

POWER SECTOR ASSETS AND LIABILITIES MANAGEMENT CORPORATION

Balance Sheet

As of December 31, 2005

(With comparative figures for 2004)

| | <u>2005</u> | <u>2004</u> |
|---|--------------------------------|--------------------------------|
| <u>ASSETS</u> | | |
| CURRENT ASSETS | | |
| Cash and Cash Equivalents (Notes 2 & 3) | P 6,785,415,519 | P 6,234,768,465 |
| Receivables (Note 4) | 5,309,406,300 | 5,888,069,547 |
| Inventories (Notes 2 & 5) | 2,294,960 | 1,070,722 |
| Prepaid Charges (Note 6) | 1,223,225 | 1,213,725 |
| Other Current Assets (Note 7) | 2,069,781 | 2,424,120 |
| | <u>12,100,409,785</u> | <u>12,127,546,579</u> |
| NON-CURRENT ASSETS | | |
| Investment in Bonds (Notes 2, 7, 8, 10 & 14, | 14,737,952,073 | 20,149,160,392 |
| Property, Plant and Equipment, net (Notes 2, 7, 9 & 14) | 68,770,628 | 82,965,846 |
| Other Non-Current Assets (Notes 2, 7, 8, 10 & 14, | <u>17,802,479,402</u> | <u>18,035,683,180</u> |
| | <u>32,609,202,103</u> | <u>38,267,809,418</u> |
| OTHER ASSETS - UNIVERSAL CHARGE (Notes 11 & 15) | <u>1,718,876,103</u> | <u>448,399,535</u> |
| TOTAL ASSETS | <u>P 46,428,487,991</u> | <u>P 50,843,755,532</u> |
| <u>LIABILITIES AND EQUITY</u> | | |
| CURRENT LIABILITIES | | |
| Current Portion of Long-Term Liabilities (Notes 10, 12 & 14) | P 2,566,895,665 | P 1,970,157,804 |
| Due to GOCC (Note 13) | 1,739,315,987 | 1,013,389,337 |
| Other Current Liabilities | 129,054,505 | 842,876,454 |
| | <u>4,435,266,157</u> | <u>3,826,423,595</u> |
| LONG-TERM LIABILITIES (Notes 2, 8, 10 & 14) | 39,556,557,416 | 47,757,571,286 |
| TRUST LIABILITIES - UNIVERSAL CHARGE (Notes 11 & 15) | 1,718,876,103 | 448,399,535 |
| EQUITY | <u>717,788,315</u> | <u>(1,188,638,884)</u> |
| TOTAL LIABILITIES AND EQUITY | <u>P 46,428,487,991</u> | <u>P 50,843,755,532</u> |

See accompanying Notes to Financial Statements

POWER SECTOR ASSETS AND LIABILITIES MANAGEMENT CORPORATION

Cash Flow Statement

For the year ended December 31, 2005

(With comparative figures for 2004)

| | <u>2005</u> | <u>2004</u> |
|--|-------------------------------|-------------------------------|
| Cash Flows from Operating Activities | | |
| Cash inflows: | | |
| Collection of receivables | P 725,157 | P 9,976,309 |
| Collection of income | 6,582,249 | 10,836,037 |
| Receipt of performance bonds | 3,313,478 | 83,597 |
| Gain/(Loss) on foreign exchange | (6,182,344) | 1,551,906,834 |
| Refund of overpayment of expenses | 1,305,499 | |
| Net cash inflows | <u>5,744,039</u> | <u>1,572,802,777</u> |
| Cash outflows | | |
| Payment of operating expenses | 146,570,802 | 143,178,983 |
| Payment of payables | 138,032,353 | 197,875,409 |
| Remittance of GSIS,PAG-IBIG/withholding taxes | 36,611,714 | 34,136,199 |
| Purchases of office supplies | 2,489,397 | 3,161,611 |
| Payment of prepaid expenses | 101,936 | 5,795,379 |
| Refund of performance bond | 2,291,630 | |
| Security deposit to LBP | 2,000 | |
| Total cash outflows | <u>326,099,832</u> | <u>384,147,581</u> |
| Total Cash From (Used in) Operating Activities | <u>(320,355,793)</u> | <u>1,188,655,196</u> |
| Cash Flows from Investing Activities | | |
| Cash inflows: | | |
| Proceeds from maturing time deposit | 77,766,063,546 | 30,041,859,096 |
| Receipt of repayment of Nomura bonds | 2,118,000,000 | 6,797,190,012 |
| Total cash inflows | <u>79,884,063,546</u> | <u>36,839,049,108</u> |
| Cash outflows | | |
| Investment in securities | 77,285,619,041 | 30,005,255,408 |
| Purchase of | | |
| Office equipment, furnitures and fixtures | 1,327,760 | 5,051,765 |
| Other property, plant and equipment | 806,689 | |
| Total cash outflows | <u>77,287,753,490</u> | <u>30,010,307,173</u> |
| Total Cash From Investing Activities | <u>2,596,310,056</u> | <u>6,828,741,935</u> |
| Cash Flows from Financing Activities | | |
| Cash inflows: | | |
| Receipt of payment of advances to Bureau of Treasury | 3,785,000,000 | |
| Receipt of payment of advances to National Power Corp. | 1,704,605,277 | |
| Total cash inflows | <u>5,489,605,277</u> | <u>-</u> |
| Cash outflows | | |
| Advances to Bureau of Treasury | 3,785,000,000 | |
| Advances to National Power Corp. | 1,704,605,277 | 5,104,232,132 |
| Remittance to BIR of withholding taxes | | 98,779,390 |
| Payment of assumed RECs loans from NEA | 1,700,307,208 | 1,400,788,313 |
| Other government agencies | 25,000,000 | 49,443,695 |
| Total cash outflows | <u>7,214,912,485</u> | <u>6,653,243,530</u> |
| Total Cash Used in Financing Activities | <u>(1,725,307,208)</u> | <u>(6,653,243,530)</u> |
| Net Increase in Cash & Cash Equivalents | 550,647,054 | 1,364,153,601 |
| Add: Cash and Cash Equivalents - Beginning | 6,234,768,465 | 4,870,614,864 |
| Cash and Cash Equivalents, Ending | <u>P 6,785,415,519</u> | <u>P 6,234,768,465</u> |

See accompanying Notes to Financial Statements.

POWER SECTOR ASSETS AND LIABILITIES MANAGEMENT CORP.

Statement of Income and Expenses

For the year ended December 31, 2005

(With comparative figures for 2004)

| | <u>2005</u> | <u>2004</u> |
|--|------------------------|------------------------|
| INCOME | | |
| Other Receipts <i>(Note 16)</i> | P 5,584,004 | P 1,814,127 |
| EXPENSES | | |
| Personal Services | | |
| Salaries & Wages | 70,650,063 | 57,862,821 |
| Other Compensation | 13,032,450 | 10,922,145 |
| Personnel Benefits Contributions <i>(Note 2)</i> | 9,262,676 | 7,487,324 |
| Other Personnel Benefits Contribution | 4,007,439 | 2,046,230 |
| | <u>96,952,628</u> | <u>78,318,520</u> |
| Maintenance and Other Operating Expenses <i>(Note 17)</i> | | |
| Professional Services | 91,415,335 | 219,228,189 |
| Taxes, Insurance Premiums & Other Fees | 53,258,729 | 10,895,953 |
| Depreciation | 16,416,756 | 14,891,504 |
| Rent Expenses | 8,838,626 | 7,799,128 |
| Communication Expenses | 5,267,237 | 3,919,729 |
| Utility Expenses | 5,165,960 | 4,360,387 |
| Traveling Expenses | 3,180,638 | 2,227,912 |
| Supplies & Materials | 3,059,569 | 2,894,744 |
| Extraordinary & Miscellaneous Expenses | 1,859,937 | 1,870,407 |
| Representation Expenses | 1,142,633 | 965,370 |
| Advertising Expenses | 890,400 | 607,230 |
| Training and Scholarship Expenses | 867,951 | 336,852 |
| Repairs & Maintenance | 819,957 | 812,418 |
| Subscriptions Expenses | 66,665 | 32,123 |
| Membership Dues & Contr. to Organizations | 47,000 | - |
| Rewards & Other Claims | 40,000 | 145,000 |
| Other Maintenance & Operating Expenses | 6,802,381 | 10,969,448 |
| | <u>199,139,774</u> | <u>281,956,394</u> |
| Financial Expenses | | |
| Interest Expense <i>(Note 2)</i> | 1,077,639,188 | 1,260,787,997 |
| Am'rtzn of Assumed REC Loans & Other Charges | 259,143,547 | 198,992,157 |
| Bank Charges | 27,477 | 89,513 |
| | <u>1,336,810,212</u> | <u>1,459,869,667</u> |
| INCOME (LOSS) FROM OPERATIONS | <u>(1,627,318,610)</u> | <u>(1,818,330,454)</u> |
| OTHER INCOME/EXPENSE ACCOUNTS | | |
| Gain on Foreign Exchange <i>(Notes 2 & 18)</i> | 2,611,072,814 | 932,966,236 |
| Interest Income | 878,681,630 | 987,990,553 |
| Miscellaneous Income | 41,762,783 | 63,589,339 |
| | <u>3,531,517,227</u> | <u>1,984,546,128</u> |
| NET INCOME | P <u>1,904,198,617</u> | P <u>166,215,674</u> |

See accompanying Notes to Financial Statements.

POWER SECTOR ASSETS AND LIABILITIES MANAGEMENT CORPORATION
Statement of Changes in Equity
For the year ended December 31, 2005

| | <u>Capital Stock</u> | <u>Additional Paid-in</u> | <u>Reserve</u> | <u>Retained Earnings</u> | <u>Total</u> |
|---|----------------------|-------------------------------|-------------------|------------------------------|-----------------------------|
| Balances - January 1, 2005 | P - | P - | P - | P (1,188,638,884) | P (1,188,638,884) |
| Correction of fundamental errors in 2004 | | | | | - |
| Net over accrual of interest expense on Nomura bond | | | | 2,352,598 | 2,352,598 |
| Over depreciation | | | | 5,554 | 5,554 |
| Recomputation of N.R. Custodio's salary | | | | 4,078 | 4,078 |
| Accomodations/fuel consumption | | | | (107,384) | (107,384) |
| Issued supplies in 2004 | | | | (26,262) | (26,262) |
| Over accrual of interest earned from BSP dollar (\$) deposit | | | | (2) | (2) |
| Net income for the year | | | | 1,904,198,617 | 1,904,198,617 |
| Balances - December 31, 2005 | <u><u>P -</u></u> | <u><u>P -</u></u> | <u><u>P -</u></u> | <u><u>P 717,788,315</u></u> | <u><u>P 717,788,315</u></u> |

See accompanying Notes to Financial Statements.