

**POWER SECTOR ASSETS AND LIABILITIES MANAGEMENT CORPORATION**

**BALANCE SHEET**

December 31, 2007

(With comparative figures for 2006)

(In Philippine Peso)

	Notes	2007	2006
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and Cash Equivalents	2 & 3	29,440,995,614	11,846,343,033
Receivables	4 & 6	5,739,913,577	4,065,466,517
Office Supplies Inventory	2	3,111,005	1,149,964
Other Current Assets	5	3,944,899	3,728,372
<b>Total Current Assets</b>		<b>35,187,965,095</b>	<b>15,916,687,886</b>
<b>Non-Current Assets</b>			
Asset Sale Receivable	4 & 6	2,537,383,432	3,430,046,015
Investment in Bonds	2 & 7	9,069,166,727	10,299,003,647
Property and Equipment, net	2 & 8	71,411,919	68,765,240
Assumed REP Loans	2 & 9	9,049,103,276	10,844,516,683 <sup>1</sup>
Other Non-Current Assets	10	94,380,002	107,251,948
<b>Total Non-Current Assets</b>		<b>20,821,445,356</b>	<b>24,749,583,533</b>
<b>Other Assets</b>			
Electricity Trading	2 & 11	8,157,143	- <sup>2</sup>
Universal Charge	12	849,849,019	582,598,401
Employees' Productivity Improvement Program	13	1,804,200	
<b>Total Other Assets</b>		<b>859,810,362</b>	<b>582,598,401</b>
<b>TOTAL ASSETS</b>		<b>56,869,220,813</b>	<b>41,248,869,820</b>
<b>LIABILITIES AND EQUITY</b>			
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Current Portion of Long-Term Liabilities		2,614,180,578	2,603,720,601
Due to Government Agencies	14	11,253,170,181	8,539,363,832
Other Current Liabilities	15	209,767,328	122,805,665
<b>Total Current Liabilities</b>		<b>14,077,118,087</b>	<b>11,265,890,098</b>
<b>Non-Current Liabilities</b>			
Long- Term Liabilities - net of current portion	16	30,812,614,207	35,368,185,367
		<b>30,812,614,207</b>	<b>35,368,185,367</b>
<b>Other Liabilities</b>			
Electricity Trading	2 & 11	8,157,143	- <sup>2</sup>
Universal Charge	12	849,849,019	582,598,401
Others	13	1,804,200	
<b>Total Other Liabilities</b>		<b>859,810,362</b>	<b>582,598,401</b>
<b>TOTAL LIABILITIES</b>		<b>45,749,542,656</b>	<b>47,216,673,866</b>
<b>EQUITY</b>	17	<b>11,119,678,157</b>	<b>(5,967,804,046)<sup>1</sup></b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>56,869,220,813</b>	<b>41,248,869,820</b>

See accompanying Notes to Financial Statements

<sup>1</sup> Recast to effect the change in amortization policy adopted in the year 2007 based on IAS/PAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors- paragraphs 14, 19 and 22.

<sup>2</sup> The receivables from and payables to arising from the electricity trading were treated under pass through arrangement based on IAS/PAS 39 - Financial Instruments: Recognition and Measurement - paragraphs 17 to 20.

**POWER SECTOR ASSETS AND LIABILITIES MANAGEMENT CORPORATION****STATEMENT OF CASH FLOWS**

For the year ended December 31, 2007

(With comparative figures for 2006)

(In Philippine Peso)

	Note	2007	2006
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipt of Interest Income		743,779,871	256,189,399
Receipt of Performance Bonds/Bid Security		19,312,419	273,143
Collection of Income		9,840,354	761,257,752
Reimbursable Insurance - Pantabangan/Masiway		507,399	
Refund of Overpayment of Expenses		140,059	70,987
Collection of Receivables		14,566	129,607
Payment of Operating Expenses		(223,301,161)	(189,323,415)
Remittance of GSIS,PAG-IBIG/Withholding Taxes		(60,819,015)	(44,225,086)
Payment of Payables		(50,179,011)	(30,888,335)
Purchases of Office Supplies		(5,071,801)	(4,020,273)
Refund of Performance Bond		(3,424,469)	(24,829)
Payment of Prepaid Expenses		(1,568,724)	(771,797)
Net Cash Provided (Used) by Operating Activities		429,230,487	748,667,153
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Proceeds from Sale of GenCo Assets		25,450,463,223	2,569,938,000
Earned Interest from Deferred Payment - GenCo Assets	3 & 6	844,915,730	
Receipt of NPC payment of Nomura Bonds			2,000,000,000
Debt Servicing of NPC Loans from Priva Proceeds		(3,895,728,021)	
Purchase of Property and Equipment		(4,255,492)	(15,742,481)
Other Property, Plant and Equipment		(1,853,049)	(184,474)
Net Cash Provided by Investing Activities		22,393,542,391	4,554,011,045
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Receipt of Payment of Advances to NPC			1,642,000,000
Payment of Assumed RECs Loans from NEA	16	(1,800,329,829)	(1,760,260,000)
Other Government Agencies			(2,122,778)
Net Cash Used by Financing Activities		(1,800,329,829)	(120,382,778)
<b>EFFECT OF FOREIGN EXCHANGE CHANGES ON CASH AND CASH EQUIVALENTS</b>			
		(3,427,790,468)	(121,367,906)
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>21,022,443,049</b>	<b>5,182,295,420</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>		<b>11,846,343,033</b>	<b>6,785,415,519</b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>		<b>29,440,995,614</b>	<b>11,846,343,033</b>

*See accompanying Notes to Financial Statements.*

**POWER SECTOR ASSETS AND LIABILITIES MANAGEMENT CORPORATION****STATEMENT OF CHANGES IN EQUITY**

For the year ended December 31, 2007

(With comparative figures for 2006)

(In Philippine Peso)

	<b>Retained Earnings</b>	<b>Total</b>
Balances - January 1, 2006	717,788,315	717,788,315
Changes in Equity for 2006:		
Net Income for the year	685,413,499	685,413,499
Reduction of expense due to recomputation using Effective Interest Rate Method	8,363,105	8,363,105
Adjustment on over accrual of 2005 interest expense on Nomura bond	7,994,686	7,994,686
Reversal of outstanding balance of prior years Certified Obligations	2,675,144	2,675,144
Adjustment to reflect the correct value of investment in NPC bonds	(1,330,010,492)	(1,330,010,492)
Adjustment on over accrual of 2005 Interest Income on Investment in NPC bond	(4,051,777)	(4,051,777)
Adjustments on reconciliation of office supplies consumption	(945,291)	(945,291)
Non accrual of other MOOE expenses	(608,098)	(608,098)
Additional share in the Phi. Hosting of the 7th ACE Governing Council Meeting (AMEMSOME)	(216,055)	(216,055)
<b>Balances - December 31, 2006</b>	<b>86,403,035</b>	<b>86,403,035</b>
Balances - January 1, 2007	86,403,035	86,403,035
Adjustment on amort'zn of assumed REP loans	(245,296,047)	(245,296,047)
Change in the amortization policy of assumed REP loans (Note 2)	(5,808,911,035)	(5,808,911,035)
Adjusted balances - January 1, 2007	(5,967,804,047)	(5,967,804,047)
Changes in Equity for 2007:		
Net income for the year	17,135,126,786	17,135,126,786
Adjustments in 2006 accruals arising from forex differences:		
Interest expense on Nomura bond	8,120,911	8,120,911
Interest income on investment in NPC bond	(3,815,595)	(3,815,595)
Guaranty fee	149,895	149,895
Adjustment from change in expense sharing between PSALM and NPC in Nomura bonds	(13,559,622)	(13,559,622)
Additional professional fee	(21,174,317)	(21,174,317)
Accrual of NMR success fee for the successful sale of Pantabangan	(5,340,729)	(5,340,729)
Reversal of outstanding balance of prior year's Certified Obligations	3,320,366	3,320,366
Add'l maintenance & other operating expenses	(309,479)	(309,479)
Provision for employee benefits	(15,036,012)	(15,036,012)
<b>Balances - December 31, 2007</b>	<b>11,119,678,157</b>	<b>11,119,678,157</b>

*See accompanying Notes to Financial Statements.*

**POWER SECTOR ASSETS AND LIABILITIES MANAGEMENT CORPORATION**  
**STATEMENT OF INCOME AND EXPENSES**

For the year ended December 31, 2007

(With comparative figures for 2006)

(In Philippine Peso)

	Notes	2007	2006
<b>INCOME</b>	18	<b>20,543,744,002</b>	760,680,053
<b>EXPENSES</b>			
<b>Personal Services</b>			
Salaries & Wages		87,754,204	80,871,559
Personnel Benefits Contribution		11,633,805	10,671,677
Other Compensation		23,278,325	17,168,504
Other Personnel Benefits		7,080,130	5,196,978
		<b>129,746,464</b>	113,908,718
<b>Maintenance and Other Operating Expenses</b>			
Professional Services	19	75,343,782	116,125,601
Depreciation		19,576,041	17,963,126
Utilities		13,618,884	9,466,719
Taxes Insurance Premiums & Other Fees	19	11,658,028	366,455
Rent		11,553,601	10,413,854
Traveling Expenses	19	8,916,041	3,682,826
Supplies & Materials		7,446,311	5,285,299
Communication		7,331,949	5,683,788
Representation		5,521,333	2,784,339
Training and Scholarship		2,688,072	4,782,683
Extraordinary & Miscellaneous Expenses		2,266,383	1,812,235
Advertising		1,710,354	1,058,220
Repairs & Maintenance		1,242,861	1,029,651
Printing and Binding		273,343	627,894
Other Maintenance & Operating Expenses	19	54,850,860	26,592,213
		<b>223,997,843</b>	207,674,903
<b>Financial Expenses</b>			
Am'tzn of Assumed REP Loans & Other Charges	2 & 9	1,822,692,600	1,823,707,251
Interest Expense	16	461,510,624	424,300,976
Financial Charges		35,889,145	35,049,846
		<b>2,320,092,369</b>	2,283,058,073
<b>INCOME (LOSS) FROM OPERATIONS</b>		<b>17,869,907,326</b>	(1,843,961,641)
<b>OTHER INCOME (EXPENSES)</b>			
Gain (Loss) on Foreign Exchange	2 & 20	(1,539,076,162)	1,105,201,352
Interest Income		803,897,898	299,835,824
Miscellaneous Income		397,724	251,426
		<b>(734,780,540)</b>	1,405,288,602
<b>NET INCOME (LOSS)</b>		<b>17,135,126,786</b>	(438,673,039)

See accompanying Notes to Financial Statements.

<sup>1</sup> Recast to effect the change in amortization policy adopted in the year 2007 based on IAS/PAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors - paragraphs 14, 19 and 22.