COVER SHEET

A	S	0	9	4	0	0	2	3	6	5

S.E.C. Registration Number

SPC POWER CORPORATION

(formerly SALCON POWER CORP.)

(Company's Full Name)

7th Floor Cebu Holdings Center

Archbishop Reyes Avenue,

Cebu Business Park, Cebu City

(Business Address: No. Street City/ Town / Province)

Mr. Reynante C. Del Rosario

Contact Person

810 44 74 to 77

Company Telephone Number

SEC FORM

12 31

Month *Day*

Calendar Year

17-Q

FORM TYPE

05 31

Month *Day*

Annual Meeting

AMENDED

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number / Section

Total Amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

STAMPS

Remarks = pls. use black ink for scanning purposes

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

1. For the quarterly period ended March 31, 2017

2. SEC Identification Number AS094-002365 3. BIR Tax Identification No. 003-868-048

SPC POWER CORPORATION
4. Exact name of issuer as specified in its charter

Metro Manila, Philippines
5. Province, country or other jurisdiction of incorporation or organization

6. Industry Classification Code (SEC Use Only)

7th Floor, Cebu Holdings Center, Cebu Business Park, Cebu City 6000
(Manila Office: 7th Floor, Citibank Center, 8741 Paseo de Roxas, Makati City)
7. Address of Issuer's principal office Postal Code

(63 32) 232 0375; 232 0477 / (63 2) 810 4474 to 77, 810 4450, 810 4465
8. Issuer's telephone number, including area code

N.A.
9. Former name of former address, if changed since last report

10. Securities registered pursuant to Sections 8 and 12 of the SRC or Section 4 and 8 of the RSA

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
Common Shares (as of March 31, 2017)	1,496,551,803 shares
Total Debt (as of March 31, 2017)	₱1,604,457,028

11. Are any or all of the securities listed on a Stock Exchange?

Yes [✓] No [ ]

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

Philippine Stock Exchange — common shares

12. Check whether the issuer:

(a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17 thereunder or Section 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of The Corporation Code of the Philippines during the preceding twelve (12) months or for such shorter period that the registrant was required to file such report(s):

Yes [✓] No [ ]

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

Yes [✓] No [ ]

PART I – FINANCIAL INFORMATION

ITEM 1. CONSOLIDATED FINANCIAL STATEMENTS

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

a. Consolidated Statements of Financial Position – March 31, 2017 (unaudited) and December 31, 2016 (audited).

b. Consolidated Statements of Comprehensive Income – Three Months Ended March 31, 2017 and 2016 (unaudited).

c. Consolidated Statements of Changes in Stockholders' Equity – Three Months Ended March 31, 2017 and 2016 (unaudited).

d. Consolidated Statements of Cash Flows – Three Months ended March 31, 2017 and 2016 (unaudited).

e. Notes to the Consolidated Financial Statements.

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

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

Financial Conditions and Results of Operations

Results of Operations

<u>Three Months Ended March 31, 2017 and 2016</u>

The Group registered a total comprehensive income of ₱534.0 million in the first quarter of 2017, narrowed by 4.1% from the ₱557.0 million posted in the same period last year. The lower net income was anticipated and does not diminish the overall positive outlook of the Group to continue executing investment and operating strategies for the improvement of bottom line.

The consolidated comprehensive income translates to ₱0.35 in earnings per share in the three months ended March 31, 2017 compared to ₱0.37 in the same period last year.

Equity share in the combined earnings of investee companies accounted for 71.3% of the Group's consolidated net income. Power generation and power distribution accounted for 26.0% and 2.7%, respectively.

The total equity share from the earnings of the investee companies in the first quarter of 2017 was almost unchanged at ₱396.0 million from ₱397.0 million in the same period last year due mainly to: (i) the expiration of the income tax holiday previously enjoyed up to February 20, 2017, and (ii) the temporary under-recovery of pass-through cost of purchased power.

The comprehensive income contributed by the power generation business segment decreased by 12.8% to ₱126.5 million in the first quarter of 2017 from ₱145.1 million in the same period last year. The decrease was attributed mainly to the management's decision to recognize the net income from Naga Power Plant Complex (NPPC) only until November 28, 2016 without prejudice to all claims that may be determined later and the outcome of pending motions filed by the Parent Company (see Note 12 of the interim consolidated financial statements).

Despite higher sales volume, the net income contribution from the power distribution business also fell by 22.8% to ₱11.5 million in the first three months of 2017 due mainly to temporary under-recovery of pass-through cost of purchased power.

Consolidated revenues in the first quarter of 2017 dropped by 22.9% year-on-year to ₱546.6 million. This was primarily attributed to the ruling out of turnover from the NPPC and the lower pass-through fuel cost of power generated and sold from other plants. Consolidated cost of services similarly went down by 24.4% to ₱348.3 million for the same reasons but the cost reduction was not big enough to fully offset the decline in revenues.

Consolidated administrative and general expenses went up by 13.74% to ₱42.2 million in January – March 2017 from ₱37.1 million due mainly to payments of separation and retirement benefits.

Financial Condition

<u>March 31, 2017 Vs. December 31, 2016</u>

Despite the decline in net income, the Group's financial position remains robust to support medium and long-term plans.

Total consolidated assets of the Group expanded further by 6.0% (equivalent to ₱629.2 million) year-on-year to ₱11,054.4 million as at end-March 2017 from the last audited balance of ₱10,425.2 million as at end-December 2016. The increase was attributed mainly to the continued growth in the carrying value of investments as well as the additional cash inflows generated from operating activities in the first quarter of 2017.

Consolidated liabilities also increased by 6.3% (equivalent to ₱95.3 million which was much smaller compared to the increase in total assets) to ₱1,604.5 million as at end-March 2017 from ₱1,509.2 million as at end-December 2016. The increase was due mainly to the following: (i) recognition of additional liability to PSALM equivalent to the net income generated from the NPPC (see Note 12 of the interim consolidated financial statements); and (ii) additional provision for income tax for the quarter ended March 31, 2017.

Total stockholders' equity rose by 6.0% to ₱9,450.0 million as at end-March 2017 from ₱8,916.0 million as at end-December 2016 due to the additional comprehensive income earned in the first quarter of 2017. Book value per share grew to ₱6.31 as at end-March 2017 compared to ₱5.96 as at end-December 2016.

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

Please see the section below for Cash Flows showing the major sources and applications of cash and cash equivalents.

Materials and supplies inventory increased by 14.8% to ₱311.4 million as at end-March 2017 from ₱271.2 million at the beginning of the year. The increase was traced to the build up of inventories for fuel and maintenance spare parts in anticipation of higher demands for the summer months.

Prepayments and other current assets increased by 14.7% to ₱86.3 million as at end-March 2017 from ₱75.2 million at the beginning of the year due mainly to carry-over of unused input tax for offsetting against future output tax.

Investment in associates grew by another 6.5% to ₱6,469.0 million as at end-March 2017 from ₱6,073.0 million as at end-December 2016. The increase reflected fresh equity share in the net earnings of KSPC and MECO amounting to ₱361.5 million and ₱34.5 million, respectively, in the first quarter of 2017.

Property, plant and equipment increased by 5.0% to ₱708.9 million from ₱675.0 million. The increase was net of the following : (i) new additions amounting to ₱53.6 million, and (ii) depreciation amounting to ₱19.7 million in the first quarter of 2017.

As at end-March 2017, total other noncurrent assets remained steady at ₱1,175.1 million. The balance of this account is inclusive of ₱1,143.2 million that was paid by the Parent Company to PSALM for the acquisition of the 153.1 MW NPPC (see Note 12 of the interim consolidated financial statements).

Dividends payable (pertaining to unclaimed cash dividends declared to non-controlling interests in 2016) decreased by 85.2% or ₱18.8 million due to claims paid in the first quarter in 2017.

Income tax payable increased by 130.6% to ₱80.2 million from ₱34.8 million. The increase was due to provision for additional income tax in the first quarter of 2017 for payment in May 2017. The income tax payable for the fourth quarter of 2016 remained outstanding as of March 31, 2017 pending actual remittance to the BIR on April 15, 2017.

Customers' deposits increased by 7.6% to P108.5 million from ₱100.8 million due mainly to additional bill and material deposits received from customers in the first quarter of 2017.

Noncurrent portion of Due to PSALM increased by 743.3% to ₱73.5 million from ₱8.7 million due to recognition of additional liability for the net income generated from NPPC (see Note 12 of the interim consolidated financial statements).

Unappropriated retained earnings increased by 9.4% to ₱6,150.1 million from ₱5,621.4 million at the beginning of the year. The net increase is reflective of the comprehensive income attributable to equity holders of the Parent Company in the quarter ended March 31, 2017.

Cash Flows

The Group continued to support its liquidity only from cash flows that are internally generated and provided by associates.

In the three months ended March 31, 2017, the major source of cash and cash equivalents again came from cash inflows generated from operating activities that amounted to ₱226.9 million, albeit lower than the ₱328.5 million generated in the same period last year.

Net cash flows used in investing and financing activities amounted only to ₱72.6 million and ₱23.4 million (mostly for additions to property, plant and equipment) in the three months ended March 31, 2017 and 2016, respectively.

Net cash flows generated from operating activities far exceeded net cash flows used for investing and financing activities resulting to 8.8% increase in the balance of cash and cash equivalents to ₱1,904.3 million as at end-March 2017 from ₱1,749.5 at the beginning of the year.

Key Performance Indicators

The following financial indicators are used, among others, to evaluate the performance of the Group as of March 31, 2017 and December 31, 2016 and for the three months ended March 31, 2017 and 2016:

Key Performance Indicators	2017	2016
A. For Three Months Ended March 31, 2017 and 2016:		
Earnings Per Share	0.35	0.37
Share In Net Earnings of Associates	₱395,976,643	₱396,923,495
Return on Equity	5.81%	6.88%
Return on Assets	4.97%	5.67%
Cash Flows:		
Net cash flows generated from operating activities	₱226,870,526	₱328,539,269
Net cash flows used in investing activities	(₱53,791,693)	(₱23,398,724)
Net cash flows used in financing activities	(₱18,768,693)	-
B. As of March 31, 2017 and December 31, 2016:		
Balance of cash and cash equivalents at end of period	₱1,904,291,234	₱1,749,497,644
Current ratio	3.04	2.88
Debt ratio	0.15	0.15
Debt-to-equity ratio	0.17	0.17
Solvency ratio (annualized)	1.38	1.24

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

Earnings Per Share

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

Share in Net Earnings of Associates

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

Return on Equity

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

Return on Assets

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

Cash Flows

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

Current Ratio

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

Debt Ratio

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

Debt-to-Equity Ratio

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

Solvency Ratio

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

Any Significant Elements of Income or Loss from Continuing Operations

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

Material Off-Balance Sheet Items

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

Material Commitments for Capital Expenditures

As of March 31, 2017, there are no material commitments for capital expenditures other than in the ordinary course of business to improve power generation and distribution facilities. Funding comes from internally generated cash from operations.

Known Trends

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

SIGNATURES

Pursuant to the requirements of the Securities Regulation Code, the Issuer has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

SPC POWER CORPORATION
Issuer

By:

JAIME M. BALISACAN	**REYNANTE C. DEL ROSARIO**
VP - Finance	*Chief Financial Officer*
Date: April 21, 2017	Date: April 21, 2017

SPC POWER CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Amounts in Philippine Pesos)

	March 31, 2017 (Unaudited)	Dec. 31, 2016 (Audited)	Incr. / (Decr.) Amount	Incr. / (Decr.) Percent
ASSETS				
Current Assets				
Cash and cash equivalents	1,904,291,234	1,749,497,644	154,793,590	8.8%
Trade and other receivables - net	327,612,276	334,709,086	(7,096,810)	-2.1%
Due from related parties	1,815,726	1,581,466	234,260	14.8%
Due from NPC/PSALM	1,175,128	1,175,128	0	0%
Materials and supplies	311,420,319	271,196,687	40,223,632	14.8%
Prepayments and other current assets	86,276,893	75,228,064	11,048,829	14.7%
		0		
Total Current Assets	2,632,591,576	2,433,388,075	199,203,501	8.2%
Noncurrent Assets				
Investment in associates	6,468,971,121	6,072,994,481	395,976,640	6.5%
Property, plant and equipment - net	708,867,166	675,003,399	33,863,767	5.0%
Goodwill	32,522,016	32,522,016	0	0%
Deferred income tax assets	36,364,051	35,977,243	386,808	1.1%
Other noncurrent assets - net	1,175,098,866	1,175,300,299	(201,433)	-0.0%
Total Noncurrent Assets	8,421,823,220	7,991,797,438	430,025,782	5.4%
TOTAL ASSETS	11,054,414,796	10,425,185,513	629,229,283	6.0%
LIABILITIES & STOCKHOLDERS' EQUITY				
Current Liabilities				
Trade and other payables	333,774,786	338,818,430	(5,043,644)	-1.5%
Due to related parties	(222)	689,956	(690,178)	-100.0%
Dividends payable	3,259,482	22,028,175	(18,768,693)	-85.2%
Income tax payable	80,234,235	34,795,153	45,439,082	130.6%
Current portion of long-term debt	144,444,447	144,444,447	0	0%
Due to NPC/PSALM	303,442,871	303,442,871	0	0%
Total current liabilities	865,155,599	844,219,032	20,936,567	2.5%
Noncurrent Liabilities				
Customers' deposits	108,508,118	100,840,179	7,667,939	7.6%
Due to NPC/PSALM	73,479,976	8,713,104	64,766,872	743.3%
Asset retirement obligation	113,805,429	112,303,852	1,501,577	1.3%
Long-term debt - net of current portion	431,966,214	431,784,068	182,146	0.0%
Pension liability	11,541,692	11,338,691	203,001	1.8%
Total noncurrent liabilities	739,301,429	664,979,894	74,321,535	11.2%
Total Liabilities	1,604,457,028	1,509,198,926	95,258,102	6.3%

(Forward)

SPC POWER CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Amounts in Philippine Pesos)

	March 31, 2017 (Unaudited)	Dec. 31, 2016 (Audited)	Incr. / (Decr.) Amount	Percent
Stockholders' Equity				
Capital stock - P1 par value				
Authorized - 2,000,000,000 shares				
Issued - 1,569,491,900 shares	1,569,491,900	1,569,491,900	0	0%
Additional paid-in capital	86,810,752	86,810,752	0	0%
Retained earnings:				
Unappropriated	6,150,080,570	5,621,443,413	528,637,157	9.4%
Appropriated	1,250,000,000	1,250,000,000	0	0%
Other comprehensive income:				
Remeasurement of employee benefits	99,615	99,615	0	0.0%
Net unrealized valuation losses on available-for-sale investment	(350,000)	(350,000)	0	-0.0%
Share in remeasurement of employee benefits of associates	194,814	194,814	0	0.0%
Treasury stock at cost - 72,940,097 shares	(131,008,174)	(131,008,174)	0	-0%
Equity attributable to equity holders of Parent	8,925,319,477	8,396,682,320	528,637,157	6.3%
Equity attributable to Non-controlling Interests	524,638,292	519,304,267	5,334,025	1.0%
Total Stockholders' Equity	9,449,957,769	8,915,986,587	533,971,182	6.0%
TOTAL LIABILITIES and EQUITY	11,054,414,797	10,425,185,513	629,229,284	6.0%

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 COMPREHENSIVE INCOME

(Amounts In Philippine Pesos)

	Three Months Ended March 31		Increase / (Decrease)	
	2017 (Unaudited)	2016 (Unaudited)	Amount	Percent
REVENUE	546,619,187	709,210,536	(162,591,349)	-22.9%
COST OF SERVICES				
Plant operations	348,296,097	460,484,841	(112,188,744)	-24.4%
CONTRIBUTION MARGIN	198,323,090	248,725,695	(50,402,605)	-20.3%
GENERAL AND ADM. EXPENSES	(42,239,746)	(37,141,766)	(5,097,980)	13.7%
OTHER INCOME (CHARGES):				
Equity in net earnings of associates	395,976,643	396,923,495	(946,852)	-0.2%
Interest income	3,917,398	5,055,769	(1,138,371)	-22.5%
Interest expense	(7,438,385)	(7,907,948)	469,563	-5.9%
Service income	18,183,306	0	18,183,306	100.0%
Others - net	7,060,036	(5,286,218)	12,346,254	-233.6%
INCOME BEFORE INCOME TAX	573,782,342	600,369,027	(26,586,685)	-4.4%
PROVISION FOR/(BENEFIT FROM) INCOME TAX				
Current	40,197,968	44,693,371	(4,495,403)	-10.1%
Deferred	(386,809)	(1,341,789)	954,980	-71.2%
	39,811,159	43,351,582	(3,540,423)	-8.2%
NET INCOME	533,971,183	557,017,445	(23,046,262)	-4.1%
OTHER COMPREHENSIVE INCOME	0	0	0	0.0%
TOTAL COMPREHENSIVE INCOME	533,971,183	557,017,445	(23,046,262)	-4.1%
ATTRIBUTABLE TO:				
Equity holders of the Parent	528,637,158	550,058,633	(21,421,475)	-3.9%
Non-controlling interests	5,334,025	6,958,812	(1,624,787)	-23.3%
	533,971,183	557,017,445	(23,046,262)	-4.1%
EARNINGS PER SHARE:				
Basic/diluted, for income for the period attributable to equity holders of the Parent	0.35	0.37	(0.01)	-12.5%

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 CHANGES IN EQUITY
FOR THE QUARTERS ENDED MARCH 31, 2017 AND 2016

	Equity Attributable to Equity Holders of the Parent										
						Retained Earnings					
	Capital Stock	Additional Paid-in Capital	Treasury Stock at Cost	Remeasurement of Employee Benefits	Share in Remeasurement of Employee Benefits of Associates	Appropriated	Unappropriated	Net Unrealized Valuation Losses on AFS Investment	Total	Non-controlling interest	Grand Total
Balances at January 1, 2017	₱1,569,491,900	₱86,810,752	(₱131,008,174)	₱99.615	₱194,814	₱1,250,000,000	₱5,621,443,413	(₱350,000)	₱8,396,682,320	₱519,304,267	₱8,915,986,587
Total comprehensive income	–	–	–	–	–	–	528,637,158	–	528,637,158	5,334,025	533,971,183
Cash dividends	–	–	–	–	–	–	–	–	–	–	–
Appropriation	–	–	–	–	–	–	–	–	–	–	–
Balances at March 31, 2017	₱1,569,491,900	₱86,810,752	(₱131,008,174)	₱99,615	₱194,814	₱1,250,000,000	₱6,150,080,571	(₱350,000)	₱8,925,319,478	₱524,638,292	₱9,449,957,769
Balances at January 1, 2016	₱1,569,491,900	₱86,810,752	(₱131,008,174)	₱99.615	(₱552,266)	₱1,250,000,000	₱4,765,808,415	(₱350,000)	₱7,540,300,242	₱500,597,481	₱8,040,897,723
Total comprehensive income	–	–	–	–	–	–	550,058,633	–	550,058,633	6,958,812	557,017,445
Cash dividends	–	–	–	–	–	–	(448,965,541)	–	(448,965,541)	–	(448,965,541)
Appropriation	–	–	–	–	–	–	–	–	–	–	–
Balances at March 31, 2016	₱1,569,491,900	₱86,810,752	(₱131,008,174)	₱99,615	(₱552,266)	₱1,250,000,000	₱4,866,901,510	(₱350,000)	₱7,641,393,337	₱507,556,293	₱8,148,949,630

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

	Three Months Ended March 31	
	2017 (Unaudited)	2016 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	573,782,342	600,369,027
Adjustments for:		
Equity in net losses (earnings) of associates	(395,976,643)	(396,923,495)
Depreciation and amortizations	20,129,359	20,320,123
Interest expense	7,438,385	7,907,948
Interest income	(3,917,398)	(5,055,769)
Others	6,520,847	3,104,586
Operating income before working capital changes	207,976,892	229,722,420
Decrease (increase) in:		
Trade and other receivables	7,096,810	81,421,631
Due from NPC/PSALM	0	629,128
Due from related parties	(234,260)	(1,843)
Prepayments and other current assets	(11,048,829)	(15,258,329)
Materials and supplies	(40,223,632)	14,336,283
Increase (decrease) in:		
Trade and other payables	(5,043,644)	(1,943,449)
Due to NPC/PSALM	64,766,872	17,751,361
Due to related parties	(690,178)	177,935
Customers' deposits	7,667,939	3,926,474
Net cash generated from operations	230,267,970	330,761,611
Income tax paid	(1,475,012)	(708,303)
Interest paid	(5,839,830)	(6,569,808)
Interest received	3,917,398	5,055,769
Net cash flows from operating activities	226,870,526	328,539,269
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash dividends received	0	0
Additions to plant, property and equipment	(53,594,907)	(22,972,872)
Decrease (increase) in:		
Other noncurrent assets	(196,786)	(425,852)
Net cash provided by (used in) investing activities	(53,791,693)	(23,398,724)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment of long-term debt	0	0
Cash dividends paid	(18,768,693)	0
Net cash provided by (used in) financing activities	(18,768,693)	0
NET EFFECT OF EXCHANGE RATE CHANGES	483,450	(3,810,353)
NET INCREASE IN CASH AND CASH EQUIVALENTS	154,793,590	301,330,192
CASH AND CASH EQUIVALENTS AT BEG. OF PERIOD	1,749,497,644	1,940,459,937
CASH AND CASH EQUIVALENTS AT END OF PERIOD	1,904,291,234	2,241,790,129

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:

		% of Ownership		
	Nature of Business	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%

The consolidated interim financial statements of the Group were authorized for issue by the Parent Company's Board of Directors (BOD) on April 20, 2017.

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.

3. Earnings Per Share

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

	Three Months Ended March 31	
	2017	2016
Net income attributable to equity holders of the parent	**₱528,637,158**	₱550,058,633
Weighted average number of common shares issued and outstanding	**1,496,551,803**	1,496,551,803
Basic/Diluted earnings per share	**₱0.35**	₱0.37

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
	1,496,551,803

There are no dilutive potential common stocks issued as of March 31, 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 quarter of 2017.

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

There are no issuances, repurchases and repayments of debt and equity securities during the three months ended March 31, 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 three months ended March 31, 2017 and 2016.

The following tables present revenue and income information and certain asset and liability information regarding the business segments as of March 31, 2017 and 2016:

	March 31, 2017					
	Before Eliminations				Adjustments and	After Eliminations/
	Generation	Distribution	Others	Total	Eliminations	Consolidated
Revenue	**₱324,719,203**	**₱221,899,984**	**₱–**	**₱546,619,187**	**₱–**	**₱546,619,187**
Income before income tax	**162,677,495**	**15,128,203**	**–**	**177,805,698**	**395,976,643**	**573,782,341**
Net income	**126,483,912**	**11,510,628**	**–**	**137,994,540**	**395,976,643**	**533,971,183**
Total assets	**7,224,634,903**	**447,235,176**	**125,107,862**	**7,796,977,941**	**3,257,436,855**	**11,054,414,796**
Property, plant and equipment	**559,579,411**	**149,287,755**	**–**	**708,867,166**	**–**	**708,867,166**
Total liabilities	**1,358,561,596**	**244,385,104**	**127,841**	**1,603,074,542**	**1,382,486**	**1,604,457,027**
Depreciation and amortization	**15,461,616**	**4,667,743**	**–**	**20,129,359**	**–**	**20,129,359**

	March 31, 2016					
	Before Eliminations				Adjustments and	After Eliminations/
	Generation	Distribution	Others	Total	Eliminations	Consolidated
Revenue	**₱491,658,295**	**₱217,552,241**	**₱–**	**₱709,210,536**	**₱–**	**₱709,210,536**
Income before income tax	**184,130,132**	**19,185,660**	**129,740**	**203,445,532**	**396,923,495**	**600,369,027**
Net income	**145,063,365**	**14,900,845**	**129,740**	**160,093,950**	**396,923,495**	**557,017,445**
Total assets	**7,306,152,644**	**477,906,449**	**125,144,353**	**7,909,203,446**	**2,227,871,609**	**10,137,075,055**
Property, plant and equipment	**297,468,786**	**153,431,879**	**–**	**450,900,665**	**–**	**450,900,665**
Total liabilities	**1,813,218,065**	**241,015,516**	**109,281**	**2,054,342,862**	**(66,217,437)**	**1,988,125,425**
Depreciation and amortization	**15,385,158**	**4,934,965**	**–**	**20,320,123**	**–**	**20,320,123**

Adjustments and Eliminations

Adjustments and eliminations are part of detailed reconciliations presented below:

Reconciliation of Net Income

	Three Mos. Ended March 31	
	2017	2016
Segment net income	**₱137,994,540**	₱160,093,950
Equity in net earnings of associates	**395,976,643**	396,923,495
Dividend income	**–**	–
Group net income	**₱533,971,183**	₱557,017,445

Reconciliation of Total Assets

	Mar. 31, 2017	Mar. 31, 2016
Segment assets	**₱7,796,977,941**	₱7,909,203,441
Inter-segment receivables	**(1,988,471)**	(69,588,392)
Investments in associates and subsidiaries	**3,226,903,311**	2,264,937,985
Goodwill	**32,522,016**	32,522,016
Group assets	**₱11,054,414,796**	₱10,137,075,055

Reconciliation of Total Liabilities	**Mar. 31, 2017**	Mar. 31, 2016
Segment liabilities	**₱1,603,074,542**	₱2,054,342,862
Inter-segment payables	**1,382,486**	(66,217,437)
Group liabilities	**₱1,604,457,027**	₱1,988,125,425

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:

Parent Company	Interest rates	Term	Total	Peso Equivalent
Long-term debt:				
Foreign currency denominated debt				
2017	–	–	–	–
2016	–	–	–	–
Philippine Peso currency denominated debt				
2017	**4.01%**	**2–7 years**		**₱577,777,778**
2016	4.01%	2–7 years		₱577,777,778

The Group does not have foreign currency-denominated financial liability that is exposed to interest rate risk since the outstanding balance of the loan was already fully paid in October 2016.

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**	**(₱580,667)**
	-500	**580,667**
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 March 31, 2017 and December 31, 2016 based on contractual undiscounted payments:

			March 31, 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	**₱1,904,291,234**	**₱1,904,291,234**	**₱–**	**₱–**	**₱–**	**₱–**
Trade and other receivables:						
NPC/PSALM	**1,498,252**	**–**	**–**	**–**	**1,498,252**	**–**
Receivable from customers	**299,962,438**	**189,478,569**	**40,408,468**	**22,537,776**	**15,520,802**	**32,016,823**
Others	**26,151,586**	**653,309**	**1,962,387**	**2,054,095**	**2,883,799**	**18,597,996**
	327,612,276	**190,131,878**	**42,370,855**	**24,591,871**	**19,902,853**	**50,614,819**
Due from NPC/PSALM	**1,175,128**	**–**	**–**	**–**	**–**	**1,175,128**
Due from related parties	**1,815,726**	**194,771**	**–**	**–**	**1,620,955**	**–**
Noncurrent receivable (included in "Other noncurrent assets")	**–**	**–**	**–**	**–**	**–**	**–**
	2,234,894,364	**2,094,617,883**	**42,370,855**	**24,591,871**	**21,523,808**	**51,789,947**
AFS:						
Quoted equity security	**1,300,000**	**1,300,000**	**–**	**–**	**–**	**–**
	2,236,194,364	**2,095,917,883**	**42,370,855**	**24,591,871**	**21,523,808**	**51,789,947**
Financial Liabilities						
Trade and other payables:						
Trade	**₱216,867,479**	**₱128,685,981**	**₱27,800,723**	**₱20,837,320**	**₱24,575,951**	**₱14,967,504**
Accrued expenses	**35,995,384**	**5,896,685**	**4,347,311**	**2,390,512**	**2,169,539**	**21,191,337**
Non-trade	**35,709,584**	**7,345,807**	**44,950**	**87,891**	**16,439,582**	**11,791,354**
	288,572,447	**141,928,473**	**32,192,984**	**23,315,723**	**43,185,072**	**47,950,195**
Dividends payable	**3,259,482**	**–**	**–**	**–**	**–**	**3,259,482**
Due to NPC/PSALM	**303,442,871**	**–**	**–**	**–**	**1,246,418**	**302,196,453**
Due to related parties	**(222)**	**(222)**	**–**	**–**	**–**	**–**
Long-term debt	**576,410,661**	**–**	**72,222,222**	**–**	**–**	**504,188,439**
Customers' deposits	**108,508,118**	**3,434,563**	**1,109,508**	**457,919**	**688,998**	**102,817,130**
	1,280,193,357	**145,362,814**	**105,524,714**	**23,773,642**	**45,120,488**	**960,411,699**
Net Financial Assets (Liabilities)	**₱956,001,007**	**₱1,950,555,069**	**(₱63,153,859)**	**₱818,229**	**(₱23,596,680)**	**(₱ 908,621,752)**

	Total	Current	1 to 30 Days	31 to 60 Days	61 to 90 Days	Over 90 Days
			December 31, 2016			
Financial Assets						
Loans and receivables:						
Cash and cash equivalents	₱1,749,497,644	₱1,749,497,644	₱–	₱–	₱–	₱–
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	₱220,418,497	₱199,093,534	₱5,511,800	₱4,195,248	₱80,671	₱11,537,244
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)	₱741,188,439	₱1,726,576,301	(₱13,797,364)	₱7,315,390	₱9,554,342	(₱988,460,230)

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 ₱50.160 and ₱49.720 on March 31, 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**	**(₱1,965,550)**
	-1	**1,965,550**
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	
	Mar. 31, 2017	Dec. 31. 2016	**Mar. 31, 2017**	Dec. 31, 2016
Cash and cash equivalents	**$3,923,560**	US$4,202,933	**₱196,805,789**	₱208,969,823
Trade and other payables:				
Trade	**5,000**	(330,506)	**250,800**	(16,432,744)
Non-trade	–	–	–	–
Long-term debt	–	–	–	–
Net foreign-currency-denominated monetary assets	**US$3,918,560**	US$3,872,428	**₱196,554,989**	₱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, 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 credit risk from cash and cash equivalents is mitigated by Philippine Deposit Insurance Corporation's (PDIC) insurance coverage on the cash in bank. While the Group does not hold collateral as security, its credit risk from trade and other receivables is mitigated by the customers' deposits which are collected to guarantee any uncollected bills from the customers upon termination of the service contract.

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

	March 31, 2017		
	Maximum exposure	**Offset**	**Exposure to credit risk**
Loans and receivables:			
Cash and cash equivalents (excluding cash on hand)	**₱1,903,869,261**	**(₱12,351,770)**	**₱1,891,517,491**
Trade and other receivables	**327,612,276**	**(71,215,671)**	**256,396,605**
Due from related parties	**1,815,726**	–	**1,815,726**
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**
	3,377,712,391	**(83,567,441)**	**3,294,144,950**
AFS financial asset	**1,300,000**	–	**1,300,000**
	₱3,379,012,391	**(₱83,567,441)**	**₱3,295,444,950**

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 March 31, 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 ₱328.8 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 March 31, 2017 and December 31, 2016:

March 31, 2017	**Total**	**Neither Past Due nor Impaired**	**Past Due but Not 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)	**₱1,903,869,261**	**₱1,903,869,261**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**
Trade and other receivables:							
NPC/PSALM	**1,498,252**	**–**	**–**	**–**	**1,498,252**	**–**	**–**
Receivable from customers	**316,003,026**	**189,478,569**	**40,408,468**	**22,537,776**	**15,520,802**	**32,016,823**	**16,040,588**
Others	**26,151,586**	**653,309**	**1,962,387**	**2,054,095**	**2,883,799**	**18,597,996**	
	343,652,864	**190,131,878**	**42,370,855**	**24,591,871**	**19,902,853**	**50,614,819**	**16,040,588**
Due from NPC/PSALM	**1,175,128**	**–**	**–**	**–**	**–**	**1,175,128**	**–**
Due from related parties	**1,815,726**	**194,771**	**–**	**–**	**1,620,955**	**–**	**–**
Noncurrent receivable (included in "Other noncurrent assets")	**1,143,240,000**	**1,143,240,000**	**–**	**–**	**–**	**–**	**–**
	3,393,752,979	**3,237,435,910**	**42,370,855**	**24,591,871**	**21,523,808**	**51,789,947**	**16,040,588**
AFS Financial Asset							
Quoted equity security	**1,300,000**	**1,300,000**	**–**	**–**	**–**	**–**	**–**
	₱3,395,052,979	**₱3,238,735,910**	**₱42,370,855**	**₱24,591,871**	**₱21,523,808**	**₱51,789,947**	**₱16,040,588**

December 31, 2016	Total	Neither Past Due nor Impaired	Past Due but Not 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)	₱1,749,157,304	₱1,749,157,304	₱–	₱–	₱–	₱–	₱–
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	–	–	–	–	–
	₱3,247,203,572	₱3,129,597,378	₱28,883,899	₱11,829,182	₱9,645,729	₱51,206,796	₱16,040,588

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 March 31, 2017 and December 31, 2016:

		March 31, 2017				
		Neither Past Due nor Impaired				**Individually**
	Total	**High Grade**	**Standard**	**Substandard**	**Past Due**	**Impaired**
Loans and Receivables						
Cash and cash equivalents (excluding cash on hand)	**₱1,903,869,261**	**₱1,903,869,261**	**₱–**	**₱–**	**₱–**	**₱–**
Trade and other receivables:						
NPC/PSALM	**1,498,252**	–	–	–	**1,498,252**	–
Receivable from customers	**316,003,026**	**189,478,569**	–	–	**110,483,869**	**16,040,588**
Others	**26,151,586**	**320,684**	**332,625**	–	**25,498,277**	
	343,652,864	**189,799,253**	**332,625**	–	**137,480,398**	**16,040,588**
Due from NPC/PSALM	**1,175,128**	–	–	–	**1,175,128**	–
Due from related parties	**1,815,726**	–	**194,771**	–	**1,620,955**	–
Noncurrent receivable (included in "Other noncurrent assets")	**1,143,240,000**	**1,143,240,000**	–	–		
	3,393,752,979	**3,236,908,514**	**527,396**		**140,276,481**	**16,040,588**
AFS Financial Asset						
Quoted equity security	**1,300,000**	**1,300,000**	–	–	–	–
	₱3,395,052,979	**₱3,238,208,514**	**₱527,396**	**₱–**	**₱140,276,481**	**₱16,040,588**

		December 31, 2016				
		Neither Past Due nor Impaired				Individually
	Total	High Grade	Standard	Substandard	Past Due	Impaired
Loans and Receivables						
Cash and cash equivalents (excluding cash on hand)	₱1,749,157,304	₱1,749,157,304	₱–	₱–	₱–	₱–
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	–	–	–	–
	₱3,247,203,572	₱3,072,027,571	₱57,569,807	₱–	₱101,565,606	₱16,040,588

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), and/or collectible from government institution.

- *Receivable from Customers of BLCI*: Receivables from commercial customers are classified as high grade; receivables from residential customers as standard; and receivables from the government, hospitals and radio stations as substandard. Classification is based on the collection history with these customers.

- *Due from Related Parties*: These are assessed as standard, although recoverability of these receivables is certain, as these are given secondary priority as to settlement by the related parties compared to third party obligations.

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

Fair Value of Financial Assets and 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 March 31, 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 4.15% as of March 31, 2017 and December 31, 2016, respectively.

As of March 31, 2017 and December 31, 2016, the carrying values of the Group's financial instruments, except for the long-term debt, approximate fair values due to their relatively short–term maturity,

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 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 Visayas, Inc. (TVPI) 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 TVPI 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.