SEC Form 17-Q

Joy B. Santero <jbsantero@spcpower.com>

Mon 5/8/2017 11:23 AM

To:(SPC-MKTI) Sonia M. Magno <smmagno@spcpower.com>;

Cc:Jaime M. Balisacan <jmbalisacan@spcpower.com>;

Importance: High

Hi Ma'am Sonia,

Good morning!

As a requirement by SEC (deadline May 31) for SPC's website, I would like to request the signed and filed copies for the following (pdf will do):
1. SEC form 17-Q June 2016
2. SEC form 17-Q September 2016
3. SEC form 17-Q March 2017

Thank you Ma'am.

Regards,
Joy

108152016000332

SECURITIES AND EXCHANGE COMMISSION

SECBuilding,EDSA,Greenhills,MandaluyongCity,MetroManila,Philippines
Tel:(632) 726-0931 to 39 Fax:(632) 725-5293 Email: mis@sec.gov.ph

Barcode Page
The following document has been received:

Receiving Officer/Encoder : Jojit Licudine
Receiving Branch : SEC Head Office
Receipt Date and Time : August 15, 2016 10:00:49 AM
Received From : Head Office

Company Representative

Doc Source

Company Information

SEC Registration No.	AS94002365
Company Name	SPC POWER CORPORATION
Industry Classification	
Company Type	Stock Corporation

Document Information

Document ID	108152016000332
Document Type	17-Q (FORM 11-Q:QUARTERLY REPORT/FS)
Document Code	17-Q
Period Covered	June 30, 2016
No. of Days Late	0
Department	CFD
Remarks	

COPY

COVER SHEET

AS094002365

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. Alfredo S. Ballesteros

Contact Person

810 44 74 to 77

Company Telephone Number

SEC FORM

1	2		3	1

Month *Day*

Calendar Year

17-Q

FORM TYPE

0	5		3	1

Month *Day*

Annual Meeting

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 June 30, 2016

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)

7

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 June 30, 2016)	1,496,551,803 shares
Total Debt (as of June 30, 2016)	₱1,607,781,079

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 – June 30, 2016 (unaudited) and December 31, 2015 (audited).

b. Consolidated Statements of Comprehensive Income – Three Months Ended June 30, 2016 and 2015 (unaudited).

c. Consolidated Statements of Comprehensive Income – Six Months Ended June 30, 2016 and 2015 (unaudited).

d. Consolidated Statements of Changes in Stockholders' Equity – Six Months Ended June 30, 2016 and 2015 (unaudited).

e. Consolidated Statements of Cash Flows – Six Months ended June 30, 2016 and 2015 (unaudited).

f. 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

Three Months Ended June 30, 2016 and 2015

The Group's consolidated net income amounted to ₱470.5 million in the April-to-June 2016 period, up by 32.4% from the ₱355.3 million achieved in the same period last year. The increase was primarily driven by the solid performance of the Group's power generation business segment and higher equity earnings contribution from an associate which is also engaged in power generation. Strong summer demand for electricity and ancillary services continued throughout the second quarter of 2016 resulting into higher utilization of power generating units as compared to the same period in the previous year.

However, the earnings contributed by the power distribution business unit decreased by 27.5% to ₱14.4 million in the second quarter of 2016 from ₱19.8 million in the same period last year due mainly to the time lag in the recovery of higher cost of electricity purchased in June 2016. Moreover, the power distribution business segment no longer enjoys prompt payment discounts from its new electricity suppliers after expiration of the power supply contract with PSALM on August 25, 2015.

Consolidated revenues across all segments grew 19.9% year-on-year to ₱861.6 million in the second quarter of 2016, riding on higher demand for electricity and ancillary services.

Consolidated cost of services increased only slightly by 1.1% to ₱556.8 million in the second quarter of 2016 from ₱550.7 million in the same period last year. The increase in purchased power distributed to customers (both in volume and cost) as well as the higher consumption of maintenance spares, materials and supplies were substantially offset by lower cost of fuel, depreciation and amortizations. The volume of fuel used in the operations was actually higher in 2016 (reflective of higher dispatch of the power generating plants) but purchase price per liter was significantly lower in 2016 compared to the same period last year.

As revenues grew faster than cost of services, consolidated gross margin (the difference between revenues and cost of services) increased by 81.2% to ₱304.9 million during the April-to-June 2016 period from ₱168.2 million in the same period last year.

Consolidated general and administrative expenses increased to ₱78.2 million in April – June 2016 from ₱40.5 million in the same period last year. The substantial increase was mainly the offshoot of higher expenses for business development; taxes and licenses; and professional fees.

Six Months Ended June 30, 2016 and 2015

The Group's consolidated net income grew by 43.7 % to ₱1.03 billion in the first half of 2016, breaching the ₱1-billion mark for the first time at the middle of the year. The solid earnings performance was mainly underpinned by the strong operating results of its associates and power generation business segments.

The earnings contributed by the associates and power generation business units in the first half of 2016 reached ₱698.8 million and ₱299.2 million, respectively, reflecting 26.1% and 135.1% increase, respectively, from the same period in the previous year. The solid performance was attributed mainly to: (i) the very warm temperature which kept higher utilization of the power generating plants of the Group and an associate throughout the first half of 2016, and (ii) lower overall operating expenses, foreign exchange losses and financing costs incurred by KSPC, an associate.

However, the earnings contributed by the power distribution business unit dropped to ₱29.3 million in the first six months of 2016, 11.8% lower compared to the same six-month period in 2015. This was due mainly to time lag in the recovery of higher cost of electricity purchased in June 2016. Moreover, the power distribution business segment no longer enjoys prompt payment discounts from its new electricity suppliers after expiration of the power supply contract with PSALM on August 25, 2015.

The investee companies accounted for 77% of the Group's consolidated earnings in the first half of 2016. The power generation and power distribution business segments contributed 18% and 5%, respectively.

The consolidated comprehensive income attributable to equity holders of the Parent Company translated to ₱0.68 in earnings per share compared to ₱0.47 in the same period last year (see Note 3).

The performance likewise translated to a return on equity of 12.35% in the first half of 2016 versus 10.24% in the same period last year.

Consolidated revenues across all segments grew 22.1% year-on-year to ₱1,570.9 million in the first half of 2016. The higher demand for electricity and ancillary services boosted top-line growth.
Consolidated cost of services, which covered the bulk of the Group's total operating expenses, also went up by 6.7% to ₱1, 017.3 million in the first half of 2016 from ₱953.1 million in the same period last year. Accounting for a major part of the increase were: (i) the higher volume of fuel used in the operations; (ii) higher volume and cost of purchased power distributed to customers; (iii) higher usage of spares,

materials and supplies; and (iv) higher personnel costs. These increases in costs were partly offset by lower depreciation and amortization of prepaid rentals.

As revenues grew faster than cost of services, consolidated gross margin (the difference between revenues and cost of services) increased by 66.0% to ₱553.6 million in the first six months of 2016 from ₱333.4 million in the same six-month period of 2015.

Consolidated general and administrative expenses substantially went up by 16.6% to ₱115.3 million in the first half of 2016 from ₱98.9 million in the same period last year. This was due mainly to higher expenses for business development, professional fees and personnel.

Financial Condition

June 30, 2016 Vs. Dec. 31, 2015

As at end-June 2016, total consolidated assets increased by 7.3% to ₱10,211.0 million from the last audited balance of ₱9,515.2 million as at end-December 2015. The increase was attributed mainly to the continued growth in the carrying value of investment in associates as well as the acquisition of Power Barge 104 on June 30, 2016.

Consolidated liabilities also went up by 9.1% to ₱1, 607.8 million as at end-June 2016 from ₱1,474.3 million as at end-December 2015. This was attributed mainly to the increase in the balance of current liabilities more particularly on trade and other payables, due to PSALM, and income tax payable.

Total stockholders' equity stood at ₱8,603.3 million as at end-June 2016 from ₱8,040.9 million as at end-December 2015. The 7.0% growth came from the total comprehensive income in the first half of 2016 amounting to ₱1,027.5 million after deducting cash dividends declared amounting to ₱465.2 million. Book value per share grew to ₱5.75 during the six months ended June 30, 2016 from ₱5.37 at the beginning of the year.

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

Cash and cash equivalents decreased by 9.4% to ₱1,757.9 million as at end-June 2016 from ₱1,940.5 million as at end-December 2015. Please see the section below for Cash Flows showing the major sources and applications of cash and cash equivalents.

Despite higher sales, the Group's trade and other receivables increased only by 1.9% to ₱543.1 million as at end-June 2016 from ₱533.1 million as at end-December 2015. This was reflective of high collection efficiency during the six months ended June 30, 2016.

Materials and supplies inventory decreased by 15.0% to ₱242.2 million as at end-June 2016 from ₱285.1 million at the beginning of the quarter. The decrease was traced to higher consumption as well as the lower cost of fuel inventory purchased in June 2016.

Prepayments and other current assets rose by 58.1% to ₱51.7 million as at end-June 2016 from ₱32.7 million at the beginning of the year due mainly to input tax paid on the acquisition of Power Barge 104 (see Note 12) and carry-over of unused input tax from other purchases for offsetting against future output tax.

Investment in associates continued to increase by 13.9% to ₱5,728.9 million as at end-June 2016 from ₱5,030.1 million as at end-December 2015. The increase reflected fresh equity share in the net earnings of KSPC and MECO amounting to ₱618.9 million and ₱79.9 million, respectively, in the six months ended June 30, 2016.

Property, plant and equipment increased only slightly to ₱450.6 million from ₱447.5 million. The increase is net of new additions amounting to ₱41.7 million and depreciation amounting to ₱38.6 million in the first six months of 2016.

As at end-June 2016, total other noncurrent assets increased by 16.2% to ₱1,365.9 million from ₱1,175.4 million at the beginning of the year due mainly to the acquisition of Power Barge 104. The balance of this account is inclusive of the ₱1,143.2 million that was paid by the Parent Company to PSALM for the acquisition of the 153.1 MW Naga Power Plant Complex (NPPC). Please see Note 12 of the interim consolidated financial statements.

Trade and other payables increased by 13.6% to ₱439.1 million as at end-June 2016 from ₱386.7 million at the beginning of the year. The increase is traced to higher purchased power and fuel for payment in July 2016.

Due to NPC/PSALM increased by 27.4% to ₱213.3 million as at end-June 2016 from ₱167.4 million at the beginning of the year. The increase was due to additional consumption of NPPC inventories (HFO, LFO and Coal) which were acquired as a consequence of the Asset Purchase Agreement (APA) executed between the Parent Company and PSALM for the acquisition of NPPC (see Note 12).

Current portion of long-term debt increased by 54.4% to ₱160.2 million as at end-June 2016 from ₱103.8 million as at end-December 2015 due to the reclassification of a portion of long-term debt which is due for payment within one year.

Income tax payable increased by 63.1% to ₱55.3 million as at end-June 2016 from ₱33.9 million as at end-December 2015. The increase was due higher taxable income in the second quater of 2016 (income tax is payable in August 2016) as compared to the fourth quarter of 2015 (income tax was paid in April 15, 2016).

Long-term debt – net of current portion decreased by 12.5% to ₱503.5 million as at end-June 2016 from ₱575.4 million as at end-December 2015 due to: (i) reclassification of portion payable within one year into current liabilities, and (ii) periodic amortization of loan principal.

Customers' deposits increased by 7.0% to ₱96.7 million as at end-June 2016 fro ₱90.4 million as at end-December 2015 due to additional material deposits for cost of transformers and poles paid by large-load consumers for power connections.

Asset retirement obligation rose by 2.7% to ₱109.5 million as at end-June 2016 from ₱106.6 million as at end-December 2015 due to accretion of the original discounted retirement obligation.

Unappropriated retained earnings increased by 11.8% to ₱5,327.4 million from ₱4,765.8 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 first six months of 2016 amounting to ₱1,010.6 million, reduced by cash dividends amounting to ₱449.0 million that was declared by the Parent Company's Board of Directors on March 30, 2016.

Cash Flows

Cash and cash equivalents and short-term investments decreased by 9.4% to ₱1,757.9 million as at June 30, 2016 from ₱1,940.5 million at the beginning of the year. The total of net cash flows used for investing and financing activities exceeded the net cash flows generated from operating activities.

The major source of additional cash and cash equivalents was from the Group's operating activities. In the six months ended June 30, 2016, cash inflows generated from operating activities amounted to ₱511.4 million, substantially higher compared to the ₱154.6 million generated in the same period last year. The increase was largely on account of higher cash profit and improved efficiency in the collection of receivables.

Net cash flows used for investing activities in the first six months of 2016 amounted to ₱232.8 million for the acquisitionof Power Barge 104 (see Note 12) and additions to other property, plant and equipment.

Net cash flows used for financing activities in the first six months of 2016 pertained to payment of cash dividends and loan principal amortization amounting to ₱445.7 million and ₱15.4 million, respectively.

Key Performance Indicators

The following financial indicators are used, among others, to evaluate the performance of the Parent Company and its Subsidiaries as of June 30, 2016 and December 31, 2015 and for the six months ended June 30, 2016 and 2015:

Key Performance Indicators	2016	2015
A. For Six Months Ended June 30, 2016 and 2015:		
Earnings Per Share	0.68	0.47
Share In Net Earnings of Associates	₱698,827,497	₱554,382,255
Return on Equity	12.35%	10.24%
Return on Assets	10.06%	7.72%
Cash Flows:		
Net cash flows generated from operating activities	₱511,367,230	₱154,576,295
Net cash flows generated from (used in) investing activities	(₱232,841,003)	₱189,452,659
Net cash flows used in financing activities	(₱461,093,810)	(₱168,493,404)
B. As of June 30, 2016 and Dec. 31, 2015:		
Balance of cash and cash equivalents at end of period	₱1,757,895,739	₱1,940,459,937
Current ratio	2.93	4.04
Debt ratio	0.16	0.16
Debt-to-equity ratio	0.19	0.18
Solvency ratio	6.35	6.45

<u>Earnings Per Share</u>

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.

<u>Share in Net Earnings of Associates</u>

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 total assets. This ratio measures the ability of the Group's management to realize an adequate return on the 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 Assets 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 June 30, 2016, there are no material commitment for capital expenditures other than the rehabilitation of Power Barge 104 (see Note 12) and 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 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:

REYNANTE C. DEL ROSARIO
Chief Financial Officer

Date: August 11, 2016

ALFREDO S. BALLESTEROS
SVP for Finance and Administration

Date: August 11, 2016

SPC POWER CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Amounts in Philippine Pesos)

	June 30, 2016 (Unaudited)	Dec. 31, 2015 (Audited)	Incr. / (Decr.) Amount	Percent
ASSETS				
Current Assets				
Cash and cash equivalents	1,757,895,739	1,940,459,937	(182,564,198)	-9.4%
Trade and other receivables - net	543,092,855	533,078,572	10,014,283	1.9%
Due from NPC/PSALM	2,948,949	3,586,403	(637,454)	-17.8%
Due from related parties	758,353	1,406,811	(648,458)	-46.1%
Materials and supplies	242,217,527	285,080,853	(42,863,326)	-15.0%
Prepayments and other current assets (Note 12)	51,706,424	32,708,326	18,998,098	58.1%
		0		
Total Current Assets	2,598,619,847	2,796,320,902	(197,701,055)	-7.1%
Noncurrent Assets				
Investment in associates	5,728,909,927	5,030,082,432	698,827,495	13.9%
Property, plant and equipment - net	450,615,374	447,544,906	3,070,468	0.7%
Deferred income tax assets	34,520,722	33,258,237	1,262,485	3.8%
Goodwill	32,522,016	32,522,016	0	0%
Other noncurrent assets - net (Note 12)	1,365,853,903	1,175,438,977	190,414,926	16.2%
Total Noncurrent Assets	7,612,421,942	6,718,846,568	893,575,374	13.3%
TOTAL ASSETS	10,211,041,789	9,515,167,470	695,874,319	7.3%
LIABILITIES & STOCKHOLDERS' EQUITY				
Current Liabilities				
Trade and other payables	439,131,987	386,673,683	52,458,304	13.6%
Dividends payable	19,522,314	1,290	19,521,024	100%
Due to NPC/PSALM	213,251,409	167,425,320	45,826,089	27.4%
Current portion of long-term debt	160,213,466	103,760,265	56,453,201	54.4%
Due to related parties	321,386	93,270	228,116	244.6%
Income tax payable	55,253,965	33,885,039	21,368,926	63.1%
Total current liabilities	887,694,527	691,838,867	195,855,660	28.3%
Noncurrent Liabilities				
Long-term debt - net of current portion	503,473,315	575,436,669	(71,963,354)	-12.5%
Customers' deposits	96,722,373	90,405,145	6,317,228	7.0%
Asset retirement obligation	109,455,633	106,607,414	2,848,219	2.7%
Pension liability	10,435,231	9,981,652	453,579	4.5%
Total noncurrent liabilities	720,086,552	782,430,880	(62,344,328)	-8.0%
Total Liabilities	1,607,781,079	1,474,269,747	133,511,332	9.1%

(Forward)

SPC POWER CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Amounts in Philippine Pesos)

	June 30, 2016 (Unaudited)	Dec. 31, 2015 (Audited)	Incr. / (Decr.) Amount	Incr. / (Decr.) 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%
Treasury stock at cost - 72,940,097 shares	(131,008,174)	(131,008,174)	0	-0%
Retained earnings:				
Appropriated	1,250,000,000	1,250,000,000	0	0%
Unappropriated	5,327,442,102	4,765,808,415	561,633,687	11.8%
Other component of equity:				
Net unrealized valuation losses on available for sale investment	(350,000)	(350,000)	0	-0%
Share in OCI of associates	(552,266)	(552,266)	0	-0%
Remeasurement of employee benefits	99,615	99,615		
Equity attributable to equity holders of Parent	8,101,933,929	7,540,300,242	561,633,687	7.4%
Equity attributable to Non-controlling interests	501,326,781	500,597,481	729,300	0.1%
Total Stockholders' Equity	8,603,260,710	8,040,897,723	562,362,987	7.0%
TOTAL LIABILITIES and EQUITY	10,211,041,789	9,515,167,470	695,874,319	7.3%

See accompanying Notes to Consolidated Financial Statements.

Reynante C. del Rosario
Chief Financial Officer

Alfredo S. Ballesteros
Senior Vice President - Finance and Administration

SPC POWER CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Amounts in Philippine Pesos)

	Three Months Ended June 30		Increase / (Decrease)	
	2016 Unaudited)	2015 Unaudited)	Amount	Percent
REVENUE	861,640,259	718,888,381	142,751,878	19.9%
COST OF SERVICES				
Plant operations	556,767,993	550,665,248	6,102,745	1.1%
GROSS MARGIN	304,872,266	168,223,133	136,649,133	81.2%
GENERAL AND ADM. EXPENSES	(78,202,425)	(40,506,067)	(37,696,358)	93.1%
INTEREST INCOME	7,466,217	2,238,843	5,227,374	233.5%
INTEREST EXPENSE	(8,398,400)	(13,696,838)	5,298,438	-38.7%
FOREIGN EXCHANGE GAINS (LOSSES) - Net	1,915,525	(260,305)	2,175,830	-835.9%
OTHER INCOME (CHARGES):				
Equity in net earnings of associates	301,904,002	269,251,388	32,652,614	12.1%
Gain on disposal of assets	68,510	(3,118)	71,628	-2297%
Others - net	(2,565,301)	4,474,528	(7,039,829)	-157.3%
INCOME BEFORE INCOME TAX	527,060,394	389,721,564	137,338,830	35.2%
PROVISION FOR/(BENEFIT FROM) INCOME TAX				
Current	56,458,007	35,163,436	21,294,571	60.6%
Deferred	79,303	(692,769)	772,072	-111.4%
	56,537,310	34,470,667	22,066,643	64.0%
NET INCOME	470,523,084	355,250,897	115,272,187	32.4%
OTHER COMPREHENSIVE INCOME	0	0	0	0%
TOTAL COMPREHENSIVE INCOME	470,523,084	355,250,897	115,272,187	32.4%
ATTRIBUTABLE TO:				
Equity holders of the Parent	460,540,592	346,089,579	114,451,013	33.1%
Non-controlling interests	9,982,492	9,161,318	821,174	9.0%
	470,523,084	355,250,897	115,272,187	32.4%
EARNINGS PER SHARE:				
Basic/diluted, for income for the period attributable to equity holders of the Parent	0.31	0.23	0.08	33.1%

See accompanying Notes to Consolidated Financial Statements.

Reynante C. del Rosario
Chief Financial Officer

Alfredo S. Ballesteros
SVP - Finance and Administration

SPC POWER CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Amounts in Philippine Pesos)

	Six Months Ended June 30		Increase / (Decrease)	
	2016 Unaudited)	2015 Unaudited)	Amount	Percent
REVENUE	1,570,850,795	1,286,488,230	284,362,565	22.1%
COST OF SERVICES				
Plant operations	1,017,252,834	953,061,885	64,190,949	6.7%
GROSS MARGIN	553,597,961	333,426,345	220,171,616	66.0%
GENERAL AND ADM. EXPENSES	(115,344,191)	(98,888,428)	(16,455,763)	16.6%
INTEREST INCOME	12,521,986	4,068,547	8,453,439	207.8%
INTEREST EXPENSE	(16,306,348)	(19,866,969)	3,560,621	-17.9%
FOREIGN EXCHANGE GAINS (LOSSES) - Net	(1,578,450)	(522,462)	(1,055,988)	202.1%
OTHER INCOME (CHARGES):				
Equity in net earnings of associates	698,827,497	554,382,255	144,445,242	26.1%
Gain on disposal of assets	68,510	(3,118)	71,628	-2297%
Others - net	(4,357,544)	10,334,825	(14,692,369)	-142.2%
INCOME BEFORE INCOME TAX	1,127,429,421	782,930,995	344,498,426	44.0%
PROVISION FOR/(BENEFIT FROM) INCOME TAX				
Current	101,151,378	69,399,221	31,752,157	45.8%
Deferred	(1,262,486)	(1,410,512)	148,026	-10.5%
	99,888,892	67,988,709	31,900,183	46.9%
NET INCOME	1,027,540,529	714,942,286	312,598,243	43.7%
OTHER COMPREHENSIVE INCOME	0	0	0	0%
TOTAL COMPREHENSIVE INCOME	1,027,540,529	714,942,286	312,598,243	43.7%
ATTRIBUTABLE TO:				
Equity holders of the Parent	1,010,599,225	700,612,449	309,986,776	44.2%
Non-controlling interests	16,941,304	14,329,837	2,611,467	18.2%
	1,027,540,529	714,942,286	312,598,243	43.7%
EARNINGS PER SHARE (Note 3):				
Basic/diluted, for income for the period attributable to equity holders of the Parent	0.68	0.47	0.21	44.2%

See accompanying Notes to Consolidated Financial Statements.

Reynante C. del Rosario
Chief Financial Officer

Alfredo S. Ballesteros
Corporate Secretary/Information Officer
Senior Vice President

PC POWER CORPORATION AND SUBSIDIARIES
ONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
OR SIX MONTHS ENDED JUNE 30, 2016 AND 2015

	Equity Attributable to Equity Holders of the Parent										
	Capital Stock	Additional Paid-in Capital	Treasury Stock at Cost	Remeasurement of Employee Benefits	Share in Remeasurement of Employee Benefits of Associates	Retained Earnings Appropriated	Retained Earnings Unappropriated	Net Unrealized Valuation Losses on AFS Investment	Total	Non-controlling interest	Total
s 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
mprehensive income	–	–	–	–	–	–	1,010,599,225	–	1,010,599,253	16,941,304	1,027,540,529
idends	–	–	–	–	–	–	(448,965,541)	–	(448,965,541)	(16,212,004)	(465,177,545)
riation	–	–	–	–	–	–	–	–	–	–	–
s at June 30, 2016	₱1,569,491,900	₱86,810,752	(₱131,008,174)	₱99,615	(₱552,266)	₱1,250,000,000	₱5,327,442,102	(₱350,000)	₱8,101,933,926	₱501,326,781	₱8,603,260,710
s at January 1, 2015	₱1,569,491,900	₱86,810,752	(₱131,008,174)	₱1,074,492	₱–	₱850,000,000	₱3,839,421,474	(₱350,000)	₱6,215,440,444	₱480,593,208	₱6,696,033,652
mprehensive income	–	–	–	–	–	–	700,,612,449	–	700,612,449	14,329,837	714,942,286
idends	–	–	–	–	–	–	(149,655,178)	–	(149,655,178)	–	(149,655,178)
iation	–	–	–	–	–	–	–	–	–	–	–
s at June 30, 2015	₱1,569,491,900	₱86,810,752	(₱131,008,174)	₱1,074,492	₱–	₱850,000,000	₱4,390,378,745	(₱350,000)	₱6,766,397,715	₱494,923,045	₱7,261,320,760

e accompanying Notes to Consolidated Financial Statements.

Reynante C. Del Rosario
Chief Financial Officer

Alfredo S. Ballesteros
Senior Vice President – Finance and Administration

SPC POWER CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Six Months Ended June 30	
	2016 (Unaudited)	2015 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	1,127,429,421	782,930,995
Adjustments for:		
Depreciation and amortization	39,355,609	68,154,301
Unrealized foreign exchange losses (gains) - net	1,770,963	(108,615)
Loss (gain) on disposal of property, plant and equipment	(68,510)	3,118
Equity in net losses (earnings) of associates	(698,827,497)	(554,382,255)
Interest expense	16,306,348	19,866,969
Interest income	(12,521,986)	(4,068,547)
Pension expense	453,579	918,879
Operating income before working capital changes	473,897,927	313,314,845
Decrease (increase) in:		
Trade and other receivables	(8,514,884)	(88,641,520)
Due from NPC/PSALM	(859,557)	0
Due from related parties	648,458	10,897,205
Prepayments and other current assets	(19,000,486)	(15,259,765)
Materials and supplies	42,863,326	43,166,529
Increase (decrease) in:		
Trade and other payables	51,147,476	(29,558,207)
Due to NPC/PSALM	45,826,089	2,527,329
Due to related parties	258,116	(7,399,219)
Customers' deposits	6,317,228	5,631,513
Net cash generated from operations	592,583,693	234,678,710
Income tax paid	(79,782,452)	(69,061,814)
Interest paid	(13,955,997)	(15,109,148)
Interest received	12,521,986	4,068,547
Net cash flows from operating activities	511,367,230	154,576,295
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash dividends received	0	310,429,554
Additions to plant, property and equipment	(41,933,764)	(99,780,483)
Decrease (increase) in:		
Other noncurrent assets	(190,907,239)	(21,196,412)
Net cash provided by (used in) investing activities	(232,841,003)	189,452,659
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment of long-term debt	(15,437,289)	(14,978,225)
Cash dividends paid	(445,656,521)	(153,515,179)
Net cash provided by (used in) financing activities	(461,093,810)	(168,493,404)
NET EFFECT OF EXCHANGE RATE CHANGES	3,385	476,061
NET INCREASE IN CASH AND CASH EQUIVALENTS	(182,564,198)	176,011,611
CASH AND CASH EQUIVALENTS AT BEG. OF PERIOD	1,940,459,937	1,315,765,500
CASH AND CASH EQUIVALENTS AT END OF PERIOD	1,757,895,739	1,491,777,111

See accompanying Notes to Financial Statements.

Reynante C. del Rosario
Chief Financial Officer

Alfredo S. Ballesteros
Senior Vice President - Finance and Administration

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%

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 2015.

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	
	2016	2015
Net income attributable to equity holders of the parent	**₱1,010,599,225**	₱700,612,449
Weighted average number of common shares issued and outstanding	**1,496,551,803**	1,496,551,803
Basic/Diluted earnings per share	**₱0.68**	₱0.47

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 June 30, 2016.

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 2016.

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, 2016.

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, 2016 and 2015.

The following tables present revenue and income information and certain asset and liability information regarding the business segments as of June 30, 2016 and 2015:

June 30, 2016						
	Before Eliminations				Adjustments and	After Eliminations/
	Generation	Distribution	Others	Total	Eliminations	Consolidated
Revenue	₱1,110,304,689	₱460,546,106	₱–	₱1,570,850,795	₱–	₱1,570,850,795
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

June 30, 2015						
	Before Eliminations				Adjustments and	After Eliminations/
	Generation	Distribution	Others	Total	Eliminations	Consolidated
Revenue	₱901,144,820	₱385,343,410	₱–	₱1,286,488,230	₱–	₱1,286,488,230
Income before income tax	491,532,715	47,345,589	100,390	538,978,694	243,952,301	782,930,995
Net income	437,691,664	33,197,931	100,390	470,989,985	243,952,301	714,942,286
Total assets	7,048,244,219	447,546,141	75,055,588	7,570,845,948	1,693,760,839	9,264,606,787
Property, plant and equipment	689,007,478	142,233,525	–	831,241,003	–	831,241,003
Total liabilities	1,817,683,123	193,136,726	10,615	2,010,830,462	(7,544,434)	2,003,286,028
Depreciation and amortization	58,468,702	9,685,599	–	68,154,301	–	68,154,301

Adjustments and Eliminations

Adjustments and eliminations are part of detailed reconciliations presented below:

Reconciliation of Net Income

	Six Mos. Ended June 30	
	2016	2015
Segment net income	**₱328,713,032**	₱470,989,984
Equity in net earnings of associates	**698,827,497**	554,382,255
Dividend income	**-**	(310,429,954
Group net income	**₱1,027,540,529**	₱714,942,286

Reconciliation of Total Assets

	June 30, 2016	Dec. 31, 2015
Segment assets	**₱7,710,176,692**	₱8,039,596,479
Inter-segment receivables	**(98,498,915)**	(424,965,518)
Investments in associates and subsidiaries	**2,566,841,987**	1,868,014,493
Goodwill	**32,522,016**	32,522,016
Group assets	**₱10,211,041,789**	₱9,515,167,470

Reconciliation of Total Liabilities

	June 30, 2016	Dec. 31, 2015
Segment liabilities	**₱1,702,909,039**	₱1,895,864,307
Inter-segment payables	**(95,127,905)**	(421,594,560)
Group liabilities	**₱1,607,781,134**	₱1,474,269,747

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				
2016	**3.19%**	**2–7 years**	**US$335,083**	**₱15,769,022**
2015	3.19%	2–7 years	US$670,167	₱31,538,043
Philippine Peso currency denominated debt				
2016	**4.01%**	**2–7 years**		**₱650,000,000**
2015	4.01%	2–7 years		₱650,000,000

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
2016	**+500**	(₱646,864)
	-500	646,864
2015	+500	(₱579,717)
	-500	579,717

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, 2016 and December 31, 2015 based on contractual undiscounted payments:

	June 30, 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	₱1,757,895,739	₱1,757,895,739	₱–	₱–	₱–	₱–
Trade and other receivables:						
NPC	–	–	–	–	–	–
Receivable from customers	517,981,619	355,353,598	29,533,245	22,251,889	14,009,793	96,833,094
Others	38,542,536	9,454,017	2,915,837	165,019	1,007,454	25,000,209
	556,524,155	364,807,615	32,449,082	22,416,908	15,017,247	121,833,303
Due from NPC/PSALM	2,948,949	1,497,011	–	–	–	1,451,938
Due from related parties	758,353	90,213	91,919	44,437	19,350	512,434
Noncurrent receivable (included in "Other noncurrent assets")	1,143,240,000	–	–	–	–	1,143,240,000
	3,461,367,197	2,124,290,579	32,541,001	22,461,345	15,036,597	1,267,037,675
AFS:						
Quoted equity security	1,300,000	1,300,000	–	–	–	–
	3,462,667,197	2,125,590,579	32,541,001	22,461,345	15,036,597	1,267,037,675
Financial Liabilities						
Trade and other payables:						
Trade	₱306,936,514	₱183,131,345	₱39,583,518	₱22,780,264	₱29,018,505	₱32,422,882
Accrued expenses	40,551,030	6,084,614	3,960,507	1,656,291	1,495,261	27,354,357
Non-trade	24,516,611	12,310,640	201,862	155,812	133,305	11,714,992
	372,004,155	201,526,599	43,745,887	24,592,367	30,647,071	71,492,231
Dividends payable	19,522,314	16,212,004	–	–	3,308,937	1,373
Due to NPC/PSALM	213,251,409	11,310,890	4,674,235	12,089,602	17,781,215	167,395,467
Due to related parties	321,386	134,321	–	–	157,693	29,372
Long-term debt	663,686,781	–	–	–	–	663,686,781
Customers' deposits	96,722,373	3,061,514	988,998	408,181	614,161	91,649,519
	1,365,508,418	232,245,328	49,409,120	37,090,150	52,509,077	994,254,743
Net Financial Assets (Liabilities)	₱2,097,158,779	₱1,893,345,251	(₱16,868,119)	(₱14,628,805)	(₱37,472,480)	₱272,782,932

	December 31, 2015					
	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	₱1,940,459,937	₱1,940,459,937	₱–	₱–	₱–	₱–
Trade and other receivables:						
NPC	42,753,130	42,753,130	–	–	–	–
Receivable from customers	421,882,840	312,841,135	23,345,819	14,298,919	18,980,000	52,416,967
Others	83,373,300	58,900,198	6,830,555	16,152,015	143,300	1,347,232
	548,009,270	414,494,463	30,176,374	30,450,934	19,123,300	53,764,199
Due from NPC/PSALM	2,089,392	–	–	2,089,392	–	–
Due from related parties	1,406,811	312,686	40,416	1,053,709		–
Noncurrent receivable (included in "Other noncurrent assets")	1,143,240,000	–	–	–	–	1,143,240,000
	3,635,205,410	2,355,267,086	30,216,790	33,594,035	19,123,300	1,197,004,199
AFS:						
Quoted equity security	1,300,000	1,300,000	–	–	–	–
	3,636,505,410	2,356,567,086	30,216,790	33,594,035	19,123,300	1,197,004,199
Financial Liabilities						
Trade and other payables:						
Trade	₱262,638,594	₱224,754,082	₱35,524,179	₱838,624	₱97,023	₱1,424,686
Accrued expenses	49,298,279	42,044,511	3,621,783	–	–	3,631,985
Non-trade	50,284,365	47,841,293	2,443,072	–	–	–
	362,221,238	314,639,886	41,589,034	838,624	97,023	5,056,671
Dividends payable	1,290	1,290	–	–	–	–
Due to NPC/PSALM	167,425,320	167,425,320	–	–	–	–
Due to related parties	63,270	63,270	–	–	–	–
Long-term debt	762,795,277	–	–	–	–	762,795,277
Customers' deposits	90,405,145	–	–	–	–	90,405,145
	1,382,911,540	482,129,766	41,589,034	838,624	97,023	858,257,093
Net Financial Assets (Liabilities)	₱2,253,593,870	₱1,874,437,320	(₱11,372,244)	₱32,755,411	₱19,026,277	₱338,747,106

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 ₱47.060 and ₱47.060 on June 30, 2016 and December 31, 2015, 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
2016	**+1**	**(₱1,935,715)**
	-1	**1,935,715**
2015	+1	₱1,605,067
	-1	(1,605,067)

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, 2016	Dec. 31. 2015	**June 30, 2016**	Dec. 31, 2015
Cash and cash equivalents	**$4,743,374**	US$3,454,080	**₱223,223,174**	₱162,549,012
Trade and other payables:				
Trade	**(295,000)**	(345,437)	**(13,882,700)**	(16,256,278)
Non-trade	**–**	–	**–**	–
Long-term debt	**(335,083)**	(670,167)	**(15,769,022)**	(31,538,043)
Net foreign-currency-denominated monetary assets	**US$4,113,291**	US$2,438,476	**₱193,571,452**	₱114,754,691

Credit Risk

Credit risk refers to the risk that a counterparty 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, 2016		
	Maximum exposure	**Offset**	**Exposure to credit risk**
Loans and receivables:			
Cash and cash equivalents (excluding cash on hand)	**₱1,757,547,187**	**(₱9,423,962)**	**₱1,748,123,225**
Trade and other receivables	**543,092,855**	**(56,290,661)**	**486,802,194**
Due from related parties	**758,354**	**–**	**758,354**
Due from NPC/PSALM	**2,948,949**	**–**	**2,948,949**
Noncurrent receivable (included in "Other noncurrent assets")	**1,143,240,000**	**–**	**1,143,240,000**
	3,447,587,345	**(65,714,623)**	**3,381,872,722**
AFS financial asset	**1,300,000**	**–**	**1,300,000**
	₱3,448,887,345	**(₱65,714,623)**	**₱3,383,172,722**

December 31, 2015	Maximum exposure	Offset	Exposure to credit risk
Loans and receivables:			
Cash and cash equivalents (excluding cash on hand)	₱1,940,104,667	(₱8,126,491)	₱1,931,978,176
Trade and other receivables	534,577,971	(26,670,814)	507,907,157
Due from related parties	1,406,811	–	1,406,811
Due from NPC/PSALM	2,089,392	–	2,089,392
Noncurrent receivable (included in "Other noncurrent assets")	1,143,240,000	–	1,143,240,000
	3,621,418,841	(34,797,305)	3,586,621,536
AFS financial asset	1,300,000	–	1,300,000
	₱3,622,718,841	(₱34,797,305)	₱3,587,921,536

As of June 30, 2016 and December 31,2015, the Group's significant concentration of credit risk pertains to its trade and other receivables and due from NPC/PSALM amounting to ₱454.6 million and ₱536.7 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, 2016 and December 31, 2015:

June 30, 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)	₱1,757,547,187	₱1,757,547,187	₱–	₱–	₱–	₱–	₱–
Trade and other receivables:							
NPC/PSALM	–	–	–	–	–	–	–
Receivable from customers	517,981,619	355,353,598	29,533,245	22,251,889	14,009,793	83,401,794	13,431,300
Others	38,542,536	9,454,017	2,915,837	165,019	1,007,454	25,000,209	–
	556,524,155	364,807,615	32,449,082	22,416,908	15,017,247	108,402,003	13,431,300
Due from NPC/PSALM	2,948,949	1,497,011	–	–	–	1,451,938	–
Due from related parties	758,353	90,213	91,919	44,437	19,350	512,434	–
Noncurrent receivable (included in "Other noncurrent assets")	1,143,240,000	–	–	–	–	1,143,240,000	–
	3,461,018,645	2,123,942,027	32,541,001	22,461,345	15,036,597	1,253,606,375	13,431,300
AFS Financial Asset							
Quoted equity security	1,300,000	1,300,000	–	–	–	–	–
	₱3,462,318,645	₱2,125,242,027	₱32,541,001	₱22,461,345	₱15,036,597	₱1,253,606,375	₱13,431,300

December 31, 2015	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)	₱1,940,104,667	₱1,940,104,667	₱–	₱–	₱–	₱–	₱–
Trade and other receivables:							
NPC/PSALM	42,753,130	–	–	–	–	42,753,130	–
Receivable from customers	421,882,840	313,472,436	23,345,819	14,298,919	18,980,000	38,354,366	13,431,300
Others	83,373,300	58,921,505	6,830,555	896,971	289,117	16,435,152	–
	548,009,270	372,393,941	30,176,374	15,195,890	19,269,117	97,542,648	13,431,300
Due from NPC/PSALM	2,089,392	–	–	–	–	2,089,392	–
Due from related parties	1,406,811	312,686	40,416	152,622	451,237	449,850	–
Noncurrent receivable (included in "Other noncurrent assets")	1,143,240,000	1,143,240,000	–	–	–	–	–
	3,634,850,140	3,456,051,294	30,216,790	15,348,512	19,720,354	100,081,890	13,431,300
AFS Financial Asset							
Quoted equity security	1,300,000	1,300,000	–	–	–	–	–
	₱3,636,150,140	₱3,457,351,294	₱30,216,790	₱15,348,512	₱19,720,354	₱100,081,890	₱13,431,300

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, 2016 and December 31, 2015:

	June 30, 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)	₱1,757,547,187	₱1,757,547,187	₱–	₱–	₱–	₱–
Trade and other receivables:						
NPC/PSALM	–	–	–	–	–	–
Receivable from customers	517,981,619	355,353,598	–	–	149,196,721	13,431,300
Others	38,542,536	9,454,017	–	–	29,088,519	–
	556,524,155	364,807,615	–	–	178,285,240	13,431,300
Due from NPC/PSALM	2,948,949	1,497,011			1,451,938	
Due from related parties	758,353	–	90,213	–	668,140	–
Noncurrent receivable (included in "Other noncurrent assets")	1,143,240,000	–	–		1,143,240,000	–
	3,461,018,645	2,123,851,813	90,213		1,323,645,318	13,431,300
AFS Financial Asset						
Quoted equity security	1,300,000	1,300,000	–	–	–	–
	₱3,462,318,645	₱2,125,151,813	₱90,213	₱–	₱1,323,645,318	₱13,431,300

	December 31, 2015					
		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)	₱1,940,104,667	₱1,940,104,667	₱–	₱–	₱–	₱–
Trade and other receivables:						
NPC/PSALM	42,753,130	–	–	–	42,753,130	–
Receivable from customers	421,882,840	203,953,838	107,644,972	1,873,626	94,979,104	13,431,300
Others	83,373,300	6,895,222	52,026,284	–	24,451,794	–
	548,009,270	210,849,060	159,671,256	1,873,626	162,184,028	13,431,300
Due from NPC/PSALM	2,089,392	–	–	–	2,089,392	–
Due from related parties	1,406,811	37,228	275,463	–	1,094,120	–
Noncurrent receivable (included in "Other noncurrent assets")	1,143,240,000	1,143,240,000	–	–	–	–
	3,634,850,140	3,294,230,955	159,946,719	1,873,626	165,367,540	13,431,300
AFS Financial Asset						
Quoted equity security	1,300,000	1,300,000	–	–	–	–
	₱3,636,150,140	₱3,295,530,955	₱159,946,719	₱1,873,626	₱165,367,540	₱13,431,300

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, 2016 and December 31, 2015, 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% and 4.39% as of June 30, 2016 and December 31, 2015, respectively.

The estimated fair values of the categories of the Company's financial instruments approximate their carrying values as of June 30, 2016 and December 31, 2015.

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 ₱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 Supreme Court issued a Notice 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) was recognized as other noncurrent receivable as of December 31, 2015 and June 30, 2016. Since the SC decisions do not specify details on how the nullified transaction will be settled between the Parent Company and PSALM, the ultimate disposition of the recorded assets and liabilities remain uncertain as of June 30, 2016. The Group believes that how the matter will be settled could be finalized over 2 years. Any adjustments arising from the settlement of this matter will be reflected in the financial statements as they are determined.

b. Power Barge 104

On April 15, 2016, SIPC submitted the highest offer to PSALM in the negotiated sale of the 32-MW Power Barge 104 (PB 104) located at the Holcim compound in Ilang, Davao City, besting two other companies with its proposal of ₱218.9 million including VAT. The Notice of Award was received by SIPC on June 1, 2016.

On June 16, 2016, the Parent Company executed an Amendment, Accession and Assumption Agreement between and among PSALM and SIPC. Under the said agreement, SIPC assigned all its rights and obligations as BUYER of PB 104 to the Parent Company after PSALM gave its consent pursuant to the provisions of the Asset Purchase Agreement between SIPC and PSALM.

On June 30, 2016, PSALM turned over the PB 104 to the Parent Company and on August 1, 2016, the barge was towed from Davao to Gensan Shipyard and Machine Works, Inc. in Siguil, Tinoto, Maasim, Sarangani Province for dry-docking and rehabilitation. The rehabilitation is expected to be completed in December 2016. Pending completion of the rehabilitation and prior to commercial operation, the acquisition cost of ₱195.4 million and ₱23.5 million (VAT portion) were recognized as "Other noncurrent assets" and "Prepayments and other current assets", respectively, as of June 30, 2016.

c. Others

Except as already discussed in the Management's Discussion and Analysis of Financial Conditions and Results of Operations as well as 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.