

SPC POWER CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Amounts in Philippine Pesos)

	Six Months Ended June 30		Increase / (Decrease)	
	2017 (Unaudited)	2016 (Unaudited)	Amount	Percent
REVENUE	1,362,298,980	1,570,850,795	(208,551,815)	-13.3%
COST OF SERVICES				
Plant operations	891,905,616	1,017,252,834	(125,347,218)	-12.3%
GROSS MARGIN	470,393,364	553,597,961	(83,204,597)	-15.0%
GENERAL AND ADM. EXPENSES	(76,891,501)	(115,344,191)	38,452,690	-33.3%
OTHER INCOME (CHARGES):				
Equity in net earnings of associates	623,225,934	698,827,497	(75,601,563)	-10.8%
Interest Income	10,310,957	12,521,986	(2,211,029)	-17.7%
Interest Expense	(14,441,115)	(16,306,348)	1,865,233	-11.4%
Service Income	54,549,110	0	54,549,110	100.0%
Others - net	10,450,072	(5,867,484)	16,317,556	-278.1%
INCOME BEFORE INCOME TAX	1,077,596,821	1,127,429,421	(49,832,600)	-4.4%
PROVISION FOR/(BENEFIT FROM) INCOME TAX				
Current	95,915,461	101,151,378	(5,235,917)	-5.2%
Deferred	(989,778)	(1,262,486)	272,708	-21.6%
	94,925,683	99,888,892	(4,963,209)	-5.0%
NET INCOME	982,671,138	1,027,540,529	(44,869,391)	-4.4%
OTHER COMPREHENSIVE INCOME	0	0	0	0.0%
TOTAL COMPREHENSIVE INCOME	982,671,138	1,027,540,529	(44,869,391)	-4.4%
ATTRIBUTABLE TO:				
Equity holders of the Parent	970,386,926	1,010,599,225	(40,212,299)	-4.0%
Non-controlling interests	12,284,212	16,941,304	(4,657,092)	-27.5%
	982,671,138	1,027,540,529	(44,869,391)	-4.4%
EARNINGS PER SHARE (Note 3):				
Basic/diluted, for income for the period attributable to equity holders of the Parent	0.65	0.68	(0.03)	-4.0%

See accompanying Notes to Consolidated Financial Statements.


Jaime M. Balisacan
 VP- Finance


Reynante C. del Rosario
 Chief Financial Officer

Equity Attributable to Equity Holders of the Parent

See accompanying Notes to Consolidated Financial Statements.

Jaime M. Balisacan
VP - Finance

Reynante C. del Rosario
Chief Financial Officer

SPC POWER CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Six Months ended June 30	
	2017	2016
	(Unaudited)	(Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	1,077,596,821	1,127,429,421
Adjustments for:		
Equity in net losses (earnings) of associates	(623,225,934)	(698,827,497)
Depreciation and amortizations	40,366,116	39,355,609
Interest expense	14,441,115	16,306,348
Interest income	(10,310,957)	(12,521,986)
Others -net	(2,645,957)	2,156,032
Operating income before working capital changes	496,221,204	473,897,927
Decrease (increase) in:		
Trade and other receivables	(80,369,873)	(8,514,884)
Due from NPC/PSALM	0	(859,557)
Due from related parties	339,247	648,458
Prepayments and other current assets	(6,625,058)	(19,000,486)
Materials and supplies	(6,066,665)	42,863,326
Increase (decrease) in:		
Trade and other payables	31,226,277	51,147,476
Due to NPC/PSALM	83,249,507	45,826,089
Due to related parties	(683,773)	258,116
Customers' deposits	9,642,986	6,317,228
Net cash generated from operations	526,933,852	592,583,693
Income tax paid	(83,717,632)	(79,782,452)
Interest paid	(11,996,294)	(13,955,997)
Interest received	10,310,957	12,521,986
Net cash flows from operating activities	441,530,883	511,367,230
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash dividends received	552,743,821	0
Additions to plant, property and equipment	(101,184,121)	(41,933,764)
Decrease (increase) in:		
Other noncurrent assets	60,653	(190,907,239)
Net cash provided by (used in) investing activities	451,620,353	(232,841,003)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment of long-term debt	(72,222,222)	(15,437,289)
Cash dividends paid	(617,389,414)	(445,656,521)
Net cash provided by (used in) financing activities	(689,611,636)	(461,093,810)
NET EFFECT OF EXCHANGE RATE CHANGES	3,051,962	3,385
NET INCREASE IN CASH AND CASH EQUIVALENTS	206,591,562	(182,564,198)
CASH AND CASH EQUIVALENTS AT BEG. OF PERIOD	1,749,497,644	1,940,459,937
CASH AND CASH EQUIVALENTS AT END OF PERIOD	1,956,089,206	1,757,895,739

See accompanying Notes to Financial Statements.


Jaime M. Balisacan
 VP - Finance


Reynante C. del Rosario
 Chief Financial Officer

SPC POWER CORPORATION AND SUBSIDIARIES**SELECTED NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS****1. General**

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

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

2. Accounting Policies

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

The accounting policies adopted in the preparation of the interim financial statements are the same as those mentioned in the audited financial statements for the year 2016, except the accounting of income from continued operations of the Naga Power Plant Complex (NPPC) after the Supreme Court Decisions became final and executory on November 28, 2016.

Following further consultations with external legal counsels, the Parent Company's management recognized that, as an exercise of its consequent rights, it is entitled to retain the NPPC as well as the income from continuous operations thereof until PSALM fully returns the ₱1.143 billion price paid and reimburses all necessary and useful expenses (see Note 12).

3. Earnings Per Share

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

	Six Months Ended June 30	
	2017	2016
Net income attributable to equity holders of the parent	₱970,386,926	₱1,010,599,225
Weighted average number of common shares issued and outstanding	1,496,551,803	1,496,551,803
Basic/Diluted earnings per share	₱0.65	₱0.68

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

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

There are no dilutive potential common stocks issued as of June 30, 2017.

4. Seasonal Aspects

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

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

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

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

There are no changes in estimates of amounts in the first semester of 2017.

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

There are no issuances, repurchases and repayments of debt and equity securities during the six months ended June 30, 2017.

8. Segment Information

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

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

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

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

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

No inter-segment revenues were earned within the Group in the six months ended June 30, 2017 and 2016.

The following tables present revenue and income information and certain asset and liability information regarding the business segments as of June 30, 2017 and 2016:

June 30, 2017							
	Before Eliminations			Total	Adjustments and Eliminations	After Eliminations/ Consolidated	
	Generation	Distribution	Others				
Revenue	P907,768,931	P454,530,049	P—	P1,362,298,980	P—	P1,362,298,980	
Income before income tax	972,361,201	33,974,322	779,185	1,007,114,708	70,482,113	1,077,596,821	
Net income	885,605,447	25,804,393	779,185	912,189,025	70,482,113	982,671,138	
Total assets	7,325,345,627	474,811,011	125,770,762	7,925,927,400	2,930,801,263	10,856,728,663	
Property, plant and equipment	589,473,406	147,141,950	—	736,615,356	—	736,615,356	
Total liabilities	1,298,771,505	257,667,174	11,557	1,556,450,236	241,424	1,556,691,660	
Depreciation and amortization	30,967,160	9,398,956	—	40,366,116	—	40,366,116	

June 30, 2016							
	Before Eliminations			Total	Adjustments and Eliminations	After Eliminations/ Consolidated	
	Generation	Distribution	Others				
Revenue	P1,110,304,689	P460,546,106	P—	P1,570,850,795	P—	P1,570,850,795	
Income before income tax	407,164,385	37,931,781	9,293,754	454,389,920	673,039,501	1,127,429,421	
Net income	315,930,986	29,276,288	9,293,754	354,501,028	673,039,501	1,027,540,529	
Total assets	7,077,420,834	498,536,317	134,219,550	7,710,176,701	2,500,865,088	10,211,041,789	
Property, plant and equipment	294,776,468	155,838,906	—	450,615,374	—	450,615,374	
Total liabilities	1,413,618,634	289,269,941	20,464	1,702,909,039	(95,127,905)	1,607,781,134	
Depreciation and amortization	30,006,872	9,348,737	—	39,355,609	—	39,355,609	

Adjustments and Eliminations

Adjustments and eliminations are part of detailed reconciliations presented below:

Reconciliation of Net Income

	Six Mos. Ended June 30	
	2017	2016
Segment net income	P912,189,025	P328,713,032
Equity in net earnings of associates	623,225,934	698,827,497
Dividend income	(552,743,821)	—
Group net income	P982,671,138	P1,027,540,529

Reconciliation of Total Assets

	June 30, 2017	Dec. 31, 2016
Segment assets	₱7,925,927,400	₱8,107,344,359
Inter-segment receivables	(3,129,534)	(545,607,530)
Investments in associates and subsidiaries	2,901,408,781	2,830,926,668
Goodwill	32,522,016	32,522,016
Group assets	₱10,856,728,663	₱10,425,185,513

Reconciliation of Total Liabilities

	June 30, 2017	Dec. 31, 2016
Segment liabilities	₱1,556,450,236	₱2,051,435,497
Inter-segment payables	241,424	(542,236,571)
Group liabilities	₱1,556,691,660	₱1,509,198,926

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

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

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

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

11. Financial Risk Management and Policies

The Group's principal financial instruments comprise of long-term debt and cash and cash equivalents. The Group 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 customers' deposits, which arise directly from its operations.

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

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

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

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's

exposure to risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with floating interest rates.

The Group's policy is to manage its interest cost using the variable-rate debts.

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

Philippine Peso currency denominated debt

2017	4.01%	2–7 years	₱505,555,556
2016	4.01%	2–7 years	₱577,777,778

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

	Increase (decrease) in basis points	Effect on income before income tax
2017	+500	(₱508,083)
	-500	508,083
2016	+500	(₱580,667)
	-500	580,667

Liquidity Risk

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

The tables below summarize the maturity profile of the Group's financial assets and liabilities at June 30, 2017 and December 31, 2016 based on contractual undiscounted payments:

	June 30, 2017					
	Total	Current	1 to 30 Days	31 to 60 Days	61 to 90 Days	Over 90 Days
Financial Assets						
Loans and receivables:						
Cash and cash equivalents	₱1,956,089,206	₱1,956,089,206	₱—	₱—	₱—	₱—
Trade and other receivables:						
NPC	1,497,011	—	—	—	—	1,497,011
Receivable from customers	381,918,930	277,510,696	41,635,464	20,654,654	14,575,935	27,542,181
Others	31,663,018	1,665,736	725,320	4,855,149	78,119	24,338,694
	415,078,959	279,176,432	42,360,784	25,509,803	14,654,054	53,377,886
Due from NPC/PSALM	1,175,128					1,175,128
Due from related parties	1,242,219	77,639	27,341	79,394	30,661	1,027,184
Noncurrent receivable (included in "Other noncurrent assets")	—	—	—	—	—	—
	2,373,585,512	2,235,343,277	42,388,125	25,589,197	14,684,715	55,580,198

June 30, 2017						
	Total	Current	1 to 30 Days	31 to 60 Days	61 to 90 Days	Over 90 Days
AFS:						
Quoted equity security	1,300,000	1,300,000	-	-	-	-
	2,374,885,512	2,236,643,277	42,388,125	25,589,197	14,684,715	55,580,198
Financial Liabilities						
Trade and other payables:						
Trade	P243,536,673	P103,063,417	P56,973,460	P19,985,809	P27,885,002	P35,628,985
Accrued expenses	33,738,394	6,192,937	3,819,495	1,921,103	1,355,155	20,449,704
Non-trade	42,666,811	11,984,525	-	-	-	30,682,286
	319,941,878	121,240,879	60,792,955	21,906,912	29,240,157	86,760,975
Dividends payable	3,259,482	-	-	-	-	3,259,482
Due to NPC/PSALM	303,442,871	-	-	-	-	303,442,871
Due to related parties	6,183	6,183	-	-	-	-
Long-term debt	504,368,489	-	72,222,222	-	-	432,146,267
Customers' deposits	110,483,165	3,497,079	1,129,703	466,254	701,539	104,688,590
	1,241,502,068	124,744,141	134,144,880	22,373,166	29,941,696	930,298,185
Net Financial Assets (Liabilities)	P1,133,383,444	P2,111,899,136	(P91,756,755)	P3,216,031	(P15,256,981)	(P874,717,987)

December 31, 2016						
	Total	Current	1 to 30 Days	31 to 60 Days	61 to 90 Days	Over 90 Days
Financial Assets						
Loans and receivables:						
Cash and cash equivalents	P1,749,497,644	P1,749,497,644	P-	P-	P-	P-
Trade and other receivables:						
NPC/PSALM	1,498,252	1,498,252	-	-	-	-
Receivable from customers	310,367,119	225,674,303	28,695,916	11,559,674	8,942,503	35,494,723
Others	22,843,715	8,667,167	164,439	181,647	687,568	13,142,894
	334,709,086	235,839,722	28,860,355	11,741,321	9,630,071	48,637,617
Due from NPC/PSALM	1,175,128	-	-	-	-	1,175,128
Due from related parties	1,581,466	60,352	23,544	87,861	15,658	1,394,051
	2,086,963,324	1,985,397,718	28,883,899	11,829,182	9,645,729	51,206,796
AFS:						
Quoted equity security	1,300,000	1,300,000	-	-	-	-
	2,088,263,324	1,986,697,718	28,883,899	11,829,182	9,645,729	51,206,796
Financial Liabilities						
Trade and other payables:						
Trade	P220,418,497	P199,093,534	P5,511,800	P4,195,248	P80,671	P11,537,244
Accrued expenses	46,820,968	29,500,599	1,916,771	228,948	10,716	15,163,934
Non-trade	22,926,461	11,464,786	574	-	-	11,461,101
	290,165,926	240,058,919	7,429,145	4,424,196	91,387	38,162,279
Dividends payable	22,028,175	18,768,693	-	-	-	3,259,482
Due to NPC/PSALM	303,442,871	1,246,418	29,356,357	-	-	272,840,096
Due to related parties	689,956	47,387	55,931	89,596	-	497,042
Long-term debt	629,907,778	-	5,839,830	-	-	624,067,948
Customers' deposits	100,840,179	-	-	-	-	100,840,179
	1,347,074,885	260,121,417	42,681,263	4,513,792	91,387	1,039,667,026
Net Financial Assets (Liabilities)	P741,188,439	P1,726,576,301	(P13,797,364)	P7,315,390	P9,554,342	(P988,460,230)

Foreign Currency Risk

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 Group follows a policy to manage its currency risk by closely monitoring its cash flow position and exposure in U.S. 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 Group's income before income tax (due to changes in the fair value of monetary assets and liabilities). Philippine Dealing System (PDS) closing rates used are ₱50.470 and ₱49.720 on June 30, 2017 and December 31, 2016, respectively. There is no other impact on the Group's equity other than those already affecting the profit and loss.

	Increase (decrease) in US dollar rate	Effect on income before income tax
2017	+1	₱2,057,023
	-1	(2,057,023)
2016	+1	₱1,925,371
	-1	(1,925,371)

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	
	June 30, 2017	Dec. 31, 2016	June 30, 2017	Dec. 31, 2016
Cash and cash equivalents	\$4,086,733	US\$4,202,933	₱206,257,423	₱208,969,850
Trade and other payables:				
Trade and other payable	(11,000)	(330,506)	(555,170)	(16,432,744)
Net foreign-currency-denominated monetary assets	US\$4,075,733	US\$3,872,428	₱205,702,253	₱192,537,106

Credit Risk

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

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

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

The Group's maximum exposure equals to the carrying amount of the aforementioned instruments, excluding cash on hand, and is offset by the PDIC insurance coverage and customers' deposits. The offset relates to balances where there is a legally enforceable

right of offset in the event of counterparty default and where, as a result, there is a net exposure for credit risk management purposes. However, as there is no intention to settle these balances on a net basis under normal circumstances, they do not qualify for net presentation for accounting purposes.

June 30, 2017			
	Maximum exposure	Offset	Exposure to credit risk
Loans and receivables:			
Cash and cash equivalents (excluding cash on hand)	₱1,955,712,764	(₱12,385,238)	₱1,943,327,526
Trade and other receivables	415,078,959	(84,565,746)	330,513,213
Due from related parties	1,242,219	—	1,242,219
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
	3,516,449,070	(96,950,984)	3,419,498,086
AFS financial asset	1,300,000	—	1,300,000
	₱3,517,749,070	(₱96,950,984)	₱3,420,798,086

December 31, 2016			
	Maximum exposure	Offset	Exposure to credit risk
Loans and receivables:			
Cash and cash equivalents (excluding cash on hand)	₱1,749,157,304	(₱10,244,762)	₱1,738,912,543
Trade and other receivables	334,709,086	(80,715,783)	253,993,303
Due from related parties	1,581,466	—	1,581,466
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
	3,229,862,984	(90,960,545)	3,138,902,440
AFS financial asset	1,300,000	—	1,300,000
	₱3,231,162,984	(₱90,960,545)	₱3,140,202,440

As of June 30, 2017 and December 31, 2016, the Group's significant concentration of credit risk pertains to its trade and other receivables and due from NPC/PSALM amounting to ₱416.3 million and ₱1,212.3 million, respectively, and impaired financial assets, determined based on probability of collection, are adequately covered with allowance.

The following tables set out the aging analysis of the Group's past due but not impaired financial assets as of June 30, 2017 and December 31, 2016:

June 30, 2017							
	Total	Neither Past Due nor Impaired	Past Due but Not Impaired				Impaired
			1 to 30 Days	31 to 60 Days	61 to 90 Days	Over 90 Days	
Loans and Receivables							
Cash and cash equivalents (excluding cash on hand)	P1,955,712,764	P1,955,712,764	P-	P-	P-	P-	P-
Trade and other receivables:							
NPC/PSALM	1,497,011	-	-	-	-	1,497,011	-
Receivable from customers	397,959,518	277,510,696	41,635,464	20,654,654	14,575,935	27,542,181	16,040,588
Others	31,663,018	1,665,736	725,320	4,855,149	78,119	24,338,694	-
	431,119,547	279,176,432	42,360,784	25,509,803	14,654,054	53,377,886	16,040,588
Due from NPC/PSALM	1,175,128	-	-	-	-	1,175,128	-
Due from related parties	1,242,219	77,639	27,341	79,394	30,661	1,027,184	-
Noncurrent receivable (included in "Other noncurrent assets")	1,143,240,000	1,143,240,000	-	-	-	-	-
	3,532,489,658	3,378,206,835	42,388,125	25,589,197	14,684,715	55,580,198	16,040,588
AFS Financial Asset							
Quoted equity security	1,300,000	1,300,000	-	-	-	-	-
	P3,533,789,658	P3,379,506,835	P42,388,125	P25,589,197	P14,684,715	P55,580,198	P16,040,588

December 31, 2016							
	Total	Neither Past Due nor Impaired	Past Due but Not Impaired				Impaired
			1 to 30 Days	31 to 60 Days	61 to 90 Days	Over 90 Days	
Loans and Receivables							
Cash and cash equivalents (excluding cash on hand)	P1,749,157,304	P1,749,157,304	P-	P-	P-	P-	P-
Trade and other receivables:							
NPC/PSALM	1,498,252	1,498,252	-	-	-	-	-
Receivable from customers	326,407,707	225,674,303	28,695,916	11,559,674	8,942,503	35,494,723	16,040,588
Others	22,843,715	8,667,167	164,439	181,647	687,568	13,142,894	-
	350,749,674	235,839,722	28,860,355	11,741,321	9,630,071	48,637,617	16,040,588
Due from NPC/PSALM	1,175,128	-	-	-	-	1,175,128	-
Due from related parties	1,581,466	60,352	23,544	87,861	15,658	1,394,051	-
Noncurrent receivable (included in "Other noncurrent assets")	1,143,240,000	1,143,240,000	-	-	-	-	-
	3,245,903,572	3,128,297,378	28,883,899	11,829,182	9,645,729	51,206,796	16,040,588
AFS Financial Asset							
Quoted equity security	1,300,000	1,300,000	-	-	-	-	-
	P3,247,203,572	P3,129,597,378	P28,883,899	P11,829,182	P9,645,729	P51,206,796	P16,040,588

Financial assets classified as neither past due nor impaired are assessed by the Group 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 Group's neither past due nor impaired financial assets as of June 30, 2017 and December 31, 2016:

	June 30, 2017					
	Total	Neither Past Due nor Impaired			Past Due	Individually Impaired
		High Grade	Standard	Substandard		
Loans and Receivables						
Cash and cash equivalents (excluding cash on hand)	P1,955,712,764	P1,955,712,764	P-	P-	P-	P-
Trade and other receivables:						
NPC/PSALM	1,497,011	-	-	-	1,497,011	-
Receivable from customers	397,959,518	277,510,696	-	-	104,408,234	16,040,588
Others	31,663,018	1,665,736	-	-	29,997,282	-
	431,119,547	279,176,432	-	-	135,902,527	16,040,588
Due from NPC/PSALM	1,175,128	-	-	-	1,175,128	-
Due from related parties	1,242,219	-	77,639	-	1,164,580	-
Noncurrent receivable (included in "Other noncurrent assets")	1,143,240,000	1,143,240,000	-	-	-	-
	3,532,489,658	3,378,129,196	77,639	-	138,242,235	16,040,588
AFS Financial Asset						
Quoted equity security	1,300,000	1,300,000	-	-	-	-
	P3,533,789,658	P3,379,429,196	P77,639	P-	P138,242,235	P16,040,588

	December 31, 2016					
	Total	Neither Past Due nor Impaired			Past Due	Individually Impaired
		High Grade	Standard	Substandard		
Loans and Receivables						
Cash and cash equivalents (excluding cash on hand)	P1,749,157,304	P1,749,157,304	P-	P-	P-	P-
Trade and other receivables:						
NPC/PSALM	1,498,252	1,498,252	-	-	-	-
Receivable from customers	326,407,707	170,693,950	54,980,353	-	84,692,816	16,040,588
Others	22,843,715	6,138,065	2,529,102	-	14,176,548	-
	350,749,674	178,330,267	57,509,455	-	98,869,364	16,040,588
Due from NPC/PSALM	1,175,128	-	-	-	1,175,128	-
Due from related parties	1,581,466	-	60,352	-	1,521,114	-
Noncurrent receivable (included in "Other noncurrent assets")	1,143,240,000	1,143,240,000	-	-	-	-
	3,245,903,572	3,070,727,571	57,569,807	-	101,565,606	16,040,588
AFS Financial Asset						
Quoted equity security	1,300,000	1,300,000	-	-	-	-
	P3,247,203,572	P3,072,027,571	P57,569,807	P-	P101,565,606	P16,040,588

The Group grades its financial assets as follows:

- *Cash and Cash Equivalents:* These are assessed as high grade since these are deposited in reputable banks which have good bank standing, thus credit risk is minimal.
- *Receivable/Due from NPC/PSALM, NGCP and Distribution Utilities:* These are assessed as high grade since these receivables arose from the contract provisions of the ROMM Agreement, OMSC, Ancillary Services Procurement Agreement, and Power Supply Contracts (PSCs).
- *Receivable from Customers of BLCI:* Receivables from commercial customers are classified as high grade; receivables from residential customers as standard; and receivables from the government, hospitals and radio stations as substandard. Classification is based on the collection history with these customers.

- *Due from Related Parties:* These are assessed as standard, although recoverability of these receivables is certain, as these are given secondary priority as to settlement by the related parties compared to third party obligations.
- *Other Receivables:* Grading of financial assets is determined individually based on the Group's collection experience with the counterparty.

Fair Value of Financial Assets and Liabilities

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

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

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

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

Noncurrent receivable (included in "Other noncurrent assets"). The fair value of noncurrent receivable is based on the net present value of cash flows using the prevailing market rate of interest. As of June 30, 2017 and December 31, 2016, the carrying value of the noncurrent receivable approximates its fair value.

Long-term Debt. The fair value of borrowings with floating interest rate is based on the discounted net present value of cash flows using an effective discount rate of 4.01% as of June 30, 2017 and December 31, 2016, respectively.

The estimated fair values of the categories of the Company's financial instruments approximate their carrying values as of June 30, 2017 and December 31, 2016.

Capital Management

The Group manages its capital structure and makes adjustments to it in the light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to stockholders, return capital to stockholders or issue new shares. No changes were made in the objectives, policies or processes during as of June 30, 2017 and December 31, 2016.

The Group considers its equity as capital and is not subject to any externally imposed capital requirements. As of June 30, 2017 and December 31, 2016, the Group's equity amounted to ₱9,300.0 million and ₱8,916.0 million, respectively.

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

a. 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 SPC 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 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 Group 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.

Pending the resolution of these two Motions, the Parent Company, through its external legal counsel, received on February 21, 2017 the Entry of Judgment 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 Book of Entries of Judgments.

Thus, without prejudice to the outcome of the two pending motions filed by the Parent Company, the Group believes that how the matter will be settled between the Parent Company and PSALM could be finalized over two years. Any adjustments arising from the settlement of this matter will be reflected in the financial statements as they are determined.

b. Others

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