2018, 2017 and 2016, respectively.

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

	2018	2017
At January 1	**₱15,084,550**	₱11,879,726
Current service cost	**1,450,758**	1,394,719
Interest cost	**859,819**	291,053
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	**₱17,395,127**	₱15,084,550

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

	2018	2017
At January 1	**₱12,539,614**	₱10,758,874
Contributions to the retirement fund	**1,336,585**	917,640
Interest income included in net interest cost	**714,758**	263,592
Gains on return on plan assets	**4,212,097**	599,508
At December 31	**₱18,803,054**	₱12,539,614

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

	2018	2017
At January 1	**₱2,544,936**	₱1,120,852
Pension expense for the year	**1,595,819**	1,422,180
Remeasurement loss (gain) on employee benefits	**(4,212,097)**	919,544
Contribution to the retirement fund	**(1,336,585)**	(917,640)
At December 31	**(₱1,407,927)**	₱2,544,936

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

	2018	2017
Cash and cash equivalents	**₱2,531,315**	₱1,473,531
Investments in government securities	**13,840,069**	9,663,536
Investment in bonds	**1,500,000**	–
Investment in listed preferred shares	**760,743**	775,968
Accrued interest income	**182,019**	105,018
Others	**11,310**	526,634
Total assets	**18,825,456**	12,544,687
Total liabilities	**22,402**	5,073
Fair value of plan assets	**₱18,803,054**	₱12,539,614

All equity instruments held have quoted prices in active market. The remaining plan assets do not have quoted market prices in active market.

The Parent Company does not expect to contribute to the retirement fund in 2019.

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

	2018	2017
Discount rate	**5.70%**	5.70%
Future salary increase rate	**6.00%**	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	
		2018	2017
Discount rate	+100 basis points	**(₱489,775)**	(₱550,751)
	−100 basis points	**556,391**	618,660
Salary increase rate	+100 basis points	**784,221**	680,054
	−100 basis points	**(713,880)**	(619,056)

The weighted average duration of the benefit payments is approximately 11.50 years and 12.26 years as of December 31, 2018 and 2017, respectively. 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:

Plan Year	2018	2017
Less than one year	**₱8,963,955**	₱8,880,677
One year to less than five years	**5,705,505**	4,860,194
Five years to less than 10 years	**4,775,954**	4,027,486
10 years to less than 15 years	**6,175,769**	7,471,579
15 years to less than 20 years	**834,890**	588,075
20 years and above	**10,439,634**	11,067,698
	₱36,895,707	₱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 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. The Parent Company's policy is to manage its interest cost using the variable-rate debts.

As of December 31, 2018 and 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 had been paid as of October 28, 2017 (see Note 16).

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:

	2018			
	Total	**Current**	**1 to 30 Days**	**Over 30 Days**
Financial Assets				
At Amortized Cost:				
Cash and cash equivalents	**₱2,201,388,093**	**₱2,201,388,093**	**₱–**	**₱–**
Trade and other receivables	**41,627,464**	**3,417,392**	**2,306,985**	**35,903,087**
Due from related parties	**368,530,669**	**365,469,704**	**268,422**	**2,792,543**
Due from NPC/PSALM	**1,175,128**	**–**	**–**	**1,175,128**
	2,612,721,354	**2,570,275,189**	**2,575,407**	**39,870,758**
At FVOCI:				
Investment in proprietary club shares	**6,500,000**	**–**	**–**	**6,500,000**
	2,619,221,354	**2,570,275,189**	**2,575,407**	**46,370,758**
Financial Liabilities				
Other financial liabilities:				
Trade and other payables*				
Trade	**27,684,826**	**12,084,745**	**2,336,766**	**13,263,315**
Non-trade	**5,975,683**	**454,870**	**1,153**	**5,519,660**
Accrued expenses	**9,842,554**	**906,808**	**380,710**	**8,555,036**
	43,503,063	**13,446,423**	**2,718,629**	**27,338,011**
Due to related parties	**3,119,068**	**532,271**	**258,488**	**2,328,309**
	46,622,131	**13,978,694**	**2,977,117**	**29,666,320**
Net Financial Assets (Liabilities)	**₱2,572,599,223**	**₱2,556,296,495**	**(₱401,710)**	**₱16,704,438**

**Excluding Statutory Payables*

	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 related parties	2,757,502	469,336	52,988	2,235,178
Due from NPC/PSALM	1,175,128	–	–	1,175,128
	1,159,875,792	1,107,347,440	8,118,974	44,409,378
AFS financial asset:				
Investment in proprietary club shares	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*

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). Bankers Association of the Philippines (BAP)/Philippine Dealing System (PDS) closing rates used are ₱52.58 and ₱49.93 on December 31, 2018 and 2017, 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
2018	**+1**	**₱1,430,514**
	-1	**(1,430,514)**
2017	+1	₱1,522,864
	-1	(1,522,864)

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	
	2018	2017	**2018**	2017
Cash and cash equivalents	**$2,731,643**	$3,115,082	**₱143,629,804**	₱155,536,034
Trade and other payables	**(11,000)**	(5,000)	**(578,380)**	(249,650)
Net foreign currency-denominated monetary asset	**$2,720,643**	$3,110,082	**₱143,051,424**	₱155,286,384

As a result of the translation of these foreign currency-denominated assets and liabilities, the Parent Company reported a net unrealized foreign exchange gain of ₱1.5 million and ₱0.2 million in 2018 and 2016, respectively and a net unrealized foreign exchange loss of ₱1.0 million 2017.

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.

	2018		
	Maximum exposure	**Offset**	**Exposure to credit risk**
At Amortized Cost			
Cash and cash equivalents (excluding cash on hand)	**₱2,201,269,600**	**(₱3,500,000)**	**₱2,197,769,600**
Trade and other receivables	**41,627,464**	**–**	**41,627,464**
Due from related parties	**368,530,669**	**–**	**368,530,669**
Due from NPC/PSALM	**1,175,128**	**–**	**1,175,128**
	₱2,612,602,861	**(₱3,500,000)**	**₱2,609,102,861**

	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 related parties	2,757,502	–	2,757,502
Due from NPC/PSALM	1,175,128	–	1,175,128
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

As of December 31, 2018 and 2017, the Parent Company's significant concentration of credit risk pertains to its trade and other receivables amounting to ₱41.6 million and ₱108.1 million, respectively, and impaired financial assets, determined based on probability of collection, have been adequately covered with allowance.

Applicable for the year ended December 31, 2018

The following are the details of the Parent Company's assessment of credit quality and the related ECLs as at December 31, 2018:

General Approach

- *Cash and cash equivalents* - As of December 31, 2018, the ECL relating to the cash and cash equivalents of the Parent Company is minimal as these are deposited in reputable banks which have good bank standing, and is considered to have low credit risk .

- *Due from NPC/PSALM and related parties*- As of December 31, 2018, there were no individually impaired accounts. No ECL is recognized for these receivables since there were no history of default payments. This assessment is undertaken each financial year through examining the financial position of the parties and the markets in which the parties operate.

Simplified Approach

- *Trade and Other Receivables* - The Parent Company applied the simplified approach under PFRS 9, using a 'provision matrix'. As of December 31, 2018, the allowance for impairment losses as a result from performing collective and specific impairment test amounted to ₱75,422. Management evaluated that the Parent Company's trade receivables are of high grade and of good credit quality.

	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Lifetime ECL Simplified Approach	Total
Gross carrying amount	₱–	₱–	₱1,400,000	₱2,375,422	₱3,775,422
Loss allowance	–	–	(1,400,000)	(2,375,422)	(3,775,422)
Carrying amount	₱–	₱–	₱–	₱–	₱–

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

	2018						
			Past Due but Not Impaired				
	Total	Neither Past Due nor Impaired	1 to 30 Days	31 to 60 Days	61 to 90 Days	Over 90 Days	Impaired
At Amortized Cost							
Cash and cash equivalents (excluding cash on hand)	₱2,201,269,600	₱2,201,269,600	₱–	₱–	₱–	₱–	₱–
Trade and other receivables							
Contractors and suppliers	4,687,500	–	–	–	–	4,687,500	–
Others	40,221,168	3,417,392	1,838,985	2,251,153	375,764	28,562,452	3,775,422
	44,908,668	3,417,392	1,838,985	2,251,153	375,764	33,249,952	3,775,422
Due from related parties	368,530,669	365,469,704	268,422	68,500	148,259	2,575,784	–
Due from NPC/PSALM	1,175,128	–	–	–	–	1,175,128	–
	₱2,615,884,065	₱2,570,156,696	₱2,107,407	₱2,319,653	₱524,023	₱37,000,864	₱3,775,422

	2017						
			Past Due but Not Impaired				
	Total	Neither Past 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 related parties	2,757,502	469,336	52,988	486,337	365,372	1,383,469	–
Due from NPC/PSALM	1,175,128	–	–	–	–	1,175,128	–
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

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:

		2018				
		Neither Past Due nor Impaired				Individually
		High Grade	Standard	Substandard	Past Due	Impaired
At Amortized Cost						
Cash and cash equivalents (excluding cash on hand)	₱2,201,269,600	₱2,201,269,600	₱–	₱–	₱–	₱–
Trade and other receivables						
Contractors and suppliers	4,687,500	–	–	–	4,687,500	–
Others	40,221,168	–	3,417,392	–	33,028,354	3,775,422
	44,908,668	–	3,417,392	–	37,715,854	3,775,422
Due from related parties	368,530,669	–	365,469,704	–	3,060,965	–
Due from NPC/PSALM	1,175,128	–	–	–	1,175,128	–
	₱2,615,884,065	₱2,201,269,600	₱368,887,096	₱–	₱41,951,947	₱3,775,422

		2017				
		Neither Past Due nor Impaired				Individually
		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
Due from related parties	2,757,502	–	469,336	–	2,288,166	–
Due from NPC/PSALM	1,175,128	–	–	–	1,175,128	–
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

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.

- *Receivable/Due from NPC/PSALM, NGCP and Distribution Utilities*: These are assessed as high grade since these receivables arose from the contract provisions of the ROMM Agreement, (OMSC), Ancillary Services Procurement Agreements (ASPA), Power Supply Contracts (PSCs), and/or collectible from government institution.

- *Receivable from Contractors, 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.

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.

- *Investment in Proprietary Club Shares.* 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.

As of December 31, 2018 and 2017, the carrying values of the Parent Company's financial instruments approximate its fair values due to their relatively short-term maturity.

As of December 31, 2018 and 2017, the Parent Company considers its investment in proprietary club shares with fair values of ₱6.5 million and ₱1.3 million under Level 1 classification, respectively (see Note 2).

During the reporting period ended December 31, 2018, 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.

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 Ancillary Services Procurement Agreement (ASPA) with the National Grid Corporation of the Philippines (NGCP) that took effect on September 26, 2015 after getting the provisional approval of the ERC. The Parent Company and NGCP executed the ASPA for the supply of dispatchable reserve and reactive power support from its Cebu Diesel Power Plant located in the City of Naga, Cebu for a period of five (5) years under a non-firm arrangement. The ASPA was pre-terminated on July 13, 2018 due to the return of the Cebu Diesel Power Plant to PSALM (see Note 26).

On December 18, 2018, the Parent Company entered into an ASPA with NGCP for the supply of dispatchable reserve and reactive power support from the former's 4x7 MW Power Barge (PB) 104 located in Tapal Wharf, Ubay, Bohol under firm and non-firm arrangements. The term of this agreement is for a period of five (5) years commencing upon receipt of a final approval, or in the absence thereof, a provisional approval by the ERC of the application filed on February 14, 2019. As of April 4, 2019, the agreement is not yet approved by the ERC.

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 including withholding tax borne by the Parent Company.

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, 2018 and 2017 is presented as part of "Prepayments and other current assets" in the parent company statements of financial position and the noncurrent portion amounting to ₱0.01 million and ₱0.1 million as of December 31, 2018 and 2017, 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 2018, 2017 and 2016 (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).

Tax Reform for Acceleration and Inclusion Act (TRAIN)
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 on January 1, 2018. The changes in the tax law do not have significant impact on the parent company financial statements of the Parent Company.

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 as of December 31, 2017 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 pending the eventual turn-over to PSALM and the return of the purchase price as well as the reimbursement of necessary and useful expenses made on the NPPC.

On July 9, 2018, PSALM and the Parent Company finally entered into a Memorandum of Agreement (MOA) containing the terms and conditions for the return of the NPPC to PSALM, return of the SPC Bid to SPC, and the settlement of all claims between the parties.

In accordance with the MOA, PSALM and the Parent Company executed the Joint Certificate of Turnover on July 13, 2018. Thus, the Parent Company turned over the NPPC and paid the entire payable to PSALM through cash amounting to ₱75.7 million, net of withholding tax, for fuel and coal consumed and through replacement of fuel while PSALM returned the SPC Bid to the Parent Company amounting to ₱1,143.2 million (see Note 13).

27. Notes to Parent Company Statements of Cash Flows

Noncash transactions in 2018

In 2018, the Parent Company has a noncash transaction pertaining to the reclassification of nontrade receivables from current to noncurrent amounting to ₱1.0 million since the Parent Company does not expect to collect such receivable within one year from the reporting date (see Note 13).

Changes in Liabilities Arising from Financing Activities

	January 1, 2018	Dividend Declaration	Amortization of Transaction Costs	Cash Flows	December 31, 2018
Non-current interest-bearing loans and borrowings, excluding obligations under finance leases and hire purchase contracts	₱–	₱–	₱–	₱–	₱–
Dividends payable	–	1,197,241,442	–	(1,197,241,442)	–
Total liabilities from financing activities	₱–	₱1,197,241,442	₱–	(₱1,197,241,442)	₱–

	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%.

- 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	₱467,798,343	₱56,135,801
Sale of goods	2,983,929	358,072
	470,782,272	56,493,873
Zero-rated sales	4,059,333	–
Sale to government	5,262,825	631,539
	₱480,104,430	57,125,412

- Input VAT

At January 1	₱58,978,672
Current year's domestic purchases/payments or importations for:	
Goods other than for resale or manufacture	31,694,892
Capital goods subject to amortization	156,000
Services lodged under general and administrative expenses and other accounts	5,866,611
	96,696,175
Claims for tax credit/refund and other adjustments	(56,862,270)
At December 31	₱39,833,905

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

Dutiable value	₱19,314,769
Customs duties	517,834
Brokerage charges	165,447
Total landed cost	₱19,998,050

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

Other Taxes and Licenses
All other local taxes, local and national, including real estate taxes, license and permit fees were lodged under the Taxes and Licenses account under "Cost of Services" and "General and administrative expenses" in the 2018 parent company statement of comprehensive income:

Details consist of the following:

Local:	
Business tax	₱236,522
License and permits fees	99,717
National:	
Documentary stamp taxes	506
Others	51,302
	₱388,047

Withholding Taxes
Details of withholding taxes in 2018 follow:

Withholding taxes on compensation and benefits	₱5,868,128
Expanded withholding taxes	5,585,075
Final withholding taxes	8,341,698
Creditable withholding taxes	2,444,022
Creditable 5% final withholding VAT	263,141
	₱22,502,064

Tax Assessments and Cases
The Parent Company does not have pending tax cases outside the administration of the BIR as of December 31, 2018.